



Dr A B Xuma Local Municipality  
Annual Financial Statements  
for the year ended June 30, 2023

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## General Information

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### Nature of business and principal activities

Dr A B Xuma Local Municipality previously named eNgcobo Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (No 117 of 1998).

The municipality's operations are governed by:

- Municipal Finance Management Act (No 56 of 2003)
- Municipal Structures Act (No 117 of 1998)
- Municipal Systems Act (No 32 of 2000) and various other acts and regulations

### Executive committee

Mayor

Pr Cllr - S Zangqa

Speaker

Pr Cllr - M Kondile

Chief Whip

Pr Cllr - N Mgidi

Member of Executive Committee

Pr Cllr - N Qotoyi (Portfolio Head: Budget & Treasury Office)  
(Resigned on 27 June 2023)

Pr Cllr - NE Ngwangwa (Portfolio Head: Corporate Services)  
(Resigned on 31 March 2023)

Pr Cllr - S Guma (Portfolio Head: Corporate Services) (Appointed 31 March 2023)

Pr Cllr - N Sipendu (Portfolio Head: Community Services)

Cllr - S Ngxangu (Portfolio Head: IPED) (Resigned on 27 June 2023)

Pr Cllr - N Dayisi (Portfolio Head: SPU)

Pr Cllr - S Ngxangu (Technical Services) (Resigned on 27 June 2023)

Pr Cllr - N Mpoyi-Sirhathaza (MPAC Chairperson) (Appointed on 27 June 2023)

Cllr S Sirataza (MPAC Chairperson) (Resigned on 27 June 2023)

Councillors

W1 - Cllr A Zihlangu

W2 - Cllr B Fihlani

W3 - Cllr LS Dlodlo

W4 - Cllr S Phandle

W5 - Cllr D Ntibane

W6 - Cllr N Ketani

W7 - Cllr N Sifanqala

W8 - Cllr S Ngxangu

W9 - Cllr TS Qoba

W10 - Cllr N Stemele

W11 - Cllr DS Plaatjie

W12 - Cllr S Sirataza

W13 - Cllr S Mfeki

W14 - Cllr S Molo

W15 - Cllr Cllr T Ngxangane

W16 - Cllr NS Mngqanqeni

W17 - Cllr V Matshikitsha

W18 - Cllr M Saki

W19 - Cllr V Mzuku

W20 - Cllr A Mendu

Pr Cllr - N Nomfombo

Pr Cllr - N Sibondana

Pr Cllr - S Guma

Pr Cllr - N Lilane

Pr Cllr - Z Simawo

Pr Cllr - N Yalezo (Resigned on 27 June 2023)

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## General Information

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	Pr Cllr - N Cetman Pr Cllr - T Daniel Pr Cllr - NV Beta Pr Cllr - N Qubuda Pr Cllr - CE Bomela
<b>Grading of local authority</b>	Grade 3
<b>Accounting Officer (Municipal Manager)</b>	KL Mulaudzi
<b>Chief Finance Officer (CFO)</b>	NF Siwahla
<b>Registered office</b>	58 Union Street Engcobo 5050
<b>Postal address</b>	PO Box 24 Engcobo 5050
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor General of South Africa Registered Auditors
<b>Attorneys</b>	Tonise Attorneys PX Limba Attorneys Qotoyi Attorneys
<b>Telephone</b>	047 548 5600
<b>Fax</b>	047 548 1078

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
OTP	Office of the Premier
INEG	Integrated National Electrification Grant
FMG	Financial Management Grant
MDRG	Municipal Disaster Relief Fund

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Officer's Responsibilities and Approval

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The Accounting Officer is required by the Municipal Finance Management Act (No 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 accounting officer is responsible for the preparation of these Annual Financial Statements, which are set out on pages 6 to 84, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) and which I have signed on behalf of the municipality.

The accounting officer certifies that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance and Traditional Affairs' determination in accordance with this Act.

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.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The Annual Financial Statements set out on pages 5 to 85, which have been prepared on the going concern basis, were approved by the Accounting Officer on August 31, 2023 and were signed by:



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**K L Mulaudzi**  
Municipal Manager

Thursday, August 31, 2023

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Officer's Report

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

### 1. Review of activities

#### Main business and operations

The municipality is engaged in Dr A B Xuma Local Municipality and is a South African Category B and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached Annual Financial Statements and do not in our opinion require any further comment.

### 2. Going concern

We draw attention to the fact that at June 30, 2023, the municipality had an accumulated surplus (deficit) of R 560,718,382 and that the municipality's total assets exceed its liabilities by R 560,718,382.

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 are listed below:

(i) The Council adopted the 2023 to 2026 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to supported the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the annual financial statements 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.

### 3. Events after the reporting period

The accounting officer is not aware of any matter or circumstance arising since the end of the year.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Operating lease asset	3	15,856	-
Receivables from exchange transactions	4	266,911	325,532
Statutory receivables	5	3,094,674	2,705,559
VAT receivable	6	7,915,130	4,426,315
Other receivables	7	951,240	166,024
Cash and cash equivalents	8	41,789,665	94,395,761
		<b>54,033,476</b>	<b>102,019,191</b>
<b>Non-Current Assets</b>			
Investment property	9	8,871,615	9,599,180
Property, plant and equipment	10	564,197,761	564,948,237
Intangible assets	11	2,671,992	261,691
Heritage assets	12	2,406,511	2,406,511
		<b>578,147,879</b>	<b>577,215,619</b>
<b>Total Assets</b>		<b>632,181,355</b>	<b>679,234,810</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	13	16,684,388	20,184,262
Payable from non-exchange transactions	14	6,251,259	289,750
Unspent conditional grants and receipts	15	5,832,825	18,020,849
Employee benefit obligation	16	10,636,747	10,370,661
		<b>39,405,219</b>	<b>48,865,522</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	16	4,851,000	4,004,000
Provisions	17	27,206,754	25,955,960
		<b>32,057,754</b>	<b>29,959,960</b>
<b>Total Liabilities</b>		<b>71,462,973</b>	<b>78,825,482</b>
<b>Net Assets</b>		<b>560,718,382</b>	<b>600,409,328</b>
Accumulated surplus		560,718,382	600,409,328
<b>Total Net Assets</b>		<b>560,718,382</b>	<b>600,409,328</b>

AUDITOR GENERAL  
SOUTH AFRICA  
30 NOV 2023

\* See Note 54

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	18	1,138,665	1,106,381
Rental of facilities and equipment	19	360,528	298,379
Interest earned on outstanding refuse debtors	20	299,904	510,156
Agency services	21	1,103,940	1,295,117
Other income	22	4,108,733	4,958,989
Interest received - Investments	23	5,672,206	3,810,952
Actuarial gains	24	1,827,340	2,205,138
<b>Total revenue from exchange transactions</b>		<b>14,511,316</b>	<b>14,185,112</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	7,128,347	6,792,835
Interest earned on outstanding rates debtors	20	1,170,189	653,730
<b>Transfer revenue</b>			
Government grants & subsidies	26	272,138,134	258,659,690
Public contributions and donations	27	2,985	-
Fines	28	67,800	303,200
<b>Total revenue from non-exchange transactions</b>		<b>280,507,455</b>	<b>266,409,455</b>
<b>Total revenue</b>	19	<b>295,018,771</b>	<b>280,594,567</b>
<b>Expenditure</b>			
Employee costs	29	(97,873,172)	(95,261,521)
Remuneration of councillors	30	(16,051,918)	(15,645,680)
Depreciation and amortisation	31	(48,264,061)	(48,876,754)
Impairment losses	32	(65,765,420)	(9,614,597)
Finance costs	33	(3,320,134)	(2,502,820)
Hire of equipment	34	(8,181,576)	(3,534,849)
Debt Impairment	35	(3,708,089)	(1,257,379)
Contracted services	36	(26,920,647)	(19,511,836)
Transfers and Subsidies	37	(4,848,506)	(2,228,299)
Loss on disposal of assets	37	(3,768,357)	(1,486,839)
Operational costs	39	(55,982,631)	(70,011,091)
<b>Total expenditure</b>		<b>(334,684,511)</b>	<b>(269,931,665)</b>
<b>(Deficit) surplus for the year</b>		<b>(39,665,740)</b>	<b>10,662,902</b>

**AUDITOR GENERAL  
SOUTH AFRICA**

**30 NOV 2023**

\* See Note 54



# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	508,004,445	508,004,445
Adjustments		
Prior year adjustments. Note 54	81,741,981	81,741,981
<b>Balance at July 1, 2021 as restated*</b>	<b>589,746,426</b>	<b>589,746,426</b>
Changes in net assets		
Surplus for the year	10,662,902	10,662,902
Total changes	10,662,902	10,662,902
Opening balance as previously reported	533,783,894	533,783,894
Adjustments		
Prior year adjustments. Note 54	66,600,228	66,600,228
<b>Balance at 01 July 2022</b>	<b>600,384,122</b>	<b>600,384,122</b>
Changes in net assets		
Surplus for the year	(39,665,740)	(39,665,740)
Total changes	(39,665,740)	(39,665,740)
<b>Balance at June 30, 2023</b>	<b>560,718,382</b>	<b>560,718,382</b>

Note(s)



\* See Note 54

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Rates, services and other income		9,510,553	10,302,795
Grants		265,940,158	252,829,906
Interest income		5,672,206	3,810,952
		<u>281,122,917</u>	<u>266,943,653</u>
<b>Payments</b>			
Employee costs		(111,436,663)	(109,655,950)
Suppliers		(99,221,463)	(66,767,649)
Other cash item		(25,212)	-
		<u>(210,683,338)</u>	<u>(176,423,599)</u>
<b>Net cash flows from operating activities</b>	41	<b><u>70,439,579</u></b>	<b><u>90,520,054</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(120,403,662)	(95,444,310)
Proceeds from sale of property, plant and equipment	10	157,987	-
Purchase of other intangible assets	11	(2,800,000)	-
		<u>(123,045,675)</u>	<u>(95,444,310)</u>
<b>Net cash flows from investing activities</b>		<b><u>(123,045,675)</u></b>	<b><u>(95,444,310)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(52,606,096)</u></b>	<b><u>(4,924,256)</u></b>
Cash and cash equivalents at the beginning of the year		94,395,761	99,320,017
<b>Cash and cash equivalents at the end of the year</b>	8	<b><u>41,789,665</u></b>	<b><u>94,395,761</u></b>

The accounting policies on pages 14 to 38 and the notes on pages 38 to 88 form an integral part of the annual financial statements.



