Nquthu Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: MunicipalStructures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of infrastructure and services to communities in a sustainable manner in order to promote social and economic development, and to promote a safe and healthy environment.
Mayor	Cllr I.L Shabalala
Deputy Mayor	Cllr M.R Ngobese
Speaker	Cllr N.M Buthelezi
Councillors	Cllr Z Sithole - Exco Member
	Cllr B.S Chambule - Exco Member
	Cllr N.S Mkhize - Exco Member
	Cllr T.J Motloung - Exco Member
	Cllr S.D Masimula - Exco Member
	Cllr M.E Mnguni - Chief Wip
	Cllr S.M Buthelezi
	Cllr J.N Khoza
	Cllr T.A Dlamini
	Cllr S.M.C Zikode
	Cllr S.M Kunene
	Cllr L.S Hoffman
	Cllr C.T Buthelezi
	Cllr N.M Khanya
	Cllr N.M Zungu (MPAC Chairperson)
	Cllr C.S Thusini
	Cllr L Mkhwanazi
	Cllr S.S Langa
	Cllr S.B Simelane
	Cllr M.I Khoza
	Cllr S. Radebe
	Cllr Z Ndlovu
	Cllr P.W.J Buthelezi
	Cllr M.C Mnguni
	Cllr T.M Hadebe
	Cllr S.H Ngobese (17 November 2021 - 24 August 2022)
	Cllr K.A Masinga (17 November 2021 - 24 August 2022)
	Cllr S Ngcobo
	Cllr R.A Ndlovu
	Cllr S.Y Nyoka
	Cllr G.A.N Buthelezi
	Cllr S.G Hlatshwayo
	Cllr Q.M Ngobese
	Cllr CN Skosana
	Cllr MM Sibiya (from 1 September 2022)
	Cllr FP Hlatshwayo (from 1 September 2022)

General Information

Amakhosi	Inkosi M.P.M Mazibuko Inkosi T.J Ngobese Inkosi F.P Hlatshwayo Inkosi PBN Molefe Inkosi ND Mncube Inkosi S.K Sithole
Accounting Officer	MR M.B Jiyane
Chief Finance Officer (CFO)	MR B.H Bhengu
Registered office	Municipal Building 83/11 Mdlalose Nquthu 3135
Business address	Municipal Building 83/11 Mdlalose Street Nquthu 3135
Bankers	ABSA South Africa
Auditors	Auditor General of South Africa
Attorneys	Rose Pereira Correira Attorneys

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The reports and statements set out below comprise the annual financial statements presented to the Municipal council:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
PAYE	Pay as you earn
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
SALGA	South African Local Government Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart of Accounts
SDL	Skills Development Levy

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 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 grant allocation through Division of Revenue Act (DORA) 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, they are supported by the municipality's governance structures.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 30&31 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the audit committee on 30 June 2023 and were signed on behalf of the council by:

Accounting Officer
MR M.B Jiyane

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2023.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 meetings were held.

Name of member	Number of meetings attended
Mr. GS Majola (Chairperson)	4
Ms. PSN Sihlongonyane	4
Ms. NH Thungo	4
Mr. Z Zulu	4

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA , Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

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Chairperson of the Audit Committee

Date: ______________________

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in local government and operates in South Africa. The municipality is charged with the responsibility of providing services such as refuse management, electricity, law enforcement, etc to communities in a sustainable manner to promote social and economic development, and to promote a safe and healthy environment and operates principally in South Africa].

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of 734 780 232 and that the municipality's total assets exceed its liabilities by 734 921 574.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

Adjusting Events
The council approved a write off of R 69 894 324 on 27 July 2023, for unauthorised expenditure that was incurred in prior years.

The council approved a write off of R 71 843 on 27 July 2023, for fruitless and wasteful expenditure incurred in prior years
The council approved a write off of an amount of R 132 943 on 27 July 2023, the amount was included in other receivables.

4. Accounting Officer

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

Name	Nationality
Mr MB Jiyane	South African

The annual financial statements set out on page 8 , which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

Accounting Officer
MR M.B Jiyane

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	1 528 203	2 028 225
Operating lease asset	4	107 597	145 890
Receivables from non-exchange transactions	5	24 625 032	11 841 970
Other receivables from exchange transactions	9	3 139 095	326 477
VAT receivable	6	3 155 257	3 261 481
Receivables from exchange transactions	7	4 830 215	3 816 174
Cash and cash equivalents	8	108 853 798	130 495 451
		146 239 197	**151 915 668**
Non-Current Assets			
Investment property	10	41 405 390	41 472 051
Property, plant and equipment	11	632 548 035	588 858 228
Intangible assets	12	16 285	24 428
Heritage assets	13	78 888	78 888
		674 048 598	**630 433 595**
Total Assets		**820 287 795**	**782 349 263**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	69 817 087	53 850 543
Consumer deposits	15	545 036	526 908
Long service award	16	483 000	473 000
Unspent conditional grants and receipts	17	388 834	376 834
Provisions	18	8 444 305	8 665 984
		79 678 262	**63 893 269**
Non-Current Liabilities			
Long service award	16	4 058 000	3 949 000
Provisions	18	1 629 959	2 232 839
		5 687 959	**6 181 839**
Total Liabilities		**85 366 221**	**70 075 108**
Net Assets		**734 921 574**	**712 274 155**
Reserves			
Housing Development fund	20	141 342	133 710
Accumulated surplus		734 780 232	712 140 445
Total Net Assets		**734 921 574**	**712 274 155**

* See Note 45

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	23 571 545	25 105 306
Construction contract revenue	22	5 795 021	26 801 746
Rental of facilities and equipment	23	792 131	769 443
Other income	24	572 943	992 935
Interest revenue	25	10 948 772	7 574 464
Total revenue from exchange transactions		**41 680 412**	**61 243 894**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	36 644 801	47 110 863
Property rates - penalties imposed	26	1 885 688	2 881 794
Licences and Permits	27	956 938	1 022 912
Transfer revenue			
Government grants & subsidies	28	212 625 046	196 747 761
Fines, Penalties and Forfeits	29	827 540	671 568
Donation Income		2 005 220	-
Total revenue from non-exchange transactions		**254 945 233**	**248 434 898**
Total revenue		**296 625 645**	**309 678 792**
Expenditure			
Employee related costs	30	(87 795 683)	(88 735 878)
Remuneration of councillors	31	(13 461 732)	(13 085 499)
Depreciation and amortisation	32	(26 865 757)	(24 813 357)
Finance costs	33	(277 379)	(189 228)
Lease rentals on operating lease	34	(399 305)	(333 367)
Bad debts written off		(151 440)	-
Inventory Consumed	3	(1 501 084)	(437 128)
Bulk purchases	36	(31 383 891)	(30 663 273)
Contracted services	37	(49 389 255)	(65 545 458)
Construction contract expenditure	22	(5 795 021)	(26 801 746)
General Expenses	38	(58 531 867)	(47 102 719)
Total expenditure		**(275 552 414)**	**(297 707 653)**
Operating surplus		**21 073 231**	**11 971 139**
Profit/(Loss) on disposal of assets	11	28 083	(54 492)
Actuarial gain/(losses)	16	499 456	(149 583)
Impairment of assets	39	(3 831 677)	(614 745)
Inventories losses/write-downs	3	-	(45 509)
Debt impairment (loss)/Reversal	35	4 870 693	(13 964 781)
		1 566 555	**(14 829 110)**
Surplus (deficit) for the year		**22 639 786**	**(2 857 971)**