\* See Note 54

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 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	Reference Note 50
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	1,243,373	-	1,243,373	1,138,665	(104,708)	
Rental of facilities and equipment	535,000	-	535,000	360,528	(174,472)	A1
Interest earned on outstanding debtors	733,600	-	733,600	299,904	(433,696)	
Agency services	2,400,000	-	2,400,000	1,103,940	(1,296,060)	A2
Other revenue	18,777,544	24,688,597	43,466,141	4,108,733	(39,357,408)	A3
Interest received - investment	4,137,714	1,735,826	5,873,540	5,672,206	(201,334)	
<b>Total revenue from exchange transactions</b>	<b>27,827,231</b>	<b>26,424,423</b>	<b>54,251,654</b>	<b>12,683,976</b>	<b>(41,567,678)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	7,144,645	5,742	7,150,387	7,128,347	(22,040)	
Interest earned on outstanding rates debtors	-	643,230	643,230	1,170,189	526,959	

##### Transfer revenue

Government grants & subsidies	257,902,000	21,991,100	279,893,100	272,138,134	(7,754,966)	
Donations	-	-	-	2,985	2,985	
Fines	662,000	(500,000)	162,000	67,800	(94,200)	A4

<b>Total revenue from non-exchange transactions</b>	<b>265,708,645</b>	<b>22,140,072</b>	<b>287,848,717</b>	<b>280,507,455</b>	<b>(7,341,262)</b>	
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<b>Total revenue</b>	<b>293,535,876</b>	<b>48,564,495</b>	<b>342,100,371</b>	<b>293,191,431</b>	<b>(48,908,940)</b>	
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#### Expenditure

Employee costs	(101,017,076)	2,334,110	(98,682,966)	(97,873,172)	809,794	
Remuneration of councillors	(18,027,917)	1,500,000	(16,527,917)	(16,051,918)	475,999	
Depreciation and amortisation	(52,291,389)	-	(52,291,389)	(48,264,061)	4,027,328	A5
Impairment loss	-	-	-	(65,765,420)	(65,765,420)	
Finance costs	-	-	-	(3,320,134)	(3,320,134)	A6
Hire of equipment	(5,000,000)	(3,236,744)	(8,236,744)	(8,181,576)	55,168	
Debt Impairment	(4,139,291)	-	(4,139,291)	(3,708,089)	431,202	A7
Contracted Services	(32,614,000)	3,728,966	(28,885,034)	(26,920,647)	1,964,387	
Transfers and Subsidies	(5,013,087)	-	(5,013,087)	(4,848,506)	164,581	
Operational costs	(49,108,761)	(4,335,474)	(53,444,235)	(55,982,631)	(2,538,396)	

<b>Total expenditure</b>	<b>(267,211,521)</b>	<b>(9,142)</b>	<b>(267,220,663)</b>	<b>(330,916,154)</b>	<b>(63,695,491)</b>	
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<b>Operating deficit</b>	<b>26,324,355</b>	<b>48,555,353</b>	<b>74,879,708</b>	<b>(37,724,723)</b>	<b>(112,604,431)</b>	
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Profit on disposal of assets	-	-	-	(3,768,357)	(3,768,357)	
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Actuarial gains/losses	-	-	-	1,827,340	1,827,340	A8
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	-	-	-	(1,941,017)	(1,941,017)	
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<b>Deficit before taxation</b>	<b>26,324,355</b>	<b>48,555,353</b>	<b>74,879,708</b>	<b>(39,665,740)</b>	<b>(114,545,448)</b>	
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AUDITOR GENERAL

SOUTH AFRICA

30 NOV 2023

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 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	Reference Note 50
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>26,324,355</b>	<b>48,555,353</b>	<b>74,879,708</b>	<b>(39,665,740)</b>	<b>(114,545,448)</b>	

**AUDITOR GENERAL  
SOUTH AFRICA**

**30 NOV 2023**

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 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	Reference Note 50
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Operating lease asset	-	-	-	15,856	<b>15,856</b>	A9
Receivables from exchange transactions	(2,197,600)	2,644,254	<b>446,654</b>	266,911	<b>(179,743)</b>	A10
Statutory receivables	-	-	-	3,094,674	<b>3,094,674</b>	A10
VAT receivable	1,752,734	793,502	<b>2,546,236</b>	7,915,130	<b>5,368,894</b>	A11
Other receivables	-	-	-	951,240	<b>951,240</b>	A12
Cash and cash equivalents	98,101,522	13,396,792	<b>111,498,314</b>	41,789,665	<b>(69,708,649)</b>	A13
	<b>97,656,656</b>	<b>16,834,548</b>	<b>114,491,204</b>	<b>54,033,476</b>	<b>(60,457,728)</b>	
<b>Non-Current Assets</b>						
Investment property	7,852,812	1,972,916	<b>9,825,728</b>	8,871,615	<b>(954,113)</b>	
Property, plant and equipment	494,911,755	63,100,680	<b>558,012,435</b>	564,197,761	<b>6,185,326</b>	A14
Intangible assets	36,303	227,551	<b>263,854</b>	2,671,992	<b>2,408,138</b>	A15
Heritage assets	2,077,261	329,250	<b>2,406,511</b>	2,406,511	-	
	<b>504,878,131</b>	<b>65,630,397</b>	<b>570,508,528</b>	<b>578,147,879</b>	<b>7,639,351</b>	
<b>Total Assets</b>	<b>602,534,787</b>	<b>82,464,945</b>	<b>684,999,732</b>	<b>632,181,355</b>	<b>(52,818,377)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	14,846,437	22,635,689	<b>37,482,126</b>	16,684,383	<b>(20,797,743)</b>	A16
Payables from non-exchange transactions	-	-	-	6,251,259	<b>6,251,259</b>	A16
Unspent conditional grants and receipts	-	-	-	5,832,825	<b>5,832,825</b>	A17
Employee benefit obligation	29,127,784	(13,434,180)	<b>15,693,604</b>	10,636,747	<b>(5,056,857)</b>	A18
	<b>43,974,221</b>	<b>9,201,509</b>	<b>53,175,730</b>	<b>39,405,214</b>	<b>(13,770,516)</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	24,939	(24,939)	-	-	-	
Employee benefit obligation	-	-	-	4,851,000	<b>4,851,000</b>	A18
Provisions	8,054,399	16,582,000	<b>24,636,399</b>	27,206,754	<b>2,570,355</b>	A19
	<b>8,079,338</b>	<b>16,557,061</b>	<b>24,636,399</b>	<b>32,057,754</b>	<b>7,421,355</b>	
<b>Total Liabilities</b>	<b>52,053,559</b>	<b>25,758,570</b>	<b>77,812,129</b>	<b>71,462,968</b>	<b>(6,349,161)</b>	
<b>Net Assets</b>	<b>550,481,228</b>	<b>56,706,375</b>	<b>607,187,603</b>	<b>560,718,387</b>	<b>(46,469,216)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	550,481,228	56,706,375	<b>607,187,603</b>	560,718,382	<b>(46,469,221)</b>	

**AUDITOR GENERAL  
SOUTH AFRICA**

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# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 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	Reference Note 50
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates	5,986,490	5,742	<b>5,992,232</b>	9,510,553	<b>3,518,321</b>	
Service charges	1,004,698	-	<b>1,004,698</b>	-	<b>(1,004,698)</b>	
Grants	258,798,200	14,754,900	<b>273,553,100</b>	265,940,158	<b>(7,612,942)</b>	
Interest income	-	4,871,314	<b>4,871,314</b>	5,672,206	<b>800,892</b>	
Other receipts	20,008,344	25,044,277	<b>45,052,621</b>	-	<b>(45,052,621)</b>	
	<b>285,797,732</b>	<b>44,676,233</b>	<b>330,473,965</b>	<b>281,122,917</b>	<b>(49,351,048)</b>	
<b>Payments</b>						
Suppliers	(215,693,927)	4,902,745	<b>(210,791,182)</b>	(210,683,338)	<b>107,844</b>	
<b>Net cash flows from operating activities</b>	<b>70,103,805</b>	<b>49,578,978</b>	<b>119,682,783</b>	<b>70,439,579</b>	<b>(49,243,204)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(82,576,699)	(42,231,968)	<b>(124,808,667)</b>	(120,403,662)	<b>4,405,005</b>	
Proceeds from sale of property, plant and equipment	1,350,000	-	<b>1,350,000</b>	157,987	<b>(1,192,013)</b>	
Purchase of other intangible assets	-	-	-	(2,800,000)	<b>(2,800,000)</b>	
<b>Net cash flows from investing activities</b>	<b>(81,226,699)</b>	<b>(42,231,968)</b>	<b>(123,458,667)</b>	<b>(123,045,675)</b>	<b>412,992</b>	
Net increase/(decrease) in cash and cash equivalents	(11,122,894)	7,347,010	<b>(3,775,884)</b>	(52,606,096)	<b>(48,830,212)</b>	
Cash and cash equivalents at the beginning of the year	99,320,016	(2,545,199)	<b>96,774,817</b>	94,395,761	<b>(2,379,056)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>88,197,122</b>	<b>4,801,811</b>	<b>92,998,933</b>	<b>41,789,665</b>	<b>(51,209,268)</b>	

**AUDITOR GENERAL  
SOUTH AFRICA**

**30 NOV 2023**

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 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	Reference Note 50
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<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates	5,986,490	5,742	5,992,232	9,510,553	3,518,321	
Service charges	1,004,698	-	1,004,698	-	(1,004,698)	
Grants	258,798,200	14,754,900	273,553,100	265,940,158	(7,612,942)	
Interest income	-	4,871,314	4,871,314	5,672,206	800,892	
Other receipts	20,008,344	25,044,277	45,052,621	-	(45,052,621)	
	<b>285,797,732</b>	<b>44,676,233</b>	<b>330,473,965</b>	<b>281,122,917</b>	<b>(49,351,048)</b>	
<b>Payments</b>						
Suppliers	(215,693,927)	4,902,745	(210,791,182)	(210,683,338)	107,844	
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Purchase of other intangible assets	-	-	-	(2,800,000)	(2,800,000)	
<b>Net cash flows from investing activities</b>	<b>(81,226,699)</b>	<b>(42,231,968)</b>	<b>(123,458,667)</b>	<b>(123,045,675)</b>	<b>412,992</b>	
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Cash and cash equivalents at the beginning of the year	99,320,016	(2,545,199)	96,774,817	94,395,761	(2,379,056)	
<b>Cash and cash equivalents at the end of the year</b>	<b>88,197,122</b>	<b>4,801,811</b>	<b>92,998,933</b>	<b>41,789,665</b>	<b>(51,209,268)</b>	

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1. BASIS OF ACCOUNTING

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 (No 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.

The municipality implemented the Municipal Standard Chart of Accounts(mSCOA) during the period ended 30 June 2023 which is applicable to all municipalities and municipal entities with effect from 1 July 2017 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management, Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

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 and rounded off to the nearest Rand.

#### 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

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 Critical judgements, estimates and assumptions

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:

##### Fair value estimation

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



# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 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. It is reasonably possible that these assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including available of obsolescence or physical damage of an asset, together with economic factors such as exchange rates, inflation and interest.

### 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 17 - Provisions.

### Impairment of receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on the history of payments made for municipal services over the last twelve months.

### Provisions and contingencies

The Landfill Site Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the provision is based on the expected future cost to rehabilitate the various sites discounted back to the statement of financial position date at a risk free rate of 12.62 (2022: 11.05%).

The asset is measured using the cost model:

Subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

If the adjustment results in an addition to the cost of the asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

### Useful lives of property, plant and equipment

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

### 1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	25 - 60
Braai facilities	5
Park furniture	15
Water tanks	10 - 20
Lapas and ablutions	30
Bridges and stormwater	3 - 80
Swimming pool	30
Internal roads and parking	3 - 30
Fences, gates and walls	25 - 30

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- All properties held to earn market related rentals or for capital appreciation, or for both and are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties.
- Land held without determined future use.

### 1.6 Property, plant and equipment

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

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.

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.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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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 municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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.

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

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Item	Average useful life
Infrastructure	3 - 80 years
Buildings	5 - 60 years
Recreational facilities	25 - 30 years
Community assets	5 - 60 years
Libraries	25 - 30 years
Machinery and equipment	2 - 20 years
Transport Assets	5 - 20 years
Furniture and office equipment	5 - 15 years
Computer equipment	5 - 10 years
Finance lease assets	2 - 5 years
Telecommunication equipment	2 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.

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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

### 1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality 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.

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.

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.

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

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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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.

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

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

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

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

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

<b>Item</b>	<b>Useful life</b>
Computer software, other	5 - 15 years

### 1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that the municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 12).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

### Recognition

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

### Initial measurement

Heritage assets are measured at cost.

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

### Subsequent measurement

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

### Impairment

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

### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

### Derecognition

The municipality derecognises heritage asset 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 a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.10 Financial instruments

#### Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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

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

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.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality'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 (or group of financial assets or financial liabilities) 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 municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) 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 (see the Standard of GRAP on Revenue from Exchange Transactions), 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. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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 municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; 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.

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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.

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.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and bank	Financial asset measured at amortised cost
Short term deposits (call accounts)	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease liability	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.



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- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

### Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

### Derecognition

#### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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- The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the municipality adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the municipality obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the municipality recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position

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when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

### Subsequent measurement

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

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

### Derecognition

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

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

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- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

### Subsequent measurement

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

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

### Derecognition

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

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

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### 1.11 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.

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

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 and income tax expense.

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

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.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

#### Identification

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

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

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

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### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

#### Redesignation

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

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### 1.12 Employee benefits

#### Short-term employee benefits

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

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

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

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

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

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

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

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

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



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

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

### 1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the municipality consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.14 Commitments

Items are classified as commitments when an municipality 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 municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.15 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 services performed to date as a percentage of total services to be performed.

#### Interest, royalties and dividends

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends is recognised when:

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.16 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.

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.

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

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

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.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

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

### 1.17 Accounting by principals and agents

#### Identification

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

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

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

#### Identifying whether an entity is a principal or an agent

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

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

#### Binding arrangement

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

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

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### Assessing which entity benefits from the transactions with third parties

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

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

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

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

### Recognition

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

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

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

### 1.18 Comparative figures

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

### 1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the in the statement of financial performance in 9 months 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.

### 1.20 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the 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.

### 1.21 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).

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.22 Use of estimates

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

### 1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.24 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.

### 1.25 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 economic classification linked to performance outcome objectives.

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

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.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.26 Related parties

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.27 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.

### 1.28 Commitments

#### Capital Commitments

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

### 1.29 Value Added Tax (VAT)

The municipality accounts for value added tax on the payment basis i.e only once payment is received from debtors, payment made to creditors, VAT is paid over/received from to SARS. Revenue, expenses and assets are recognised net of the amount of VAT.

The net amount of VAT recoverable from or payable to, the taxation authority is disclosed on the face of the statement of financial position.

No interest is payable to SARS if the VAT is paid over timeously, but interest for the late payments is charged according to SARS.

### 1.30 Recovery of unauthorised, irregular, fruitless and wasteful expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income in the Statement of Financial Performance.

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

### Notes to the Annual Financial Statements

Figures in Rand 2023 2022

#### 2. New standards and interpretations

##### 2.1 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 July 1, 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	April 1, 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	Not yet announced	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	April 1, 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	April 1, 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	Not yet announced	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Impact is currently being assessed
• iGRAP 21: The Effect of Past Decisions on Materiality	April 1, 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	April 1, 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	April 1, 2023	Unlikely there will be a material impact

#### 3. Operating lease asset

Operating lease	15,856	-
<b>Minimum lease payments receivable</b>		
Within 12 months	95,558	-
More than 12 months	294,637	-
	<b>390,195</b>	<b>-</b>

Dr A B Xuma Local Municipality entered into a five year lease agreement with Engcobo Community Radio for the rental of offices. The lease commenced on 01 August 2022 and shall end on 31 July 2027. The lease amount for the first year is R7,500 per month inclusive of VAT. The escalation rate is 10% over the lease period.



# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>4. Receivables from exchange transactions</b>		
Service debtors	255,661	325,532
Rentals	11,250	-
	<b>266,911</b>	<b>325,532</b>
<b>Refuse: ageing</b>		
Current (0-30)	242,391	224,504
31-60 days	93,352	95,532
61-90 days	89,863	91,109
+91 days	3,472,602	3,284,939
Less: Provision for doubtful debt	(3,642,517)	(3,370,552)
	<b>255,691</b>	<b>325,532</b>
<b>Rentals: ageing</b>		
31-60 days	42,300	-
+91 days	30,000	-
Less: Provision for doubtful debt	(61,050)	-
	<b>11,250</b>	<b>-</b>
<b>Financial asset receivables included in receivables from exchange transactions above</b>	<b>266,911</b>	<b>325,532</b>
<b>Total receivables from exchange transactions</b>	<b>266,911</b>	<b>325,532</b>
<b>Residential</b>		
Current (0-30)	95,047	91,089
31-60 days	43,284	41,659
61-90 days	42,415	39,786
+91 days	1,960,870	1,560,129
Less: Provision for doubtful debt	(2,076,808)	(1,664,960)
	<b>64,808</b>	<b>67,703</b>
<b>Business</b>		
Current (0-30)	128,060	112,303
31-60 days	42,520	44,003
61-90 days	40,586	43,076
+91 days	1,410,968	1,582,146
Less: Provision for doubtful debt	(1,543,514)	(1,698,796)
	<b>78,620</b>	<b>82,732</b>
<b>Government</b>		
Current (0-30)	16,471	18,921
31-60 days	6,316	8,794
61-90 days	5,640	7,345
+91 days	82,344	135,969
	<b>110,771</b>	<b>171,029</b>
<b>Agricultural and Other</b>		
Current (0-30)	2,813	2,191
31-60 days	1,223	1,076
61-90 days	1,223	902
+91 days	18,420	6,695
Less: Provision for doubtful debt	(22,194)	(6,796)
	<b>1,485</b>	<b>4,068</b>

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>4. Receivables from exchange transactions (continued)</b>		
<b>Trade and other receivables past due but not impaired</b>		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At June 30, 2023, R 94,299 (2022: R 171,029) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	6,316	8,794
2 months past due	5,640	7,345
3 months past due	82,344	135,969
<b>Reconciliation of provision for impairment of receivables from exchange transactions - All</b>		
Opening balance	3,370,552	2,630,102
Provision for impairment	835,825	740,450
Amounts written off as uncollectible	(502,811)	-
	<b>3,703,566</b>	<b>3,370,552</b>

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>5. Statutory receivables</b>		
Rates	3,068,694	2,548,891
Traffic fines	25,980	156,668
	<b>3,094,674</b>	<b>2,705,559</b>
<b>Rates: ageing</b>		
Current (0-30)	194,751	158,559
31-60 days	111,821	76,688
61-90 days	187,081	49,585
+91 days	14,558,377	11,626,822
Less: Provision for doubtful debt	(11,983,097)	(9,362,762)
	<b>3,068,933</b>	<b>2,548,892</b>
<b>Residential</b>		
Current (0-30)	92,980	81,756
31-60 days	56,191	40,030
61-90 days	87,838	28,206
+91 days	7,040,331	6,233,383
Less: Provision for doubtful debt	(7,152,456)	(6,247,145)
	<b>124,884</b>	<b>136,230</b>
<b>Business</b>		
Current (0-30)	58,268	44,716
31-60 days	32,648	20,931
61-90 days	56,389	9,550
+91 days	4,214,330	3,281,548
Less: Provision for doubtful debt	(4,168,357)	(3,115,617)
	<b>193,278</b>	<b>241,128</b>
<b>Government</b>		
Current (0-30)	36,209	32,088
31-60 days	17,689	15,728
61-90 days	35,560	11,828
+91 days	2,661,310	2,111,891
	<b>2,750,768</b>	<b>2,171,535</b>
<b>Agricultural and Other</b>		
Current (0-30)	7,294	-
31-60 days	5,294	-
61-90 days	7,294	-
+91 days	642,406	-
Less: Provision for doubtful debt	(662,284)	-
	<b>4</b>	<b>-</b>
<b>Traffic fines</b>		
+91 days	1,630,651	1,594,150
Less: Provision for doubtful debt	(1,604,671)	(1,439,374)
	<b>25,980</b>	<b>154,776</b>

### Statutory receivables pledged as security

There were no Statutory receivables that are pledged as security.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 5. Statutory receivables (continued)

#### Statutory receivables past due but not impaired

Receivables from non-exchange transactions of R 2,750,767 (2022: R 2,171,535) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	17,689	15,728
2 months past due	35,560	11,828
3 months past due	2,661,310	2,111,891

#### Reconciliation of provision for impairment of statutory receivables

Opening balance	10,802,136	10,285,207
Provision for impairment	2,704,662	516,929
Amounts written off as uncollectible	(88,254)	-
	<b>13,418,544</b>	<b>10,802,136</b>

Provision for impairment on doubtful debts has not been calculated, this will be calculated at the end of the year.

### 6. VAT receivable

VAT	7,915,130	4,426,315
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### 7. Other receivables

Insurance prepayments (N1)	718,201	-
Debit orders disputed	-	155,317
Staff debtors	10,706	10,706
Amount overpaid to supplier	222,333	-
	<b>951,240</b>	<b>166,023</b>

N1 - In October 2022, the municipality paid insurance premium for twelve months. The cover period is beyond the 30th of June 2023 hence the recognition of a prepayment for the period July to September 2023.

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	36,118,949	2,600,121
Call accounts	5,670,716	91,795,640
	<b>41,789,665</b>	<b>94,395,761</b>

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

#### Cash and cash equivalents pledged as collateral

There were no Cash and Cash equivalents that are pledged as security.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023			2022		
<b>8. Cash and cash equivalents (continued)</b>						
<b>The municipality had the following bank accounts</b>						
Account number / description	Bank statement balances			Cash book balances		
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2023	June 30, 2022	June 30, 2021
First National Bank - Public Sector Cheque Acc - 52171242061	36,119,215	2,600,122	104,356	36,119,215	2,600,122	(336,020)
First National Bank - Municipal Infrastructure Grant Acc - 62095050523	38,023	26,617,475	22,668,601	38,023	26,617,475	22,668,601
First National Bank - VAT Refund Acc - 62095030426	7,169	91,485	21,913,363	7,169	91,485	21,913,363
First National Bank - Finance Management Grant Acc - 62095026524	13,939	4,918	1,322	13,939	4,918	1,322
First National Bank - ELM Main Investment Acc - 62024356570	8,277	30,439,968	47,156,346	8,277	30,439,968	47,156,346
First National Bank - Covid 19 Solidarity Fund Acc - 61217013327	5,581,321	58,318	195,506	5,581,321	58,318	195,506
First National Bank - Equitable Share Acc - 62012728484	5,000	19,845	6,568,988	5,000	19,845	6,568,988
First National Bank - Electrification Grant Acc - 62027299967	5,000	2,550,617	1,150,284	5,000	2,550,617	1,150,284
First National Bank - SMME Support Investment Acc - 62747881739	11,987	701,233	1,627	11,987	701,233	1,627
First National Bank - 74909003217	-	31,311,780	-	-	31,311,780	-
<b>Total</b>	<b>41,789,931</b>	<b>94,395,761</b>	<b>99,760,393</b>	<b>41,789,931</b>	<b>94,395,761</b>	<b>99,320,017</b>

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Investment property

	2023		2022			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	10,336,873	(1,465,258)	8,871,615	10,894,733	(1,295,553)	9,599,180

### Reconciliation of investment property - 2023

Investment property	Opening balance 9,599,180	Disposals (557,860)	Depreciation (169,705)	Total 8,871,615
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### Reconciliation of investment property - 2022

Investment property	Opening balance 9,768,885	Depreciation (169,705)	Total 9,599,180
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### Pledged as security

There were no Investment Properties that are pledged as security.