* See Note 45

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Housing development fund	Accumulated surplus	Total net assets
Opening balance as previously reported		130 173	718 001 653	718 131 826
Adjustments				
Correction of errors	45	-	(3 003 236)	(3 003 236)
Balance at 01 July 2021 as restated*		**130 173**	**714 998 417**	**715 128 590**
Changes in net assets				
Interest received		3 537	-	3 537
Surplus for the year as previously reported		-	10 497 997	10 497 997
Correction of errors	45	-	(13 355 969)	(13 355 969)
Net income (losses) recognised directly in net assets		3 537	(2 857 972)	(2 854 435)
Total recognised income and expenses for the year		3 537	(2 857 972)	(2 854 435)
Total changes		3 537	(2 857 972)	(2 854 435)
Restated* Balance at 01 July 2022		**133 710**	**712 140 446**	**712 274 156**
Changes in net assets				
Interest received		7 632	-	7 632
Net income (losses) recognised directly in net assets		7 632	-	7 632
Surplus for the year		-	22 639 786	22 639 786
Total recognised income and expenses for the year		7 632	22 639 786	22 647 418
Total changes		7 632	22 639 786	22 647 418
Balance at 30 June 2023		**141 342**	**734 780 232**	**734 921 574**
Note(s)		20		

* See Note 45

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property rates		32 029 419	32 094 781
Sale of goods and services		24 903 465	28 891 071
Grants		212 625 046	196 747 760
Interest income		10 348 555	7 574 464
Housing development income		-	1 643 462
INEP Grant receipt		5 795 021	25 158 284
		285 701 506	292 109 822
Payments			
Employee costs		(102 090 960)	(98 104 010)
Suppliers		(123 909 967)	(131 491 771)
Finance costs		-	(254)
Housing development expenditure		-	(1 643 462)
INEP Projects paid		(5 795 021)	(25 158 030)
		(231 795 948)	(256 397 527)
Net cash flows from operating activities	41	**53 905 558**	**35 712 295**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(75 547 211)	(103 416 494)
Cash flows from financing activities			
Finance lease payments		-	(20 306)
Net increase/(decrease) in cash and cash equivalents		**(21 641 653)**	**(67 724 505)**
Cash and cash equivalents at the beginning of the year		130 495 451	198 219 956
Cash and cash equivalents at the end of the year	8	**108 853 798**	**130 495 451**

* See Note 45

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	43 969 538	(13 362 543)	**30 606 995**	23 571 545	**(7 035 450)**	21&54
Construction contracts	-	-	**-**	5 795 021	**5 795 021**	
Rental of facilities and equipment	592 350	58 325	**650 675**	792 131	**141 456**	23&54
Other income	420 429	4 822	**425 251**	572 943	**147 692**	24&54
Interest revenue	3 027 261	5 102 458	**8 129 719**	10 948 772	**2 819 053**	25&54
Total revenue from exchange transactions	**48 009 578**	**(8 196 938)**	**39 812 640**	**41 680 412**	**1 867 772**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	41 056 984	(2 395 913)	**38 661 071**	36 644 801	**(2 016 270)**	26&54
Property rates - penalties imposed	4 199 589	(2 615 775)	**1 583 814**	1 885 688	**301 874**	26&54
Licences and Permits	884 245	(116 411)	**767 834**	956 938	**189 104**	27&54
Transfer revenue						
Government grants & subsidies	221 822 000	364 046	**222 186 046**	212 625 046	**(9 561 000)**	28&54
Fines, Penalties and Forfeits	-	-	**-**	827 540	**827 540**	29&54
Donationa Income	-	-	**-**	2 005 220	**2 005 220**	54
Total revenue from non-exchange transactions	**267 962 818**	**(4 764 053)**	**263 198 765**	**254 945 233**	**(8 253 532)**	
Total revenue	**315 972 396**	**(12 960 991)**	**303 011 405**	**296 625 645**	**(6 385 760)**	
Expenditure						
Personnel	(116 779 149)	18 646 198	**(98 132 951)**	(87 795 683)	**10 337 268**	30&54
Remuneration of councillors	(19 860 993)	5 696 680	**(14 164 313)**	(13 461 732)	**702 581**	31&54
Depreciation and amortisation	(23 372 358)	-	**(23 372 358)**	(26 865 757)	**(3 493 399)**	31&54
Impairment loss	-	-	**-**	(3 831 677)	**(3 831 677)**	39&54
Finance costs	-	-	**-**	(277 379)	**(277 379)**	33&54
Lease rentals on operating lease	(434 783)	-	**(434 783)**	(399 305)	**35 478**	34&54
Debt Impairment	(6 800 000)	-	**(6 800 000)**	-	**6 800 000**	35&54
Bad debts written off	-	-	**-**	(151 440)	**(151 440)**	54
Inventory consumed	(23 072 770)	(927 900)	**(24 000 670)**	(1 501 084)	**22 499 586**	3&54
Bulk purchases	(32 528 126)	-	**(32 528 126)**	(31 383 891)	**1 144 235**	36&54
Contracted Services	(36 622 391)	(12 728 346)	**(49 350 737)**	(49 389 255)	**(38 518)**	37&54
Transfers and Subsidies	(7 867 073)	(339 000)	**(8 206 073)**	-	**8 206 073**	54
Construction contract expenditure	-	-	**-**	(5 795 021)	**(5 795 021)**	22&54
General Expenses	(43 347 551)	(8 673 508)	**(52 021 059)**	(58 531 867)	**(6 510 808)**	38&54
Total expenditure	**(310 685 194)**	**1 674 124**	**(309 011 070)**	**(279 384 091)**	**29 626 979**	
Operating surplus	**5 287 202**	**(11 286 867)**	**(5 999 665)**	**17 241 554**	**23 241 219**	
Gain on disposal of assets and liabilities	-	-	**-**	28 083	**28 083**	11&54
Actuarial gains/losses	-	-	**-**	499 456	**499 456**	16&54