### Details of property

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.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>9. Investment property (continued)</b>		
<b>Amounts recognised in surplus or deficit</b>		
Rental revenue from Investment property	110,561	40,435

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 10. 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	9,123,000	-	9,123,000	9,123,000	-	9,123,000
Buildings	35,096,045	(8,609,037)	26,487,008	34,428,848	(7,058,410)	27,370,438
Machinery and equipment	46,731,318	(22,041,517)	24,689,801	46,422,173	(18,537,701)	27,884,472
Furniture and office equipment	4,362,921	(2,963,127)	1,399,794	4,383,935	(2,775,035)	1,608,900
Transport Assets	12,030,449	(6,609,102)	5,421,347	11,084,179	(6,902,413)	4,181,766
Computer equipment	8,121,629	(3,249,938)	4,871,691	6,231,816	(2,940,952)	3,290,864
Infrastructure-Roads	667,847,938	(347,784,872)	320,063,066	581,047,933	(275,487,378)	305,560,555
Community	81,647,030	(23,851,270)	57,795,760	80,108,601	(17,989,038)	62,119,563
Work in progress	114,346,294	-	114,346,294	123,808,679	-	123,808,679
<b>Total</b>	<b>979,306,624</b>	<b>(415,108,863)</b>	<b>564,197,761</b>	<b>896,639,164</b>	<b>(331,690,927)</b>	<b>564,948,237</b>



# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 30 June 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers of functions	Depreciation	Impairment loss	Total
Land	9,123,000	-	-	-	-	-	-	9,123,000
Buildings	27,370,438	438,388	(13,526)	248,358	-	(1,556,650)	-	26,487,008
Machinery and equipment	27,884,472	575,210	(107,958)	-	-	(3,612,720)	(49,203)	24,689,801
Furniture and office equipment	1,608,900	266,490	(51,466)	-	-	(412,092)	(12,038)	1,399,794
Transport assets	4,181,766	3,105,852	(367,665)	-	-	(1,386,755)	(111,851)	5,421,347
Computer equipment	3,290,864	3,235,313	(409,527)	-	-	(1,224,228)	(20,731)	4,871,691
Infrastructure-Roads	305,560,555	-	(105,844)	86,992,591	-	(35,315,977)	(37,068,259)	320,063,066
Community	62,119,563	-	(118,782)	1,740,339	-	(4,228,843)	(1,716,517)	57,795,760
Work in progress	123,808,679	112,785,395	(2,161,107)	(88,981,288)	(4,318,563)	-	(26,786,822)	114,346,294
	<b>564,948,237</b>	<b>120,406,648</b>	<b>(3,335,875)</b>	<b>-</b>	<b>(4,318,563)</b>	<b>(47,737,265)</b>	<b>(65,765,421)</b>	<b>564,197,761</b>

#### Reconciliation of property, plant and equipment - 30 June 2022

	Opening balance	Additions	Disposals	Transfers received	Transfer of functions	Depreciation	Impairment loss	Total
Land	9,123,000	-	-	-	-	-	-	9,123,000
Buildings	27,921,796	-	-	928,878	-	(1,480,236)	-	27,370,438
Machinery and equipment	28,518,029	3,342,660	(625,923)	-	-	(3,350,294)	-	27,884,472
Furniture and office equipment	1,716,568	299,468	(33,005)	-	-	(374,131)	-	1,608,900
Transport assets	5,659,760	-	(314,979)	-	-	(1,163,015)	-	4,181,766
Computer equipment	2,380,204	1,736,313	(2,341)	-	-	(823,312)	-	3,290,864
Infrastructure-Roads	333,669,438	-	(509,066)	20,059,499	-	(38,082,837)	(9,576,479)	305,560,555
Community	64,244,688	809,162	-	(21,979,488)	-	(2,934,287)	-	62,119,563
Work in progress	80,498,377	88,729,706	-	(23,439,916)	-	-	-	123,808,679
Telecommunication equipment	265,651	-	(1,525)	-	-	(226,010)	(38,116)	-
	<b>553,997,511</b>	<b>94,917,309</b>	<b>(1,486,839)</b>	<b>(991,111)</b>	<b>(23,439,916)</b>	<b>(48,434,122)</b>	<b>(9,614,595)</b>	<b>564,948,237</b>

Included in transfers is other transfers to the amount of R4 318 563 (2022: R22 918 176) relates to completed electrification projects that were transferred to expenditure.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 10. Property, plant and equipment (continued)

#### Pledged as security

There are no assets pledged as security.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022			
<b>10. Property, plant and equipment (continued)</b>					
<b>Property, plant and equipment in the process of being constructed or developed</b>					
<b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>					
Buildings	9,499,168	2,762,427			
Community assets	16,785,798	18,195,159			
Infrastructure assets	66,932,006	68,320,841			
Electrification projects	48,657,719	36,974,857			
	<b>141,874,691</b>	<b>126,253,284</b>			
<b>Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)</b>					
Engcobo Stadium Project halted due to investigations taking place by CoGTA.	3,780,823	14,870,516			
KwaGcina Electrification Project waiting for Eskom to energise the project.	1,336,942	-			
Hala Electrification Project waiting for Eskom to energise the project.	1,900,272	1,900,272			
Hlophekazi Ward 20 Electrification Project waiting for Eskom to energise the project.	1,304,391	1,304,391			
Mbhekeni Electrification Project waiting for Eskom to energise the project.	347,826	-			
Zabasa Electrification Project halted due poor performance by the service provider. SCM processes have been followed to appoint another service provider	794,531	-			
Ngwemnyama Electrification Project halted due poor performance by the service provider. A new service provider has been appointed and the construction is in progress.	1,396,622	-			
Nogqala Bridge Project halted due poor performance by the service provider. SCM processes have been followed to appoint another service provider	-	-			
Machibini Bridge Project halted due poor performance by the service provider. A new service provider has been appointed and the construction is in progress.	2,409,355	-			
Didi Sithebe Bridge Project halted due poor performance by the service provider. A new service provider has been appointed and the construction is in progress.	15,233,732	-			
Silindini Project waiting for Eskom to energise the project	7,763,449	-			
	<b>36,267,943</b>	<b>18,075,179</b>			
<b>Reconciliation of Work-in-Progress 2023</b>	<b>Buildings</b>	<b>Community</b>	<b>Infra-Roads</b>	<b>Electrification projects</b>	<b>Total</b>
Opening balance	2,762,429	17,280,072	67,656,566	36,109,614	123,808,681
Additions	8,954,958	1,157,065	85,569,779	17,103,593	112,785,395

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand				2023	2022
<b>10. Property, plant and equipment (continued)</b>					
Transfers	(248,358)	(1,740,339)	(86,992,593)	(4,318,581)	(93,299,871)
Write offs	(1,692,553)	-	(157,985)	(310,569)	(2,161,107)
Impairment	-	(11,089,692)	(15,697,129)	-	(26,786,821)
	<b>9,776,476</b>	<b>5,607,106</b>	<b>50,378,638</b>	<b>48,584,057</b>	<b>114,346,277</b>

Reconciliation of Work-in-Progress 2022	Buildings	Community	Infra-Roads	Electrification projects	Total
Opening balance	2,318,329	14,113,554	20,704,892	43,361,602	80,498,377
Additions	1,333,333	3,260,014	67,948,431	16,187,928	88,729,706
Transfers	(889,233)	(93,496)	(20,996,757)	(23,439,916)	(45,419,402)
	<b>2,762,429</b>	<b>17,280,072</b>	<b>67,656,566</b>	<b>36,109,614</b>	<b>123,808,681</b>

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

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

Contracted services	6,904,721	4,502,304
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#### Repairs and maintenance per asset class:

Building and other structures	1,964,641	1,341,846
Tools and equipment	3,612,545	1,900,180
Motor vehicles	658,166	433,270
Roads and stormwater	392,185	229,156
Electricity repairs	277,184	597,852
	<b>6,904,721</b>	<b>4,502,304</b>

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.

The useful life of some of the assets has been re-assessed as at the beginning of the financial year based on the condition of the assets.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 11. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3,076,340	(404,348)	2,671,992	1,364,637	(1,102,946)	261,691

#### Reconciliation of intangible assets - 30 June 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	261,691	2,800,000	(32,608)	(357,091)	2,671,992

#### Reconciliation of intangible assets - 30 June 2022

	Opening balance	Amortisation	Total
Computer software	534,618	(272,927)	261,691

#### Pledged as security

There are no intangible assets pledged as security.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 12. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heroes Park	2,077,261	-	2,077,261	2,077,261	-	2,077,261
Mayoral Chains	329,250	-	329,250	329,250	-	329,250
<b>Total</b>	<b>2,406,511</b>	<b>-</b>	<b>2,406,511</b>	<b>2,406,511</b>	<b>-</b>	<b>2,406,511</b>

#### Reconciliation of heritage assets 2023

	Opening balance	Total
Heroes Park	2,077,261	2,077,261
Mayoral Chains	329,250	329,250
	<b>2,406,511</b>	<b>2,406,511</b>

#### Reconciliation of heritage assets 2022

	Opening balance	Total
Heroes Park	2,077,261	2,077,261
Mayoral Chains	329,250	329,250

#### Condition of heritage assets

The balances reflected above represent the fair value of the assets at the date of acquisition. Heritage assets were assessed for any signs of impairment as at 30 June 2023 and it was found that there were no indications of impairment.

#### Pledged as security

There are no heritage assets pledged as security.

### 13. Payables from exchange transactions

Trade payables	4,693,140	4,383,132
Accruals	756,219	5,280,138
Retention accruals	10,223,552	8,806,084
Department of transport	403,706	1,117,468
Hall and Unknown Deposits	607,771	597,440
	<b>16,684,388</b>	<b>20,184,262</b>

### 14. Payables from non-exchange transactions

Funds owed to National Treasury (Grant rollover not approved)	5,987,063	-
Rates debtors with credit balances	264,196	289,750
	<b>6,251,259</b>	<b>289,750</b>

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>15. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants from other spheres of government</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant (MIG)	-	17,960,063
Municipal Disaster Response Grant	5,832,825	-
Chris Hani District Municipality Grant	-	60,786
	<b>5,832,825</b>	<b>18,020,849</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	18,020,849	-
Additions during the year	81,941,051	68,894,566
Income recognition during the year (including returned to treasury)	(94,129,075)	(50,873,717)
	<b>5,832,825</b>	<b>18,020,849</b>

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited; and

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

See note 26 for reconciliation of grants from National and Provincial Government.

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

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 16. Employee benefit obligation

#### Reconciliation of employee benefit obligation - 2023

	Opening Balance	Additions	Interest cost	Benefits paid	Actuarial gains / (loss)	Total
13th Cheque	1,771,618	2,072,986	-	(1,771,618)	-	2,072,986
Leave accrual	8,084,043	479,718	-	-	-	8,563,761
Long Service Bonus	4,519,000	605,000	452,000	(515,000)	(210,000)	4,851,000
	<b>14,374,661</b>	<b>3,157,704</b>	<b>452,000</b>	<b>(2,286,618)</b>	<b>(210,000)</b>	<b>15,487,747</b>

#### Reconciliation of employee benefit obligation - 2022

	Opening Balance	Additions	Interest cost	Benefits paid	Actuarial gains / (loss)	Total
13th Cheque	1,599,505	172,113	-	-	-	1,771,618
Leave accrual	7,101,905	982,138	-	-	-	8,084,043
Long Service Bonus	3,937,000	577,000	346,000	(480,000)	139,000	4,519,000
	<b>12,638,410</b>	<b>1,731,251</b>	<b>346,000</b>	<b>(480,000)</b>	<b>139,000</b>	<b>14,374,661</b>

Non-current liabilities		4,851,000	4,004,000
Current liabilities		10,636,747	10,370,661
		<b>15,487,747</b>	<b>14,374,661</b>

#### Leave Accrual

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The liability is an estimate of the amount due at the reporting date.

The cost of leave accrual is recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The entity measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The leave accrual is expected to be paid out through the compensated absence of employees in the next 12 months. No leave encashment is made unless an employee has left the municipality.

There are no assets that have been set aside for the leave accrual, these are provided for through the three year MTREF budgeting of employee costs.

#### 13th Cheque

13th cheque accrues to the staff of the municipality on an monthly basis and is paid in the birthday month of the employee. The liability is an estimate of the amount due at the reporting date. The bonus is paid to the employees on their birthday month.

There are no assets that have been set aside for the 13th cheque, these are provided for through the three year MTREF budgeting of employee costs.

#### Long service awards liability

Long Service Awards are provided to employees who achieve certain predetermined milestones of service within the municipality



# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>16. Employee benefit obligation (continued)</b>		
<b>The following members are eligible for long service bonuses:</b>		
In-service members	237	225
Average annual earnings	221,583	216,083
Average age	42.58	41.97
Average past service	8.51	8.01
The earnings disclosed above and used in the valuation include an increase of 5.4% as at 1 July 2023, as per the SALGBC Circular No.: 01/2023.		
<b>Split between short term and long term portion of obligation</b>		
Expected current portion of liability (due within 12 months)	791,000	515,000
Expected non-current portion of liability (due thereafter)	4,060,000	4,004,000
	<b>4,851,000</b>	<b>4,519,000</b>
<b>Unfunded Accrued Liability</b>		
Total value of liabilities	4,851,000	4,519,000
Value of assets	-	-
	<b>4,851,000</b>	<b>4,519,000</b>
<b>Key Actuarial Assumptions used are as follows:</b>		
Discount rate	10.73%	10,6%
General Salary Inflation (long-term)	5.38%	6,74%
Salary increase rate	6.38%	7,74%
Net Effective Discount Rate applied to salary-related Long Service	4.09%	2.65%
Average retirement age	62	62
The next general earnings increase was assumed to take place on 1 July 2023.		
<b>Last Valuation</b>		
The last valuation was performed in July 2022 by One Pangaea Expertise.		
<b>Actuarial Valuation Method</b>		
The Projected Unit Credit Method has been used to value the liabilities. The valuation meets the requirements of GRAP 25 as well as those of Advisory Practice Note 301 issued by the Actuarial Society of South Africa. The valuation was prepared by One Pangaea Expertise and Solutions.		
<b>The amounts recognised in the Statement of Financial Performance are:</b>		
Employee related costs - Current Service Cost	605,000	577,000
Finance Charges - Interest Cost	452,000	346,000
Actuarial Losses / (Gain)	(210,000)	139,000
Expected benefits vesting / paid during the year (N1)	(515,000)	(480,000)
	<b>332,000</b>	<b>582,000</b>

N1 - This is the total value of the long-service awards that were expected to be awarded to eligible employees over the year, based on the data at the previous valuation date. Employees are usually entitled to take this award in whole or in part as cash, with the remainder taken as leave. Therefore, this figure should not be confused as being only the amount of cash paid out in respect of the award. It represents the amount actually paid out in cash and the portion that was either taken or "stored" as leave.

If the actual amount of benefits vested is to be included instead in the above table, then the Actuarial Loss / (Gain) must change to exactly offset the impact, such that the Closing Accrued Liability remains unchanged. For example, if the actual amount of benefits vested was R100,000 lower than the estimate (based on last year's data), then the Actuarial Loss / (Gain) would have to reduce by R100,000 to leave the Closing Accrued Liability as is.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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Figures in Rand 2023 2022

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### 16. Employee benefit obligation (continued)

#### Sensitivity Analysis

	1% decrease R's	2023 valuation basis R's	1% increase R's
<b>Salary Increase Rate</b>			
Employer's accrued liability	4,586,000	4,851,000	5,143,000
Employer's current service cost	598,000	635,000	677,000
Employer's interest cost	450,000	478,000	509,000
<b>Discount Rate</b>			
Employer's accrued liability	5,134,000	4,851,000	4,598,000
Employer's current service cost	675,000	635,000	599,000
Employer's interest cost	461,000	478,000	493,000
	<b>11,904,000</b>	<b>11,928,000</b>	<b>12,019,000</b>

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022			
<b>17. Provisions</b>					
<b>Reconciliation of provisions - 30 June 2023</b>	Opening Balance	Finance costs	Actuarial loss / (gain)	Reversed during the year	Total
Landfill site restoration provision	25,955,960	2,868,134	(1,617,340)	-	27,206,754
<b>Reconciliation of provisions - 30 June 2022</b>	Opening Balance	Finance costs	Actuarial loss / (gain)	Reversed during the year	Total
Landfill site restoration provision	26,143,278	2,156,820	(2,344,138)	-	25,955,960
<b>Environmental rehabilitation provision</b>					
Decommissioning, restoration and similar liabilities: Landfill sites decommissioning is estimated by means of a valuation performed by a professional valuator to determine the future cost of dismantling the landfill site. The cost is then reduced to take into account the time value of money at the weighted average investing rate of the municipality.					
An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph 61 of GRAP 19.					
The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.					
The Landfill Rehabilitation Provision consists of once-off costs to be incurred for rehabilitation of the current operational sites.					
The Landfill Rehabilitation Provision was last calculated by One Pangaea Expertise and Solutions as at 30 June 2023.					
<b>Reconciliation of provision for environmental rehabilitation</b>					
Non-current liabilities				27,206,754	25,955,960
<b>Reconciliation of provision for environmental rehabilitation</b>					
Opening balance	25,955,960	26,143,278			
Interest cost	2,868,134	2,156,820			
Change in discount factor	(1,617,340)	(2,344,138)			
	<b>27,206,754</b>	<b>25,955,960</b>			
<b>The amounts recognised in the Statement of Financial Performance are:</b>					
Balance of change in provision of obligations	(1,617,340)	(2,344,138)			
Interest cost	2,868,134	2,156,820			
	<b>1,250,794</b>	<b>(187,318)</b>			
<b>Unfunded Accrued Liability</b>					
Value of obligation	27,206,754	25,955,960			
Value of assets	-	-			
	<b>27,206,754</b>	<b>25,955,960</b>			
<b>Total raw costs for closure and rehabilitation</b>					
Planning for closure	2,684,320	2,504,641			
Rehabilitation and closure	22,321,321	20,588,690			
Post-Closure monitoring	6,366,375	6,017,725			
Contingencies	3,137,202	2,911,106			
	<b>34,509,218</b>	<b>32,022,162</b>			
<b>Key Actuarial Assumptions used are as follows:</b>					

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>17. Provisions (continued)</b>		
Discount rate (D)	12.62%	11,05%
Consumer price inflation	7.39%	7,23%
Net Discount rate $((1+D)/(1+H)-1)$	4.87%	3,56%
Excavatable cover depth	2.5m	2,5m
Cover to waste ration	1 to 4	1 to 4

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>18. Service charges</b>		
Refuse removal	1,138,665	1,106,381
<b>19. Revenue</b>		
Agency services	1,103,940	1,295,117
Fines	67,800	303,200
Government grants & subsidies	272,138,134	258,659,690
Interest earned on outstanding refuse debtors	299,904	510,156
Interest received - investment	5,672,206	3,810,952
Interest earned on outstanding rates debtors	1,170,189	653,730
Other income	4,108,733	4,958,989
Property rates	7,128,347	6,792,835
Public contributions and donations	2,985	-
Actuarial gains	1,827,340	2,205,138
Rental of facilities and equipment	360,528	298,379
Service charges	1,138,665	1,106,381
	<b>295,018,771</b>	<b>280,594,567</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Agency services	1,103,940	1,295,117
Interest earned on outstanding refuse debtors	299,904	510,156
Interest received - investment	5,672,206	3,810,952
Other income	4,108,733	4,958,989
Rental of facilities and equipment	360,528	298,379
Actuarial gains	1,827,340	2,205,138
Service charges	1,138,665	1,106,381
	<b>14,511,316</b>	<b>14,185,112</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	7,128,347	6,792,835
Interest earned on outstanding rates debtors	1,170,189	653,730
<b>Transfer revenue</b>		
Government grant & subsidies	272,138,134	258,659,690
Fines	2,985	-
Fines	67,800	303,200
	<b>280,507,455</b>	<b>266,409,455</b>
<b>20. Interest earned on outstanding debtors</b>		
Interest earned on outstanding rates debtors	1,170,189	653,730
Interest earned on outstanding refuse debtors	299,904	510,146
	<b>1,470,093</b>	<b>1,163,876</b>
<b>21. Agency services</b>		
Vehicle Registration	1,103,940	1,295,117

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 21. Agency services (continued)

The Municipality is an agent for the Department of Transport wherein it is delegated to register and licence motor vehicles on its behalf.

There are no significant judgements applied in making this assessment.

There are no assets or liabilities that are held or incurred on behalf of the principal and recognised in our financial statements other than those arising from the day to day transacting of the Municipality as an agent i.e. cash collected and owing to the Department of Transport. The risks associated with the principal-agent relationship that exist on any monies collected by the municipality on behalf of the principal lies solely with the municipality.

During the year, all collections made are banked and paid over to the Department of Transport on a monthly basis.

The income due to the municipality according to the agreement is 19% of the amount collected subject to certain conditions as per the Service Level Agreement and National Road Traffic Act, Act 93 of 1996. During the year, a total of R4 686 188 (2022: R7 637 063) was collected gross of commission.

All monies due to the principal were transferred to the principal and R424 173 (2022:R1 117 468) amounts were owing at year end.

Minimal risk was transferred from the Department of Transport, as the principal, to DR AB Xuma Municipality, as the agent, beyond the cash collected on behalf of the principal.

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R1 103 940 (2022: R1 295 117).

### 22. Other income

Agricultural fees	155,347	131,804
Cemetery fees	11,032	6,937
Tender fees	332,105	251,459
Sundry income	61,185	-
Retentions recovered	1,761,049	1,382,132
Clearance certificates	2,128	1,184
Pound fees	30,705	67,841
Entrance fees	11,876	14,282
Building plan fees	33,346	111,625
Rezoning certificates	620	942
Insurance	90,598	64,526
Driver's Licenses and vehicle testing	1,618,742	1,352,017
Recognition of land at fair value	-	1,574,240
	<b>4,108,733</b>	<b>4,958,989</b>

### 23. Interest received

<b>Interest revenue</b>		
Bank - Interest received	5,672,206	3,810,952

### 24. Actuarial gains / (loss)

Actuarial gain and losses for the year are as follows:

Actuarial gains / (loss) from long service employee benefit award	210,000	(139,000)
Actuarial gains / (loss) from provision of landfill site rehabilitation	1,617,340	2,344,138
	<b>1,827,340</b>	<b>2,205,138</b>

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>25. Property rates</b>		
<b>Rates received</b>		
Property rates	7,927,131	7,475,361
Less: Income forgone	(798,784)	(682,526)
	<b>7,128,347</b>	<b>6,792,835</b>
<b>Valuations</b>		
Residential	166,801,500	167,562,500
Commercial	268,159,500	256,757,500
State	225,284,405	225,284,405
Municipal	105,306,500	105,306,500
	<b>765,551,905</b>	<b>754,910,905</b>

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2020 by Redemption Estate Valuers. Annual supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

General rates are as shown in the table below. Rebates of R15,000 and (2022: R15,000) are granted to residential property owners and rebates of 20% of market value are granted for state property owners respectively. Public service infrastructure is exempt on the first 30% of the market value.

Rates are levied on an annual basis with the final date for payment being 30th of June 2023.