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Debt impairment reversal	-	-	-	4 870 693	**4 870 693**	35&54
	-	**-**	**-**	**5 398 232**	**5 398 232**	
Surplus before taxation	**5 287 202**	**(11 286 867)**	**(5 999 665)**	**22 639 786**	**28 639 451**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**5 287 202**	**(11 286 867)**	**(5 999 665)**	**22 639 786**	**28 639 451**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 476 329	551 897	**2 028 226**	1 528 203	**(500 023)**	3&54
Operating lease asset	-	-	**-**	107 597	**107 597**	4&54
Receivables from non-exchange transactions	75 541 539	(34 718 635)	**40 822 904**	24 625 032	**(16 197 872)**	5&54
Other receivables from exchange transactions	863 598	(808 767)	**54 831**	3 139 094	**3 084 263**	9&54
VAT receivable	44 417 867	175 063 138	**219 481 005**	3 155 257	**(216 325 748)**	6&54
Receivable from Exchange Transactions	15 662 802	(4 307 577)	**11 355 225**	4 830 215	**(6 525 010)**	7&54
Cash and cash equivalents	126 225 993	(114 741 364)	**11 484 629**	108 853 798	**97 369 169**	8&54
	264 188 128	**21 038 692**	**285 226 820**	**146 239 196**	**(138 987 624)**	
Non-Current Assets						
Investment property	99 873 632	(80 502 581)	**19 371 051**	41 405 390	**22 034 339**	10&54
Property, plant and equipment	568 209 072	83 862 054	**652 071 126**	632 548 035	**(19 523 091)**	11&54
Long term receivables	-	145 890	**145 890**	-	**(145 890)**	
Intangible assets	36 642	529 143	**565 785**	16 285	**(549 500)**	12&54
Heritage assets	78 888	-	**78 888**	78 888	**-**	13&54
	668 198 234	**4 034 506**	**672 232 740**	**674 048 598**	**1 815 858**	
Total Assets	**932 386 362**	**25 073 198**	**957 459 560**	**820 287 794**	**(137 171 766)**	
Liabilities						
Current Liabilities						
Finance lease obligation	222 776	(202 470)	**20 306**	-	**(20 306)**	54
Payables from exchange transactions	32 837 209	29 492 619	**62 329 828**	69 809 595	**7 479 767**	14&54
VAT payable	(1 079 380)	175 139 830	**174 060 450**	-	**(174 060 450)**	6&54
Consumer deposits	501 753	1 563 129	**2 064 882**	545 036	**(1 519 846)**	15&54
Long service award	-	-	**-**	483 000	**483 000**	16&54
Unspent conditional grants and receipts	11 099 880	(9 671 897)	**1 427 983**	388 834	**(1 039 149)**	17&54
Provisions	40 355 043	(27 006 564)	**13 348 479**	8 444 305	**(4 904 174)**	18&54
	83 937 281	**169 314 647**	**253 251 928**	**79 670 770**	**(173 581 158)**	
Non-Current Liabilities						
Long service award	783 585	2 016 153	**2 799 738**	4 058 000	**1 258 262**	16&54
Provisions	1 629 959	-	**1 629 959**	1 629 959	**-**	18&54
	2 413 544	**2 016 153**	**4 429 697**	**5 687 959**	**1 258 262**	
Total Liabilities	**86 350 825**	**171 330 800**	**257 681 625**	**85 358 729**	**(172 322 896)**	
Net Assets	**846 035 537**	**(146 257 602)**	**699 777 935**	**734 929 065**	**35 151 130**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Housing Development fund	120 032	13 676	**133 708**	141 342	**7 634**	20&54
Accumulated surplus	845 915 505	(146 271 278)	**699 644 227**	734 787 723	**35 143 496**	
Total Net Assets	**846 035 537**	**(146 257 602)**	**699 777 935**	**734 929 065**	**35 151 130**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	45 615 000	(18 934 000)	**26 681 000**	32 029 419	**5 348 419**	26&54
Sale of goods and services	31 886 000	(5 783 000)	**26 103 000**	23 730 305	**(2 372 695)**	21&54
Grants	200 944 000	11 693 000	**212 637 000**	212 625 046	**(11 954)**	28&54
Interest income	2 760 000	4 540 000	**7 300 000**	10 948 772	**3 648 772**	25&54
INEP grant receipt	9 549 000	-	**9 549 000**	5 795 021	**(3 753 979)**	54
Other Revenue	1 827 000	8 000	**1 835 000**	572 943	**(1 262 057)**	24&54
	292 581 000	**(8 476 000)**	**284 105 000**	**285 701 506**	**1 596 506**	
Payments						
Employee costs	(136 640 000)	24 343 000	**(112 297 000)**	(102 090 960)	**10 206 040**	30&54
Suppliers	(34 714 000)	(198 883 000)	**(233 597 000)**	(123 909 967)	**109 687 033**	54
INEP Projects paid	-	-	**-**	(5 795 021)	**(5 795 021)**	54
	(171 354 000)	**(174 540 000)**	**(345 894 000)**	**(231 795 948)**	**114 098 052**	
Net cash flows from operating activities	**121 227 000**	**(183 016 000)**	**(61 789 000)**	**53 905 558**	**115 694 558**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(45 470 000)	(46 288 000)	**(91 758 000)**	(75 547 211)	**16 210 789**	11&54
Cash flows from financing activities						
Increase in other liabilities	-	1 563 000	**1 563 000**	-	**(1 563 000)**	15&54
Net increase/(decrease) in cash and cash equivalents	75 757 000	(227 741 000)	**(151 984 000)**	(21 641 653)	**130 342 347**	
Cash and cash equivalents at the beginning of the year	168 493 000	(37 990 000)	**130 503 000**	130 226 072	**(276 928)**	
Cash and cash equivalents at the end of the year	**244 250 000**	**(265 731 000)**	**(21 481 000)**	**108 584 419**	**130 065 419**	
Reconciliation						

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period

1.1 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.

1.2 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key 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. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of operational factors together with economic factors.

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 18 - Provisions.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Allowance for doubtful debts

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

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. .

Additional information is disclosed in Note 19.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

1.3 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.

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.

Accounting Policies

1.3 Investment property (continued)

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 by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

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

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

1.4 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.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

1.4 Property, plant and equipment (continued)

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

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

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:

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	3-10 years
Furniture and fixtures	Straight-line	3-10 years
Motor vehicles	Straight-line	5-12years
IT equipment	Straight-line	5 Years
Infrastructure Roads & Stormwater	Straight-line	5-80 years
Community	Straight-line	30 years
Infrastructure electricity	Straight-line	30 years
Investment property	Straight-line	30 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

1.4 Property, plant and equipment (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.5 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 a 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.

1.6 Intangible assets

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

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

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

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

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

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

1.6 Intangible assets (continued)

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Intangible assets under development	Straight-line	5
Computer Software	Straight-line	5

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

Intangible assets are derecognised:

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

1.7 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.

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

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.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 13).

1.7 Heritage assets (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

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.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses 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).

1.8 Financial instruments

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Accounting Policies

1.8 Financial instruments (continued)

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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 the municipality 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.

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

1.8 Financial instruments (continued)

Classification

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 fair value through surplus or deficit category.

The municipality derecognises a financial asset when and only when; the rights to the cash flows from the financial asset expire; or it transfers the financial asset and the transfer qualifies for derecognition. The municipality first needs to evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The municipality transfers a financial asset if and only if: the rights to receive cashflows from the asset have expired, or if the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cashflows in full without material delay to a third party under a "pass through" arrangement; and either the municipality has transferred substantially all the risks and rewards of the asset.

The municipality removes a financial liability (or part of financial liability) from its statement of position when and only when it is extinguished i.e. when the obligation specified in the contract is discharged or called or expires. An exchange between the existing borrower and lender of debt instruments with suitability different terms is accounted for as an extinguishing of the original financial liability and the recognition of a new financial liability.

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

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:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and Cash Equivalent	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:

Class	Category
Trade and other payable from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.8 Financial instruments (continued)

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

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

Initial measurement of financial assets and financial liabilities.

The municipality 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.
Subsequent measurement of financial assets and financial liabilities.
The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
-Financial instruments at fair value
- 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 municipality 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 entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-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, an 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.

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 municipality 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

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 recgnised 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

Accounting Policies

1.8 Financial instruments (continued)

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 municipality derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The municipality, 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 municipality:
    - derecognise the asset; and

1.8 Financial instruments (continued)

- recognise separately any rights and obligations created or retained in the transfer.

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 transfert

If the municipality 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 entity 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 entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity 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 municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality 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 municipality 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 municipality 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 when the municipality 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 municipality does not

1.8 Financial instruments (continued)

offset the transferred asset and the associated liability.

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

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.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

1.9 Statutory receivables (continued)

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

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.

1.10 Tax

Exemption

The Nquthu Local municipality is exempt from tax in terms of section 10(1)(a) of the Income Tax Act.

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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 entity assesses the classification of each element separately.

Accounting Policies

1.11 Leases (continued)

Finance leases - lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

Accounting Policies

1.12 Inventories (continued)

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

1.13 Construction contracts and receivables

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

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

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

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

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

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

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

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

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

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

Accounting Policies

1.14 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

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

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

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

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Accounting Policies

1.15 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Accounting Policies

1.16 Commitments (continued)

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

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

1.17 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

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.

  In the case of prepaid electricity, the significant risks and rewards of ownership only transfer to the consumer at the time of consumption of the electricity. Therefore, revenue on prepaid electricity is recognised on cash basis since the municipality is unable to determine the actual consumption

1.17 Revenue from exchange transactions (continued)

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 entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

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

Dividends or similar distributions 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.

1.18 Revenue from non-exchange transactions

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

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

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

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

1.18 Revenue from non-exchange transactions (continued)

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.

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.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

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.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

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

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

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

1.18 Revenue from non-exchange transactions (continued)

Fines

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.

1.19 Investment income

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

1.20 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

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

Accounting Policies

1.20 Accounting by principals and agents (continued)

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.

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 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).

1.25 Housing development fund

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

1.26 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.

1.26 Segment information (continued)

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

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.

1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 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.

1.28 Related parties

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

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

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

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

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

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Accounting Policies

1.29 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.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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 1 July, 2022 or later periods:

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 1 Presentation of Financial Statements
GRAP 25 Employee Benefits (amendments)
GRAP 104 Financial Instruments (amendments)
Guideline Accounting for landfill sites
Guideline The application of materiality to financial statement

Impact on the municipality's financial statements once implemented:

None of these standards and interpretations are anticipated to have a material impact on the municipality's financial statements.

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

2.3 Standards and interpretations not yet effective or relevant

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Inventories

Consumable stores	1 528 203	2 073 734
	1 528 203	2 073 734
Inventories (write-downs)	-	(45 509)
	1 528 203	**2 028 225**

Inventory has been recorded using the weighted average cost method. Inventory is carried as a lower of cost or current replacement value. Stock take was conducted on 30 June 2023 to determine the quantity and value of inventory at hand.

Movement during the year

Carrying Value of inventories at the begining of the year	2 028 225	1 476 328
Inventory Purchased During the year	1 001 062	1 034 534
Inventory recognised as an expense during the year	(1 501 084)	(437 128)
Inventory write down	-	(45 509)
	1 528 203	**2 028 225**

Inventory pledged as security

There was no inventory pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Operating lease Receivable

Current assets	107 597	145 890

Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to the following:
Lease of premises owned by the municipality to Vodacom (PTY) Ltd with lease terms of 9 years and 11 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period
.
Lease of premises owned by the municipality to Electoral Commission with lease terms of 60 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Lease of premises owned by the municipality to ATC South Africa with lease terms of 9 years and 11 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Lease of premises owned by the municipality to Unjani Clinic with lease terms of 60 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Operating leases have been straightlined in accordance with GRAP 13 requirements

Gross investment in the lease due		
- within one year	127 086	316 146
- in second to fifth year inclusive	315 590	617 995
- later than five years	282 716	282 716
	725 392	**1 216 857**

5. Receivables from non-exchange transactions

Gross balances		
Consumer debtors - Rates	59 737 428	52 105 770
Consumer debtors - Fines	4 515 550	3 861 660
	64 252 978	**55 967 430**
Less: Allowance for impairment		
Consumer debtors - Rates	(37 297 713)	(42 015 223)
Consumer debtors - Fines	(2 330 233)	(2 110 237)
	(39 627 946)	**(44 125 460)**
Net balance		
Consumer debtors - Rates	22 439 715	10 090 547
Consumer debtors - Fines	2 185 317	1 751 423
	24 625 032	**11 841 970**

Figures in Rand	2023	2022

5. Receivables from non-exchange transactions (continued)

Summary of debtors by customer Category

Property rates		
Current (0 -30 days)	360 908	562 664
31 - 60 days	2 226 914	4 069 287
61 - 90 days	2 050 330	4 004 439
91 - 120 days	2 004 157	2 382 843
121 - 180 days	3 936 155	3 568 423
> 180 days	49 158 964	37 518 114
	59 737 428	52 105 770
Less: Allowance for impairment	(26 698 661)	(32 681 566)
	33 038 767	**19 424 204**

Fines		
Current (0 -30 days)	76 000	41 200
31 - 60 days	48 100	93 500
61 - 90 days	63 700	23 300
91 - 120 days	74 420	70 500
121 - 180 days	141 400	115 200
> 180 days	4 111 930	3 517 960
	4 515 550	3 861 660
Less: Allowance for impairment	(2 330 233)	(2 110 237)
	2 185 317	**1 751 423**

Summary of debtors by customer classification-Property Rates		
Government	24 118 058	27 590 186
Commercial	1 888 333	1 585 549
Households	25 827 868	16 212 747
Other	7 903 169	6 717 288
	59 737 428	52 105 770
Less: Allowance for impairment	(26 698 661)	(32 681 566)
	33 038 767	**19 424 204**

Reconciliation of allowance for impairment		
Balance at beginning of the year	34 791 803	26 939 704
Contributions to allowance	219 996	7 852 099
Reversal of allowance	(5 982 905)	-
	29 028 894	**34 791 803**

Figures in Rand	2023	2022

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Determination of transaction amount

Property rates are governed by The Local Government: Municipal Property Rates Act 6 of 2004. Property rates values are calculated based on market value of properties as per applicable valuation roll. Provision for bad debts on statutory debtors is determined risk profile of each customer and default rate per risk profile as determined by the municipality.

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act No 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa. Traffic fines charged are determined by The National Road Traffic Offence Charge Book.