Residential	0.0115606	0.0115606
Public Service Infrastructure Properties	0.0028902	0.0028902
Business	0.0149026	0.0142201
Agriculture	0.0028902	0.0028902
Government Properties	0.0149026	0.0149026
Vacant land	0.0147362	0.0147360
	-	-

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>26. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable Share	175,143,000	161,333,000
Electrification Grant	10,560,000	11,150,283
Municipal Infrastructure Grant	57,187,000	67,281,245
Finance Municipal Grant	1,700,000	1,700,000
Office of the Premier : Small Town Revitalisation Grant	20,826,122	12,602,342
EPWP Grant	3,712,000	2,738,000
Chris Hani District Municipality Grant	60,786	950,000
Library Grant	700,000	700,000
LG SETA	182,051	174,566
Municipal Disaster Response Grant	667,175	30,254
Wattle Erradication Grant	1,400,000	-
	<b>272,138,134</b>	<b>258,659,690</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	81,941,051	78,894,566
Unconditional grants received	195,969,122	173,935,342
	<b>277,910,173</b>	<b>252,829,908</b>
<b>National Government</b>		
Balance unspent at beginning of	17,960,065	23,809,593
Current-year receipts	254,802,000	235,615,000
Conditions met - transferred to revenue	(248,969,175)	(241,464,528)
Returned to Treasury (Rollover application not approved)	(17,960,065)	-
	<b>5,832,825</b>	<b>17,960,065</b>
<b>Provincial government</b>		
Balance unspent at beginning of	60,785	41,039
Current-year receipts	21,708,173	17,214,908
Conditions met - transferred to revenue	(21,768,958)	(17,195,162)
	<b>-</b>	<b>60,785</b>
<b>Equitable Share</b>		
The equitable share is an unconditional grant that enables the municipality to provide basic services to poor households, and to enable the municipality to afford basic administrative and governance capacity and perform core municipal functions.		
<b>Electrification Grant</b>		
Balance unspent at beginning of year	-	1,150,284
Current-year receipts	10,560,000	10,000,000
Conditions met - transferred to revenue	(10,560,000)	(11,150,284)
	<b>-</b>	<b>-</b>
This grant is utilised for addressing electrification backlog of all existing and planned residential dwellings (including informal settlements, new, and existing dwellings) and installation of relevant bulk infrastructure.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	17,960,063	22,659,309
Current-year receipts	57,187,000	62,582,000



# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>26. Government grants &amp; subsidies (continued)</b>		
Conditions met - transferred to revenue	(57,187,000)	(67,281,246)
Returned to Treasury (Roll forward application not approved)	(17,960,063)	-
	<b>-</b>	<b>17,960,063</b>

This grants is allocated for the construction of roads. It is used to provide for new, rehabilitation and upgrading of municipal infrastructure as part of upgrading of households, micro enterprises and social institutions.

### Finance Management Grant

Current-year receipts	1,700,000	1,700,000
Conditions met - transferred to revenue	(1,700,000)	(1,700,000)
	<b>-</b>	<b>-</b>

The grant is used to help in implementation of financial management reforms required by the MFMA.

### Office of the Premier : Small Town Revitalisation Grant

Current-year receipts	20,826,122	12,602,342
Conditions met - transferred to revenue	(20,826,122)	(12,602,342)
	<b>-</b>	<b>-</b>

This is a town revitalization project initiated by the Office of the Premier to revitalize eNgcobo town.

### EPWP Grant

Current-year receipts	3,712,000	2,738,000
Conditions met - transferred to revenue	(3,712,000)	(2,738,000)
	<b>-</b>	<b>-</b>

This grant is used for creation of temporary jobs within the municipal area through labour intensive initiatives.

### Municipal Disaster Response Grant

Current-year receipts	6,500,000	-
Conditions met - transferred to revenue	(667,175)	-
	<b>5,832,825</b>	<b>-</b>

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

The grant is used to help in flood intervention measures.

### Library Grant

Current-year receipts	700,000	700,000
Conditions met - transferred to revenue	(700,000)	(700,000)
	<b>-</b>	<b>-</b>

This grants is used for supporting local libraries expenses.

### LG SETA

Current-year receipts	182,051	174,566
Conditions met - transferred to revenue	(182,051)	(174,566)
	<b>-</b>	<b>-</b>

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 26. Government grants & subsidies (continued)

Grant received from SETA and used for employee trainings and development.

#### Chris Hani District Municipality Grant

Balance unspent at beginning of year	60,786	41,040
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	(60,786)	(980,254)
	<u>-</u>	<u>60,786</u>

The money is for Fraud and Corruption awareness campaigns.

#### Wattle Eradication Grant

Current-year receipts	1,400,000	-
Conditions met - transferred to revenue	(1,400,000)	-
	<u>-</u>	<u>-</u>

This grant is used to clear wattle trees along the main roads of Ngcobo area.

### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act 9 of 2022, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 27. Public contributions and donations

Asset donation	<u>2,985</u>	<u>-</u>
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Conditions still to be met - remain liabilities (see note 15)

Provide explanations of conditions still to be met and other relevant information

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>28. Fines</b>		
Traffic fines	67,800	303,200
<b>29. Employee cost</b>		
Basic	64,443,630	63,196,728
Pension Fund, UIF and Medical Aid - Company Contributions	13,346,884	11,824,515
Travel, Motor Car, Subsistence and Other Allowances	10,923,756	10,299,592
Overtime Payments	1,521,141	2,231,686
Long-service awards	329,451	276,737
13th Cheques	4,400,244	3,829,114
Housing Benefits and Allowances	222,582	214,786
Acting allowances	296,412	676,783
Other Employee Related Costs	2,389,072	2,711,580
	<b>97,873,172</b>	<b>95,261,521</b>
<b>30. Remuneration of councillors</b>		
Executive Mayor	956,911	872,902
Speaker	773,871	732,792
Councillors' salaries	14,321,136	14,039,986
	<b>16,051,918</b>	<b>15,645,680</b>
<b>In-kind benefits</b>		
<p>The Mayor, Speaker, the Chief Whip, IPED Portfolio Head and the Finance Portfolio Head are full-time. The Mayor, Speaker and Chief Whip are provided with offices and secretarial support at the cost of the Council.</p> <p>The Mayor and Speaker have use of a Council owned vehicle.</p>		
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	47,737,265	48,434,122
Investment property	169,705	169,705
Intangible assets	357,091	272,927
	<b>48,264,061</b>	<b>48,876,754</b>
<b>32. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	65,765,420	9,614,597
<p>During the year, there were heavy rains that caused a lot of damage to the roads and other infrastructure assets.</p>		
<b>33. Finance costs</b>		
Landfill site provision interest	2,868,134	2,156,820
Long-service award interest	452,000	346,000
	<b>3,320,134</b>	<b>2,502,820</b>

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>34. Hire of equipment</b>		
<b>Motor vehicles</b>		
Vehicle hire	1,179,592	1,121,454
<b>Equipment</b>		
Equipment hire	7,001,984	2,413,395
	<b>8,181,576</b>	<b>3,534,849</b>
<b>35. Debt impairment</b>		
Contributions to debt impairment provision	3,708,089	1,257,379
<b>36. Contracted services</b>		
<b>Outsourced Services</b>		
Email hosting	-	5,366
Awareness campaigns	178,174	126,290
Security Services	8,640,063	7,161,586
<b>Consultants and Professional Services</b>		
Business and Advisory	8,159,641	6,166,747
Legal Cost	3,038,048	1,549,543
<b>Contractors</b>		
Building	1,183,396	1,299,921
Electricity repairs	277,184	288,340
Greening and Beautification	51,713	25,025
Vehicles	658,166	433,270
Maintenance of Buildings and Facilities	729,532	16,900
Maintenance of Equipment	3,612,545	1,900,180
Maintenance of roads	392,185	229,156
Maintenance of traffic and street lights	-	309,512
	<b>26,920,647</b>	<b>19,511,836</b>
Consulting and professional services include:		
<ul style="list-style-type: none"><li>Valuation roll</li><li>Assistance with the preparation of Annual Financial Statements</li><li>Consultants and engineering professional fees</li><li>Contractors are required to provide services that are not the core business of the Municipality.</li></ul>		
<b>37. Transfer and subsidies</b>		
<b>Other subsidies</b>		
Indigent Subsidy and free basic electricity	4,848,506	2,228,299
<b>38. (Loss) / Profit on disposal of assets</b>		
Proceeds from disposals	157,987	-
Carrying amount of assets disposed - PPE	(3,335,875)	(1,486,839)
Carrying amount of assets disposed - Investment Property	(557,860)	-
Carrying amount of assets disposed - Intangible assets	(32,609)	-
	<b>(3,768,357)</b>	<b>(1,486,839)</b>

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>39. Operational costs</b>		
Advertising	1,817,262	1,207,242
Agricultural pilot projects	622,035	1,215,302
Animal feed	53,528	139,198
Audit committee	72,831	431,288
Audit fees	4,592,655	4,101,934
Bank charges	196,825	156,422
Catering	1,408,560	1,948,702
Cleaning	430,493	161,016
Conferences and delegations	20,497	83,642
Disaster support	179,993	31,724
Electricity purchases	1,846,300	1,679,512
Electrification expenses - Transferred to ESKOM	4,318,563	22,918,176
Fraud losses	-	428,228
Fuel & Oil	13,268,661	8,056,161
Insurance	2,243,339	2,378,942
Licence fees	906,026	1,127,002
Membership fees	12,740	1,174,465
Paupers burial	5,500	4,780
Postage	1,824	8,739
Printing & Stationery	1,377,274	721,085
Public participation	1,147,912	760,111
Refuse bags and bins	552,036	479,976
Skills development & capacity building	477,729	1,493,596
Skills development levy	916,570	891,587
Small town revitalisation and SMME support	1,072,570	1,215,502
South Africa Local Government Bargaining Levy	49,304	51,685
Stock and material	496,783	453,863
Telephone & communications	2,322,526	2,964,383
Traditional leaders	72,000	97,548
Training	699,688	997,897
Travel, subsistence & accommodation	8,432,653	7,652,462
Uniforms and overalls	1,529,918	1,035,221
Ward committee programmes	4,071,500	3,409,500
Workmen's Compensation	766,536	534,200
	<b>55,982,631</b>	<b>70,011,091</b>
<b>40. Audit fees</b>		
Fees	4,592,655	4,101,934

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>41. Cash generated from operations</b>		
(Deficit) surplus	(39,665,740)	10,662,902
<b>Adjustments for:</b>		
Depreciation and amortisation	48,264,061	48,876,754
Loss on sale of property, plant and equipment	3,768,357	1,486,839
Recognition of land at fair value	-	(1,574,240)
Impairments of property, plant and equipment	65,765,420	9,614,597
Debt impairment provision	3,118,647	1,257,379
Transfer of functions - to eskom	4,318,563	22,918,176
Donated assets	(2,985)	-
Employee cost - actuarial gains and interest on long service awards	242,000	346,000
Employee cost - Acturial gain on long service awards	90,000	139,000
Other non cash items	(25,203)	-
Contributions to provisions	781,086	(1,057,251)
Landfill site provision interest	1,250,794	2,156,820
<b>Changes in working capital:</b>		
Statutory receivables	(3,241,762)	(3,920,156)
Other receivables	(274,394)	(28,800)
Payables from exchange transactions	(3,499,878)	6,725,640
VAT	(3,488,815)	(1,281,499)
Payables from non-exchange transactions	5,961,509	30,130
Unspent conditional grants and receipts	(12,188,024)	(5,829,784)
Other financial assets	(718,201)	(6,314)
Operating lease asset	(15,856)	3,861
	<b>70,439,579</b>	<b>90,520,054</b>

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>42. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure	228,818,965	45,756,992
• Electrification	4,800,721	687,408
• Capital projects internally funded	4,123,537	2,448,976
	<b>237,743,223</b>	<b>48,893,376</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	237,743,223	48,893,376
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Operating commitments	343,303	766,490
<b>Total operational commitments</b>		
Already contracted for but not provided for	343,303	766,490
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	237,743,223	48,893,376
Authorised operational expenditure	343,303	766,490
	<b>238,086,526</b>	<b>49,659,866</b>

This committed expenditure will be financed by government grants as budgeted by the municipality through the three year MTREF.

### Operating leases - as lessee (expense)

<b>Minimum lease payments due</b>		
- within one year	343,303	432,322
- in second to fifth year inclusive	-	334,168
	<b>343,303</b>	<b>766,490</b>

A lease agreement was signed with Xerox Eastern Cape. The inception date of the lease was 1 May 2021. A monthly fee of R27,327 is payable over a period of 36 months on the lease with no escalation fee.

Another lease agreement between First Rand Limited and the municipality was concluded in the 2019 financial year for the cash management solutions. This lease is for a period of 48 months commencing in December 2019. The fixed monthly fee of R4,350 (excluding VAT) is payable by the municipality to the lessor with no escalation fee.