The transaction amount for property rates and traffic fines is determined in accordance with GRAP 23 on Revenue from non-exchange transaction

Interest or other charges levied/charged

Interest on property rate has been charged as 8% in accordance with debt policy of the municipality.
There is no interest charged on Traffic fines debtor.

Basis used to assess and test whether a statutory receivable is impaired

Statutory receivables are assessed for impairment in accordance with GRAP 104. Refe to the impairment methodology document.

Discount rate applied to the estimated future cash flows

A discount rate of 8% was used against the municipality's future cash flow to be derived from gross receivable

Statutory receivables past due but not impaired

receivable accounts that have no balance outstanding longer than 30 days at
reporting date are not subject to impairment. At 30 June 2023, R19 393 896 (2022:R 16 941 515) were past due but not impaired.

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

1 month past due	634 733	1 596 824
2 month past due	620 817	1 570 911
3 month past due	619 428	845 452
4-5 months past due	1 235 650	928 206
6 months and above	16 283 268	12 000 122

Statutory receivables impaired

As of 30 June 2023, Statutory receivables of R 39 982 185 - (2022: R32 306 143) were impaired and provided for.

The amount of the provision was R29 553 296.07 - as of 30 June 2023 (2022:R 34 946 048).

The ageing of these receivables is as follows:

1 month past due	1 592 181	2 472 464
2 months past due	1 429 514	2 433 528
3 months past due	1 384 729	1 537 382
4 to 6 months past due	2 700 505	2 640 217
More than 6 months past due	32 875 256	25 517 559

Factors the entity considered in assessing statutory receivables impaired

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Receivables from non-exchange transactions (continued)

The municipality took into account past trends in terms of collections
Financial difficulties faced by ratepayers due to the current economic cliamte.
Probability of recovery considering processes available to the municipality.

6. VAT receivable

VAT	3 155 257	3 261 481

The VAT receivable balance is comprised of:

Undeclared VAT output	(1 672 603)	(1 238 107)
Unclaimed VAT input	4 827 860	4 499 588
	3 155 257	**3 261 481**

The municipality accounts for value added tax on an accrual basis but claimed/ paid over to SARS on cash basis in accordance with section 15 (2) of the value added tax act No. 89 of 1991

7. Receivables from exchange transactions

Gross balances		
Electricity	3 576 382	3 429 134
Rentals	1 646 568	1 553 246
Refuse	6 740 373	6 340 081
	11 963 323	**11 322 461**

Less: Allowance for impairment		
Electricity	(697 530)	(1 208 894)
Rentals	(1 031 117)	(960 609)
Refuse	(5 404 461)	(5 336 784)
	(7 133 108)	**(7 506 287)**

Net balance		
Electricity	2 878 852	2 220 240
Rentals	615 451	592 637
Refuse	1 335 912	1 003 297
	4 830 215	**3 816 174**

Electricity		
Current (0 -30 days)	2 135 730	1 783 988
31 - 60 days	74 430	181 717
61 - 90 days	76 972	121 790
91 - 120 days	62 760	132 525
121 - 180 days	104 373	160 377
> 180 days	1 122 117	1 052 756
	3 576 382	**3 433 153**

Summary od debtors by Classification- Electricity		
Government	1 594 951	1 227 872
Commercial	1 688 726	2 004 753
Household	222 545	126 162
Other	74 179	74 366
	3 580 401	**3 433 153**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	295 955	283 506
31 - 60 days	111 202	94 934
61 - 90 days	110 183	83 049
91 - 120 days	100 705	76 238
121 - 180 days	184 529	151 719
> 180 days	5 937 799	5 654 107
	6 740 373	**6 343 553**

Summary of Debtors by Classification - Refuse		
Government	3 449 976	149 630
Commercial	343 626	196 489
Household	2 907 638	4 401 065
Other	39 133	1 596 369
	6 740 373	**6 343 553**

Rental		
Current (0 -30 days)	102 160	168 535
31 - 60 days	36 323	35 071
61 - 90 days	39 539	37 868
91 - 120 days	38 444	37 270
121 - 180 days	74 335	71 554
> 180 days	1 355 767	1 202 948
	1 646 568	**1 553 246**

Summary of Debtors by Classification- Rental		
Government	5 887	5 876
Commercial	1 640 550	1 547 247
Other	131	126
	1 646 568	**1 553 249**

Reconciliation of allowance for impairment		
Balance at beginning of the year	7 097 949	7 808 413
Contributions to allowance	162 114	609 050
Reversal of allowance	(521 422)	(1 319 514)
	6 738 641	**7 097 949**

Consumer debtors pledged as security

There were no consumer debtors pledged as security.

Consumer debtors past due but not impaired

At 30 June 2023, 1 108 652 (2022: 1 220 373) were past due but not impaired.

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

1 month past due	26 334	84 569
2 months past due	28 823	55 889
3 months past due	26 882	26 821
4-6 months past due	50 458	84 238
Above 6 months	976 155	968 856

Figures in Rand	2023	2022

7. Receivables from exchange transactions (continued)

Consumer debtors impaired

As of 30 June 2023, consumer debtors of 8 319 787 (2022: 7 782 252) were impaired and provided for.

The amount of provision was 6 738 641 as of 30 June 2023 (2022: a reversal of 7 097 949).

The ageing of these loans is as follows:

1 month past due	195 622	226 810
2 months past due	197 871	182 311
3 months past due	175 027	214 735
4-6 months past due	312 779	287 085
Over 6 months	7 438 488	6 871 311

Reconciliation of allowance for impairment of consumer debtors

Opening balance	7 097 949	7 808 413
Allowance for impairment	162 114	609 050
Unused amounts reversed	(521 422)	(1 319 514)
	6 738 641	**7 097 949**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	428 106	471 053
Short-term deposits	108 425 692	130 024 398
	108 853 798	**130 495 451**

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 was no cash and cash equivalents pledged as collateral.

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2023	Bank statement balances 30 June 2022	Bank statement balances 30 June 2021	Cash book balances 30 June 2023	Cash book balances 30 June 2022	Cash book balances 30 June 2021
Absa Bank - Call Account - 92 7785 1394	1 765 601	1 670 268	1 626 089	1 765 601	1 670 268	1 626 089
Absa Bank- Call Account 93 0769 5892	59 116	55 980	54 554	59 116	55 980	54 554
Absa Bank - Investment Account - 93 3821 7106	34 490	32 353	19 487 338	34 490	32 353	19 487 338
Absa Bank- Notice Select Account- 93 6596 4328	22 376	21 596	-	22 376	21 596	-
Absa Bank- Call Account- 93 7056 0646	18 381 816	17 200 025	-	18 381 816	17 200 025	-
Absa Bank- Notice Select Account - 93 7076 2765	1 424 715	44 618 252	-	1 424 715	44 618 252	-
Absa Bank- Call Account- 93 7065 2142	5 646 509	5 240 217	-	5 646 509	5 240 217	-
Absa Bank - Primary Account 40 5356 2762	428 107	471 034	14 152 841	428 107	471 034	14 152 841
Absa Bank - Investment Account - 91 4284 5014	281 893	266 646	259 602	281 893	266 646	259 602
Absa Bank - Investment Account - 20 8087 5617	15 521 247	-	-	15 521 247	-	-
FNB Bank- Investment Account - 718 4846 2554	9 377 603	8 726 874	8 344 274	9 377 603	8 726 874	8 344 274
FNB Bank- Investment Account - 623 7231 1408	9 334 533	8 769 124	8 478 713	9 334 533	8 769 124	8 478 713
FNB Bank- Investment Account - 718 4846 0889	7 929 879	7 379 610	7 056 076	7 929 879	7 379 610	7 056 076
FNB Bank- Investment Account - 744 2905 2166	15 199 556	14 160 519	13 554 747	15 199 556	14 160 519	13 554 747
Standard Bank - Investment - 308 5855 69014	6 856	6 522	6 371	6 856	6 522	6 371
Standard Bank - Investment - 308 5855 69063	23 438 340	21 875 345	21 003 295	23 438 340	21 875 345	21 003 295
Investec Bank - Investment Account- 5 0802 2455	-	-	56 717 492	-	-	56 717 492
Nedbank-investment Account - 03 7165 014 039(5)	1 161	1 067	47 478 564	1 161	1 067	47 478 564
Total	**108 853 798**	**130 495 432**	**198 219 956**	**108 853 798**	**130 495 432**	**198 219 956**

Closed Bank Accounts

There were no accounts closed in the current year:

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

9. Other receivables

Overpayment to Councillors The councillors benefited from the payment of upper limits which was later endorsed by the MEC to be unduly. The municipality and the councillors agreed that the amount will be deducted monthly until the amount is repaid in full	37 005	37 005
Prepayments Prepayments relates to the acquisition of firearm that were still to be received as at the end of the financial year, accommodation for SALGA games and SALGA membership fees for 2024	1 639 210	17 826
Overpayment of Trade Creditors	60 085	138 636
Bank Unauthorised transactions During 2022 financial year, an amount of 132 943 was deducted from municipality's bank account without the approval from municipality	-	133 010
Other Receivables Other receivables relates to disposal of assets	1 402 795	-
	3 139 095	**326 477**
Current assets	3 139 095	326 477

10. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	42 922 786	(1 517 396)	41 405 390	42 922 786	(1 450 735)	41 472 051

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	41 472 051	(66 661)	41 405 390

Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Investment property	41 538 712	(66 661)	41 472 051

Pledged as security

There is no investment property pledged as security.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	201 926	256 596

There were no direct operating expenses incurred from renting the property.

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

Notes to the Annual Financial Statements

Figures in Rand

11. 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	5 891 616	-	5 891 616	5 891 616	-	5 891 616
Buildings	42 816 474	(11 930 443)	30 886 031	30 243 079	(10 367 729)	19 875 350
Plant and machinery	14 606 913	(8 410 331)	6 196 582	14 862 340	(8 407 305)	6 455 035
Furniture and fixtures	4 392 173	(2 784 458)	1 607 715	3 284 544	(2 557 161)	727 383
Transport assets	38 450 557	(20 273 722)	18 176 835	41 119 851	(20 156 697)	20 963 154
IT equipment	4 400 770	(2 595 241)	1 805 529	3 837 162	(2 508 655)	1 328 507
Infrastructure - Roads and Stormwater	357 925 845	(93 945 455)	263 980 390	320 969 861	(80 984 761)	239 985 100
Community	269 274 507	(41 459 141)	227 815 366	258 407 257	(33 381 912)	225 025 345
Electricity Infrastructure	85 679 920	(10 893 646)	74 786 274	76 458 741	(11 035 594)	65 423 147
Leased assets - Computer equipment	-	-	-	-	-	-
Refuse	4 005 085	(2 603 388)	1 401 697	4 927 312	(1 743 721)	3 183 591
Total	**827 443 860**	**(194 895 825)**	**632 548 035**	**760 001 763**	**(171 143 535)**	**588 858 228**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Adjustment of Landfill site provision	Work in Progress	Depreciation	Impairment loss	Total
Land	5 891 616	-	-	-	-	-	-	5 891 616
Buildings	19 875 350	12 652 045	(27 132)	-	-	(1 614 232)	-	30 886 031
Plant and machinery	6 455 035	914 598	(323 610)	-	-	(849 441)	-	6 196 582
Furniture and fixtures	727 383	1 141 023	(1 541)	-	-	(259 150)	-	1 607 715
Motor vehicles	20 963 154	977 414	(925 933)	-	-	(2 837 800)	-	18 176 835
IT equipment	1 328 507	979 728	(24 345)	-	-	(478 361)	-	1 805 529
Infrastructure - Roads and Stormwater	239 985 100	77 970 294	(823)	-	(41 012 447)	(12 417 759)	(543 975)	263 980 390
Community	225 025 345	31 499 314	(67 433)	-	(19 520 373)	(6 924 274)	(2 197 213)	227 815 366
Electricity Infrastructure	65 423 147	-	(3 905)	-	11 007 791	(1 253 412)	(387 347)	74 786 274
Leased Assets	-	-	-	-	-	-	-	-
Refuse	3 183 591	-	-	(922 228)	-	(156 524)	(703 142)	1 401 697
	588 858 228	**126 134 416**	**(1 374 722)**	**(922 228)**	**(49 525 029)**	**(26 790 953)**	**(3 831 677)**	**632 548 035**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Adjustment of Landfill site provision	Work in Progress	Depreciation	Impairment loss	Total
Land	5 891 616	-	-	-	-	-	-	5 891 616
Buildings	21 035 585	-	-	-	-	(1 160 235)	-	19 875 350
Machinery and equipment	6 928 931	501 852	(22 919)	-	-	(952 829)	-	6 455 035
Furniture and office equipment	886 410	60 373	(12 182)	-	-	(207 158)	(60)	727 383
Transport assets	22 597 954	1 411 750	(70 090)	-	-	(2 976 460)	-	20 963 154
Computer equipment	928 600	773 123	(45 341)	-	-	(327 875)	-	1 328 507
Roads and stormwater infrastructure	213 458 314	-	-	-	38 551 079	(11 488 045)	(536 248)	239 985 100
Community	187 232 428	17 099 741	-	-	26 943 561	(6 180 826)	(69 559)	225 025 345
Electricity infrastructure	48 985 337	-	-	-	17 740 701	(1 294 013)	(8 878)	65 423 147
Leased assets - Computer equipment	64 440	-	(61 615)	-	-	(2 825)	-	-
Refuse removal	2 907 703	-	-	420 101	-	(144 213)	-	3 183 591
	510 917 318	**19 846 839**	**(212 147)**	**420 101**	**83 235 341**	**(24 734 479)**	**(614 745)**	**588 858 228**

Figures in Rand	2023	2022

11. Property, plant and equipment (continued)

Pledged as security

No property plant and equipment has been pledged as security for any liabilities of the municipality.