No contingent rent is payable.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>43. Contingencies</b>		
<b>Contingent liabilities</b>		
Madolo Security Services vs Dr A B Xuma Local Municipality (Case number 970/17) Plaintiff is a security company and they are suing the Municipality for R3,500,000 after their contract was terminated due to the fact that the Municipality lost property during their tenure. The Plaintiff revived the matter and it is now before Court heading for trial.	3,500,000	3,500,000
Sithilanga Kupa vs Dr A B Xuma Local Municipality (Case number 2213/14) Plaintiff sustained injuries following a car accident while driving on a road which was officially closed. He is claiming damages against the Municipality to the amount of R1,400,000. The matter is postponed sine die. The matter is now dormant.	1,400,000	1,400,000
Allenby Housing CC vs Dr A B Xuma Local Municipality (Case number 3882/13) Plaintiff is a service provider of mobile houses and is suing the Municipality for the amount due for services rendered to the value of R350,000. They claimed that the Municipality paid their partner and not them. The matter is dormant.	350,000	350,000
Xoliswa Kula vs Dr A B Xuma Local Municipality (Case number 2760/17) The plaintiff is suing the Municipality for damages of R2,500,000. The plaintiff claims that the Municipality built a gravel road on her property. The case has been postponed sine die. Following our amendment of the plea, Plaintiff seems to have lost interest in the matter.	2,500,000	2,500,000
Nnite Trading Enterprises vs Dr A B Xuma Local Municipality (Case number 409/16) The plaintiff is suing the Municipality for damages of R95,000. The plaintiff is suing the Municipality for services rendered. The case is dormant.	95,000	95,000
Babalwa Vika vs Dr A B Xuma Local Municipality (Case number 78/2022) The plaintiff is suing the municipality for damages caused by a pothole in a to his motor vehicle. No pleadings filed by the plaintiff after the municipality filed its Plea on 11 May 2022.	66,007	66,007
Siseko Mkondweni vs Dr A B Xuma Local Municipality (Case number 583/2023) Dismissed employee is seeking to interdict employer from recruiting his position pending arbitration process.	1,000,000	-
	<b>8,911,007</b>	<b>7,911,007</b>



# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 44. Related parties

#### Relationships

Close family member of key management	Refer below
Joint venture of key management	None identified
Associate of close family member of key management	None identified
Post employment benefit plan for employees of entity and/or other related parties	Refer to note

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

For key management and Councillors remuneration refer to notes 29 and 30.

There are no post-employment benefits for key personnel.

### Related party balances

#### Leave accrual owed to Executive Management

Municipal Manager - K L Mulaudzi	91,518	-
Director: IPED - Z Xuba	133,888	128,309
Chief Finance Officer - NF Siwahla	133,888	133,888
Director Technical Services - B Tutu	133,888	128,309
Acting Director: Technical Services - SE Mkhondweni	-	87,350
Director: Community Services - N Matiwane	61,510	88,253
Director: Corporate Services - M Siqaza	108,784	100,416

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The liability is an estimate of the amount due at the reporting date.

The cost of leave accrual is recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The entity measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The leave accrual is expected to be paid out through the compensated absence of employees in the next 12 months. No leave encashment is made unless an employee has left the municipality.

There are no assets that have been set aside for the leave accrual, these are provided for through the three year MTREF budgeting of employee costs.

### Amounts included in Trade Payables from exchange regarding related parties

#### Backpay

Municipal Manager - K L Mulaudzi	42,134	-
Director: IPED - Z Xuba	100,206	-
Chief Finance Officer - NF Siwahla	100,206	-
Director: Community Services - N Matiwane	100,217	-
Director: Corporate Services - M Siqaza	100,206	-

In July 2023, the council took a resolution to backpay the Section 54 and section 56 managers in line with the *Upper Limits of Total Remuneration Packages Payable to Municipal Managers and Managers Directly Accountable to Municipal Manager*, as published on 18 November 2023.

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# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 44. Related parties (continued)

Remuneration of management

Management class: Councillors

2023

Name	Basic salary	Allowances	Travel allowances	Total
Executive Mayor - Pr Cllr - S Zangqa	912,511	44,400	-	956,911
Speaker - Pr Cllr - M Kondile	552,134	44,400	177,337	773,871
Councillors' salaries	9,959,504	1,651,232	2,710,400	14,321,136
	<b>11,424,149</b>	<b>1,740,032</b>	<b>2,887,737</b>	<b>16,051,918</b>

2022

Name	Basic salary	Allowances	Travel allowances	Re-imbursive travel	Other benefits received	Total
Executive Mayor - Pr Cllr - S Zangqa	867,402	5,500	-	-	-	872,902
Speaker - Appointed on 8th of November 2021 - Pr Cllr - M Kondile	348,891	22,500	100,434	-	-	471,825
Speaker - Term ended on the 31st of October 2021 - Pr Cllr - N Macingwane	189,977	13,600	57,391	-	-	260,968
Councillors	9,485,182	1,415,400	2,603,693	533,015	2,695	14,039,985
	<b>10,891,452</b>	<b>1,457,000</b>	<b>2,761,518</b>	<b>533,015</b>	<b>2,695</b>	<b>15,645,680</b>

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 44. Related parties (continued)

#### Management class: Executive management

2023

Name	Basic salary	Car Allowance	Contributions to UIF, Medical and Pension Funds	Backpay	Acting allowance	Other benefits received	Total
Municipal Manager - KL Mulaudzi (N1)	945,891	317,771	2,067	42,134	-	106,945	1,414,808
Director: IPED - Z Xuba (Acting Municipa Manager) (N2)	697,332	249,047	2,255	100,206	18,093	96,881	1,163,814
Chief Finance Officer - NF Siwahla (N3)	697,332	249,047	2,255	100,206	-	123,836	1,172,676
Director Technical Services - B Tutu (N4)	639,221	228,293	2,067	-	-	82,185	951,766
Acting Director: Technical Services - SE Mkhondweni (N5)	137,637	-	35,026	-	33,392	53,224	259,279
Director: Community Services - N Matiwane	671,983	286,535	2,255	100,217	-	63,364	1,124,354
Director: Corporate Services - M Siqaza	697,332	249,047	2,255	100,206	-	123,921	1,172,761
	<b>4,486,728</b>	<b>1,579,740</b>	<b>48,180</b>	<b>442,969</b>	<b>51,485</b>	<b>650,356</b>	<b>7,259,458</b>

2022

Name	Basic salary	Car Allowance	Contributions to UIF, Medical and Pension Funds	Acting allowance	Re-imbursive travel	Other benefits received	Total
Municipal Manager - M Moyo (N6)	424,657	151,663	1,125	-	8,203	54,599	766,431
Director: IPED - Z Xuba (Acting Municipal Manager) (N2)	697,332	249,047	13,171	108,559	27,914	89,657	1,185,680
Chief Finance Officer - NF Siwahla	697,332	249,047	12,182	-	39,933	89,657	1,088,151
Director: Technical Services - B Tutu	697,332	249,047	10,468	-	-	89,657	1,046,504
Acting Director: Technical Services - SE Mkhondweni (N5)	479,410	249,881	126,000	150,528	-	39,561	1,045,380
Director: Community Services - N Matiwane	668,583	286,535	10,748	-	17,748	38,205	1,021,819
Director: Corporate Services - M Siqaza	697,332	249,047	10,193	-	15,292	89,657	1,061,521
	<b>4,361,978</b>	<b>1,684,267</b>	<b>183,887</b>	<b>259,087</b>	<b>109,090</b>	<b>490,993</b>	<b>7,215,486</b>

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 44. Related parties (continued)

\*Refer to note "Employee related costs"

N1: K L Mulaudzi was appointed as municipal manager from the 1st of August 2022.

N2: Z Xuba was Acting Municipal Manager from January 2022 to July 2022.

N3: Contract ended on the 30th of June 2023.

N4: B. Tutus contract ended on the 31st of May 2023.

N5: SE Mkhondweni was Acting Director: Technical Services from August 2020 to date September 2022.

N6: M Moyo's employment was terminated at the end of December 2021.

### 45. Events after the reporting date

There is no event after the reporting date that management is aware of.

### 46. Irregular expenditure

Opening balance as previously reported	117,321,820	12,263,742
Add: Irregular expenditure - current	61,033,602	41,395,087
Add: Irregular expenditure - prior period	-	63,662,991
Less: Amount written off - current	(166,091,680)	-
<b>Closing balance</b>	<b>12,263,742</b>	<b>117,321,820</b>

### Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 166,091,680 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable and there was value for money obtained by the municipality.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 46. Irregular expenditure (continued)

#### Irregular Expenditure comprises of:

The irregular expenditure amounting to R12 263 742 emanates from the 2018 financial year as a result of electricity projects that were funded by the INEP Grant. Awards were made using Regulation 32 on the BAC of other organs of state. These awards did not have the SCM practitioner and the BAC committee did not contain at least four senior managers, resulting in the expenditure being classed as irregular. The contracts are currently being investigated by MPAC.

An amount of R61 033 602 (2022: R105 058 078) has been recognised in the current year as irregular expenditure. This is due to the municipality procuring services from a panel in contravention of Section 217 of the Constitution of the Republic of South Africa Act of 1996 as well as the PPPFA regulation. No quotations were obtained from the service providers when work was being allocated. Investigations have taken place on these irregular transactions and council has approved their write off.

### 47. Fruitless and wasteful expenditure

Add: Fruitless and wasteful expenditure identified - current	8,540,643	-
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Fruitless and wasteful expenditure is presented inclusive of VAT

Fruitless and wasteful expenditure relates to the contracts terminated during the year and new contractors had to be appointed. The expenditure previously incurred was written off as irrecoverable.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 47. Fruitless and wasteful expenditure (continued)

#### Details of fruitless and wasteful expenditure

##### Disciplinary steps taken/criminal proceedings

Design of municipal offices	None. Matter to be investigated	1,129,472
Construction of Nogqala bridge	None. Matter to be investigated	1,112,400
Construction of Didi-Sithebe Bridge	None. Matter to be investigated	4,866,060
Construction of Machibini Bridge	None. Matter to be investigated	1,432,711
		<b>8,540,643</b>

### 48. Additional disclosure in terms of Municipal Finance Management Act

#### Audit fees

Current year fees	5,281,553	4,101,934
Amount paid - current year	(5,278,890)	(4,101,934)
	<b>2,663</b>	<b>-</b>

#### PAYE and UIF

Current year subscription / fee	14,498,417	13,828,898
Amount paid - current year	(14,498,417)	(13,828,898)
	<b>-</b>	<b>-</b>

#### Pension and Medical Aid Deductions

Current year subscription / fee	21,727,264	19,208,001
Amount paid - current year	(21,727,264)	(19,208,001)
	<b>-</b>	<b>-</b>

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 48. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### VAT

VAT receivable	7,915,130	4,426,315
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All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

There were no Councillors who had arrear accounts outstanding for more than 90 days at June 30, 2023:

#### Supply chain management regulations: Deviations

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

#### Incident

Impractical to follow SCM processes	6,378,757	2,564,145
Emergency	6,636,979	2,252,536
Single service provider	31,223	666,723
	<b>13,046,959</b>	<b>5,483,404</b>

#### SCM regulation 45 disclosures

Aphish Trading (Pty) Ltd Directors wife is employed as a professional nurse by department of health	27,930	-
Perfect Ablution (Pty) Ltd Wife of the director is working for Dr AB Xuma Local Municipality.	36,450	-
Babane Investments (Pty) Ltd Wife of the director is working for Dr AB Xuma Local Municipality.	225,757	-
	<b>290,137</b>	<b>-</b>

### 49. 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 maintenance of cash balances.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 30 June 2023</b>				
Trade and other payables	15,672,911	-	-	-
<b>At 30 June 2022</b>				
Trade and other payables	20,373,230	-	-	-

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 49. Risk management (continued)

#### Interest rate sensitivity analysis

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the council. The utilisation of credit limits is regularly monitored.