There are assets under construction that are taking significantly longer to complete than expected due to delays caused by contractors on site.
Carrying value of property, plant and equipment that is taking significantly longer period of time to complete than expected:

	2023	2022
Mafihleng Sportfield	2 388 942	2 388 942
Sheep and wool	5 382 079	5 382 079
Nquthu Stormwater and sourthen canal	4 008 735	4 008 735
Mangwebuthanani Electrification	10 725 296	10 725 296
Bucoshi Gravel Road	33 800	33 800
Borehole and water pump	137 400	137 400

The projects listed above have been delayed due to budget constraint.

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure Electricity	Included within Roads and Stormwater	Included within Community Assets	Total
Opening balance	39 535 636	82 500 101	84 071 408	206 107 145
Additions/capital expenditure	11 007 793	34 127 629	28 404 245	73 539 667
WIP Expensed	-	-	(24 460)	(24 460)
Accumulated impairment losses	-	-	(1 023 832)	(1 023 832)
Transferred to completed items	-	(75 140 076)	(47 893 716)	(123 033 792)
	50 543 429	**41 487 654**	**63 533 645**	**155 564 728**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure Electricity	Included within Community	Included within Other PPE	Total
Opening balance	21 794 936	43 949 022	57 158 747	122 902 705
Additions/capital expenditure	17 740 700	39 564 489	43 364 207	100 669 396
Other movements	-	-	(139 878)	(139 878)
Transferred to completed items	-	(1 013 410)	(16 311 668)	(17 325 078)
	39 535 636	**82 500 101**	**84 071 408**	**206 107 145**

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	9 445 105	25 205 031

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.

Notes to the Annual Financial Statements

Figures in Rand

12. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	623 878	(607 593)	16 285	623 878	(599 450)	24 428

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, internally generated	24 428	(8 143)	16 285

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, internally generated	36 642	(12 214)	24 428

Pledged as security

There are no intangible assets pledged as security:

13. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	78 888	-	78 888	78 888	-	78 888

Reconciliation of heritage assets 2023

	Opening balance	Total
Art Collections, antiquities and exhibits	78 888	78 888

Reconciliation of heritage assets 2022

	Opening balance	Total
Art Collections, antiquities and exhibits	78 888	78 888

14. Payables from exchange transactions

Trade payables	27 270 039	15 345 945
Payments received in advance	9 652 401	8 754 604
Payroll Suspense Account	1 141 776	2 943 456
Retentions	23 431 814	22 493 190
Human Settlement - Housing development funds	1 624 411	1 536 559
Unallocated deposits	747 395	662 183
INEP	3 753 799	-
Bonus Accrual	2 195 452	2 114 606
	69 817 087	**53 850 543**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
15. Consumer deposits		
Electricity	434 553	429 160
Property rental	41 440	27 705
Refuse	69 043	70 043
	545 036	**526 908**

Upon application consumers pay consumer deposit. The deposit can be used to offset long outstanding debtors. Consumer deposits are refunded when the house is sold after the municipality has issued a clearance certificate

Figures in Rand	2023	2022

16. Long Service Award

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(4 541 000)	(4 422 000)
Non-current liabilities	(4 058 000)	(3 949 000)
Current liabilities	(483 000)	(473 000)
	(4 541 000)	**(4 422 000)**

As at 30 June 2023, the number of members entitled to receive long service leave awards from the Municipality were:	**Number of eligible employees**	**Weighted Avearge annual earnings**	**Salary weighted average age**	**Weighted past service**
Female	111	229	41	9
Males	126	235	42	8
	237	**232**	**42**	**9**

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive.

In the month that each “Completed Service” milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/249th of annual earnings per day.

An employee with five or more years’ service with the Municipality, who leaves the service of the Municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro-rata LSA for any uncompleted (five-year) period of service. The pro-rata factor applicable is the number of years of service since an employee’s most recent service milestone, divided by five.

The encashment or taking of LSA leave days must occur in the same year that the employee qualifies for the award.

The table below sets out the assumed rates of withdrawal from services:

Assumptions		**Value**		
Average retirement age	-	- 61		-
Mortality during employment	-	- 85 to 90		-
Withdrawal from service	1 Age	Female	Male	
	20	9%	9%	
	30	6%	6%	
	40	5%	5%	
	50	3%	3%	
	55	0%	0%	
	-	**-**	**-**	**-**

The table below reflects a summary of the benefit policy:

Completed Service (In Years)	**Long service award (% of Annual Earnings)**	**Description**
5	2.0%	5/249 x Annual earnings
10	4.0%	10/249 x Annual earnings
15	8.0%	20/249 x Annual earnings
20,25,30,35,40,45	12%	30/249 x annual earning
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Long Service Award (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(4 422 000)	(3 809 000)
Benefits paid	448 544	435 583
Net expense recognised in the statement of financial performance	(567 544)	(1 048 583)
	(4 541 000)	**(4 422 000)**

Net expense recognised in the statement of financial performance

Current service cost	(618 000)	(547 000)
Interest cost	(449 000)	(352 000)
Actuarial (gains) losses	499 456	(149 583)
	(567 544)	**(1 048 583)**

Figures in Rand	2023	2022

16. Long Service Award (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.68 %	10.71 %
General earnings inflation rate (long-term)	6.88 %	7.15 %
Net discount rate	4.49 %	3.32 %

Demographic Assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Earnings Scale.

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 6.88% per annum for all employees.

Average Retirement Age
The normal retirement age of employees is 63. It has been assumed that employees will retire at age 61 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Pre-Retirement Mortality
SA85-90 ultimate table, adjusted for female lives.

Withdrawal from Service
If an employee leaves, the employer’s liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

The basis on which the discount rate has been determined is as follows:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11.68% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 4.49%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2023. .

The basis used to determine the General Earnings Inflation Rate, is as follows:

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The expected CPI inflation assumption of 5.88% was obtained from the differential between market yields on index-linked bonds (5.01%) consistent with the estimated terms of the liabilities and those of nominal bonds (11.68%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+11.68%-0.50%)/(1+5.01%))-1.

Thus, a general earnings inflation rate of 6.88% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.49%.

It has been assumed that the next general earnings increase will take place on 1 July 2023.

Figures in Rand	2023	2022

16. Long Service Award (continued)

Other assumptions

The results of the valuation are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made. The assumptions which tend to have the greatest impact on the results are:
(i) the general earnings inflation rate assumption;
(ii) the discount rate assumption;
(iii) the average retirement age of employees; and
(iv) assumed rates of withdrawal of employees from service.

Below is how the liability would change with a 1% increase or decrease in the discount rate used..

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	1 032 000	871 000

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG grant	-	-
Library Volunteer	259 941	247 941
Sportsfield maintenance grant	128 893	128 893
	388 834	**376 834**

Movement

Balance at the beginning of the year	376 834	1 192 594
Additions during the year	43 001 046	45 737 000
Income recognition during the year	(42 989 046)	(46 552 760)
	388 834	**376 834**

See note 17 for reconciliation of grants from National/Provincial Government.