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

Financial instrument	2023	2022
Cash and cash equivalents	41,789,931	94,395,766
Trade and other receivables from exchange transactions	413,522	325,532

### 50. Financial instruments disclosure

#### Categories of financial instruments

##### 2023

#### Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	266,911	-	266,911
Cash and cash equivalents	-	41,789,931	41,789,931
	<b>266,911</b>	<b>41,789,931</b>	<b>42,056,842</b>

#### Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	15,672,911	15,672,911

##### 2022

#### Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	325,532	-	325,532
Cash and cash equivalents	-	94,395,766	94,395,766
	<b>325,532</b>	<b>94,395,766</b>	<b>94,721,298</b>

#### Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	18,469,354	18,469,354



# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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2022

### 51. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. 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:

<b>Reportable segment</b>	<b>Goods and/or services</b>
Economic & Environmental Services	Provision of economic development activities in the municipality
Roads & Infrastructure	Construction and maintenance of roads and infrastructure owned by the municipality
Community Services	Construction and maintenance of halls, cemeteries owned by the municipality
Public Safety	Provision of pound services and public safety to the community

#### Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

#### Information about geographical areas

Although the Municipality operates in a number of geographical areas (i.e.wards), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

#### Measurement of specific segment information

The accounting policies of the respective segments are the same as those prescribed in the summary of significant accounting policies.

The Municipality had no changes to the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Roads & Infrastructure	Community Services	Public Safety	Total
<b>Revenue</b>				
<b>Revenue from non-exchange transactions</b>				
Service charges	-	1,138,665	-	1,138,665
Rental of facilities and equipment	-	113,925	-	113,925
Licences and permits	-	-	1,618,742	1,618,742
Agency services	-	-	1,103,940	1,103,940
Other revenue	-	200,703	-	200,703
<b>Revenue from non exchange transactions</b>	-	-	67,800	67,800
Fines penalties and forfeits	77,269,914	4,969,601	-	82,239,515
Transfers and subsidies				
<b>Total segment revenue</b>	<b>77,269,914</b>	<b>6,422,894</b>	<b>2,790,482</b>	<b>86,483,290</b>
Rental of facilities				246,603
Interest earned - External investments				5,672,206
Interest earned - Debtors				1,470,093
Other revenue				2,289,288
Gains				1,827,340
Transfers and subsidies				189,898,619
Property rates				7,128,347
<b>Total revenue reconciling items</b>				<b>208,532,496</b>
<b>Entity's revenue</b>				<b>295,015,786</b>

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 51. Segment information (continued)

	Roads & Infrastructure	Community Services	Public Safety	Total
<b>Expenditure</b>				
Employee related costs	(15,867,598)	(23,509,529)	(6,091,038)	(45,468,165)
Hire of equipment	(4,884,789)	(1,319,335)	-	(6,204,124)
Contracted services	(3,894,741)	(8,261,365)	(31,443)	(12,187,549)
Operating expenditure	(12,679,146)	(10,597,639)	(331,350)	(23,608,135)
<b>Total segment expenditure</b>	<b>(37,326,274)</b>	<b>(43,687,868)</b>	<b>(6,453,831)</b>	<b>(87,467,973)</b>
<b>Total segmental surplus/(deficit)</b>	<b>39,943,640</b>	<b>(37,264,974)</b>	<b>(3,663,349)</b>	<b>(984,683)</b>
Employee costs	(52,405,007)			(52,405,007)
Remuneration of councillors	(16,051,917)			(16,051,917)
Debt impairment	(3,708,089)			(3,708,089)
Finance charges	(3,320,134)			(3,320,134)
Hire of equipment	(1,977,452)			(1,977,452)
Contracted services	(14,733,098)			(14,733,098)
Transfers and subsidies	(4,848,506)			(4,848,506)
Loss on disposal of assets	(3,768,357)			(3,768,357)
Operating expenditure	(32,371,511)			(32,371,511)
Depreciation	(48,264,061)			(48,264,061)
Impairment losses	(65,765,420)			(65,765,420)
Total revenue reconciling items	208,532,496			208,532,496
<b>Entity's surplus (deficit) for the period</b>				<b>(39,665,739)</b>

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2022

Municipal Governance & Administration	Finance & Administration	Economic & Environmental Services	Roads & Infrastructure	Community Services	Public Safety	Total
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# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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	Municipal Governance & Administration	Finance & Administration	Economic & Environmental Services	Roads & Infrastructure	Community Services	Public Safety	Total
<b>51. Segment information (continued)</b>							
<b>Expenditure</b>							
Employee costs	(18,878,041)	(24,550,658)	(2,323,667)	(18,653,489)	(25,018,529)	(5,837,136)	(95,261,520)
Remuneration of councillors	(15,645,680)	-	-	-	-	-	(15,645,680)
Depreciation and amortisation	-	(7,279,230)	-	-	(41,597,524)	-	(48,876,754)
Impairment losses	-	(9,614,597)	-	-	-	-	(9,614,597)
Finance costs	-	(2,502,820)	-	-	-	-	(2,502,820)
Hire of equipment	(1,967,235)	(835,910)	(301,500)	(182,864)	(212,240)	(35,100)	(3,534,849)
Debt impairment	-	(1,257,379)	-	-	-	-	(1,257,379)
Contracted services	(1,734,591)	(5,889,683)	(295,849)	(2,449,739)	(7,813,859)	(1,328,115)	(19,511,836)
Transfers and subsidies	-	(2,228,299)	-	-	-	-	(2,228,299)
Operational costs	(10,904,629)	(18,821,100)	(4,738,209)	(31,707,393)	(3,293,282)	(546,478)	(70,011,091)
Loss of disposal of assets	-	(1,486,840)	-	-	-	-	(1,486,840)
<b>Total segment expenditure</b>	<b>(49,130,176)</b>	<b>(74,466,516)</b>	<b>(7,659,225)</b>	<b>(52,993,485)</b>	<b>(77,935,434)</b>	<b>(7,746,829)</b>	<b>(269,931,665)</b>
<b>Total segmental surplus/(deficit)</b>	<b>18,382,628</b>	<b>31,127,598</b>	<b>(1,412,395)</b>	<b>41,837,902</b>	<b>(73,124,319)</b>	<b>(6,148,512)</b>	<b>10,662,902</b>

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

### Measurement of segment surplus or deficit, assets and liabilities

### Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 52. Budget differences

#### Material differences between budget and actual amounts

- A1 Less revenue was generated due to municipal facilities not rented out as expected as this is a seasonal project depending on the need of facilities by the users.
- A2 Less revenue collected due to system downtime caused by poor network connection and load shedding.
- A3 There was no income to be generated as this mainly includes withdrawals from municipal savings to fund capital projects.
- A4 This is due to Community Safety and Liaison team not implementing traffic laws and regulations.
- A5 Depreciation increased as new assets were transferred from WIP to assets and they were depreciated during the year.
- A6 This is a non-cash item interest for landfill site and long service award which was budgeted under Provisions line item.
- A7 Debt impairment is less than budgeted for as provision for impairment was calculated based on the analysis of each debtor and write offs that were implemented.
- A8 This have been budgeted under employ benefits
- A9 This is due non-payment by tenants
- A10 Debtors increased due to culture of non-payment by debtors
- A11 Other debtors increased due to outstanding VAT refunds which were paid after year end by SARS
- A12 This is a prepayment of insurance
- A13 The variance is due to increased expenditure which resulted in less cash in the bank at year end.
- A13 The variance is due to increased expenditure which resulted in less cash in the bank at year end.
- A14 This is due to projects that have been transferred from WIP to completed projects
- A15 Intangible asset increased due to software that was procured
- A16 Trade and other payables are less than budgeted for as most creditors were paid before year end
- A17 The variance is as a result of Disaster relief grant allocation received on 15 June 2023
- A18 Variance is less than 10% as budget is for current and non-current employee benefit obligation
- A18 Variance is less than 10% as budget is for current and non-current employee benefit obligation
- A19 Provision for landfill site is more than the budgeted amount as it mostly depends on expert calculation

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 53. Going concern

The municipalityThe 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 accounting officer continue to procure funding for the ongoing operations for the municipality.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 54. 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

##### 2021

	Note	As previously reported	Correction of error	Restated
Property, Plant and Equipment - N1		470,799,197	83,198,314	553,997,511
Trade payables from exchange transactions (N1)		(14,334,482)	(2,738,228)	(17,072,710)
Intangible assets - N2		600,414	(65,796)	534,618
Investment property - N3		8,421,194	1,347,691	9,768,885
Accumulated surplus - N4		(508,004,445)	(81,741,981)	(589,746,426)
		<b>(42,518,122)</b>	<b>-</b>	<b>(42,518,122)</b>

##### 2022

	Note	As previously reported	Correction of error	Restated
Intangible assets - N2		263,854	(2,164)	261,690
Investment property - N3		9,825,729	(226,549)	9,599,180
Property, Plant and Equipment - N1		498,995,158	65,953,079	564,948,237
Payables from exchange transactions - N5		(21,060,123)	875,862	(20,184,261)
Accumulated surplus - N4		(533,809,100)	(66,600,228)	(600,409,328)
Statutory receivables (N9)		2,871,583	(166,024)	2,705,559
Other receivables (N9)		-	166,024	166,024
		<b>(42,912,899)</b>	<b>-</b>	<b>(42,912,899)</b>

N1 - Being restatement of PPE after review of the register and identified assets that are on the asset register but not on the ground as well as assets on the register not in existence. Furthermore, there was adjustment relating to changes in useful life on assets that were fully depreciated and correction of misclassified assets and the related depreciation. Furthermore, there were adjustments made to assets where previously unrecognised assets and liabilities were corrected.

N2 - Being restatement of Investment Property after review of the register and identified assets that are on the asset register but not on the ground. Furthermore, there were assets that were identified from the floor which needed to be added to the asset register.

N3 - Being adjustment to investment properties incorrectly recorded

N4 - Being the effect of restatements to the accumulated surplus.

N5 - Being reversal of accruals incorrectly raised.

#### Statement of financial performance



# Dr A B Xuma Local Municipality

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## Notes to the Annual Financial Statements

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<b>54. Prior-year adjustments (continued)</b>				
<b>2022</b>				
	Note	As previously reported	Correction of error	Restated
Depreciation - N6		(32,388,053)	(16,488,701)	(48,876,754)
Impairment losses - N7		(10,971,881)	1,357,284	(9,614,597)
Loss on disposal of assets - N8		(1,476,501)	(10,338)	(1,486,839)
Surplus for the year		(25,804,657)	15,141,755	(10,662,902)
<b>Surplus for the year</b>		<b>(70,641,092)</b>	<b>-</b>	<b>(70,641,092)</b>

N6 - Being adjustment to depreciation after restatements of assets.

N7 - Being adjustment to impairment after restatements of assets.

N8 - Being adjustment to depreciation after restatements of assets.

N9 - There is an amount owed by staff and as well as disputed debit orders which had previously been classified as Statutory receivables incorrectly.

# Dr A B Xuma Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 55. Reclassification of comparative information

During the year, the municipality reclassified grants received from Chris Hani District Municipality and combined them to be one.

The following grants were combined together:

#### Unspent conditional Grant: Note 15

Chris Hani District Municipality Infrastructure Grant	R 50 000
Chris Hani District Municipality - Whistle blowing facilities	R 10 786

The combined grants are now disclosed as follows:

Chris Hani District Municipality Grant	R 60 786
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#### Government grants & subsidies: Note 26

Chris Hani District Municipality Infrastructure Grant	R 950 000
Municipal Disaster Response Grant	R 30 254

The combined grants are now disclosed as follows:

Chris Hani District Municipality Grant	R 980 254
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The above transactions have no effect on the statement of financial performance or financial position.