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

18. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Reversed during the year	Total
Provision for landfill site	2 510 218	(644 848)	1 865 370
Leave	8 388 605	(179 711)	8 208 894
	10 898 823	**(824 559)**	**10 074 264**

Reconciliation of provisions - 2022

	Opening Balance	Additions	Reversed during the year	Total
Landfill site	1 901 143	609 075	-	2 510 218
Leave	8 629 995	-	(241 390)	8 388 605
	10 531 138	**609 075**	**(241 390)**	**10 898 823**

	2023	2022
Non-current liabilities	1 629 959	2 232 839
Current liabilities	8 444 305	8 665 984
	10 074 264	**10 898 823**

Environmental rehabilitation provision

The municipality is required to provide for the rehabilitation of the Nondweni landfill site after the end of its useful life. The cost to rehabilitate the landfill site has been estimated by the engineers to be R1 865 370 and the remaining life is 20 years. Due to the uncertainty in timing and actual amount of the rehabilitation cost, management have made the best estimate to raise a provision based on the report. The detailed report is available for inspection at the registered office of the Municipality.

There are various limitations and assumptions that have a direct bearing on the cost estimates provided as indicated below:

- Costs are based on previous tender prices and generic costs and may vary depending on material availability, fuel price etc.;
- The previous year’s cost was escalated since no changes were reported;
- Evaluation is based on approximate landfill size or the fenced area since the co-ordinates in the licence document does not correlate with the aerial view of the site (Google Earth used for evaluation);
- The design is based on the requirements of the licence issued;
- No site visit was conducted, cost estimate is therefor based on the information supplied by the Municipality as well as licence conditions;
- The estimated closure cost is based on a generic closure design not taking site specific condition into consideration and may vary significantly once the site has been upgraded.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

19. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Details of the arrangements are as follows:

Principal-agent arrangements relate to binding arrangements in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal). The following arrangement meets the criterion for such arrangements:

KwaZulu Natal Department of Transport
The agreement requires the municipality to perform all the testing functions on behalf of the department which consist of Driving licence test centre functions.The municipality is an Agent to the agreement as they are responsible for perfoming testing functions on behalf of the Department. Thus a principal agent arrangement exist.The municipality is the agent in terms of GRAP 109.

Financial implication

There are no funds receivable or payable to the department as at the end of the year. However the municipality pay out an amount of R79 to the department for the production of drivers licence card

Entity as agent

Revenue recognised

The aggregate amount of revenue recognised as a result of drivers' licence testing functions is R931 147 (2022: R1 008 500)

Entity as principal

Details of the arrangments are as follows:

Ontec System
The agreement requires ONTEC System to manage the sale of prepaid electricity on behalf of the of the municipality. The municipality is Principal to the agreement as ONTEC System is responsible for manage the sale of prepaid electricity on behalf of the municipality. Thus a principal agent arrangement exist.The municipality is the principal in terms of GRAP 109.

Fee paid

Fee paid as compensation to the agent	418 170	521 387

20. Housing Development Fund

This fund is regulated by the agreements and directives that are issued by the Human Settlements department and has a dedicated bank account.

Opening Balance	133 710	130 173
Interest	7 632	3 537
	141 342	**133 710**

21. Service charges

Sale of electricity	22 456 358	23 761 087
Solid waste	1 115 187	1 344 219
	23 571 545	**25 105 306**

Included in service charges are free basic services for both electricity and refuse removal.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

22. Construction contracts and receivables

Contracts in progress as at statement of financial position date

Revenue	5 795 021	26 801 746
Expenditure	(5 795 021)	(26 801 746)
	-	-

Construction contracts relate to agreements entered between the Municipality and KwaZulu-Natal Department of Housing and the Department of Mineral and Energy in respect of housing projects and electrification project respectively. The Municipality is a project developer in these arrangements. These arrangements are accounted for in line with GRAP 11 - Construction contracts

Construction contract expenses consists mainly of contracted services wherein the Municipality procures the services of building contractors and other consultants.

Construction contract revenue is recognised on a stage of completion based on the costs incurred. There are no contracts accounted for as work in progress given that costs are expensed when incurred.

The amount due for contract work done is recognised as a debtor and disclosed on the note for Receivables from exchange transactions.

The amounts received in advance for work to be done is recognised as a liability and disclosed in Note 17: Payables from exchange transactions.

As at 30 June 2023 there were no amounts withheld as retentions for housing development construction contract.

23. Rental of facilities and equipment

Premises		
Rental income	662 033	512 847
Facilities and equipment		
Rental of facilities	130 098	256 596
	792 131	**769 443**

Included in the above rentals are operating lease rentals at straight-lined amounts of R130 098 (2022: R256 596).

24. Other income

Commission: Transaction Handling Fees	194 479	191 046
Insurance proceeds	26 730	358 507
Skills Development Levy Refund	166 429	146 217
Sale of tender documents	66 249	204 282
Advertisement	700	150
Cemetery and burial	49 491	61 674
Fire Services	-	1 786
Photo copies	16 369	12 249
Building Plan Approval	46 681	10 148
Clearance Certificates	3 339	3 680
Town Planning and Servitudes	998	1 826
Buyers Card	1 478	1 370
	572 943	**992 935**

Figures in Rand	2023	2022

25. Interest revenue

Interest revenue		
Short-term investments	10 348 555	6 956 693
Interest charged on trade and other receivables	600 217	617 771
	10 948 772	**7 574 464**

The amount included in interest revenue arising from exchange transactions amounted to R 10 023 818 (2022:R 6 956 69)

26. Property rates

Rates received

Residential	6 233 290	6 190 883
State	1 355 253	2 410 157
Commercial	29 056 258	38 509 823
	36 644 801	47 110 863
Property rates - penalties imposed	1 885 688	2 881 794
	38 530 489	**49 992 657**

Valuations

Residential	576 112 000	576 112 000
Business and Commercial Properties	224 308 000	224 308 000
Public Service Infrastructure	9 515 000	9 515 000
Municipal Properties	106 267 000	106 267 000
Agriculture Properties Used for Agricultural Purposes	965 857 000	965 857 000
Industrial Properties	5 753 000	5 753 000
Mining Properties	1 040 000	1 040 000
Public Service Purposes	837 432 000	837 432 000
Vacant Property	104 061 000	104 061 000
Worship Properties	13 473 000	13 473 000
	2 843 818 000	**2 843 818 000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018 Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate randage of R0.014 - (2022: R0.014 -) is applied to property valuations to determine assessment rates. Rebates of R 205 000.00 over and above the statutory rebate of R15 000.00 (2022: - R220 000.00) are granted to residential category in line with Council’s approved policy.

Rates are levied on an annual basis in ten equal instalments with the final date for payment being 30 April 2022. Interest is levied at fixed rate at 8%per annum (2022: 8%) is levied on rates outstanding after due date.

The general valuation roll for the year under review was implemented on 01 July 2018.

27. Licences and permits (non-exchange)

Filming Fees	1 054	790
Hoarding (Collecting/Storing)	2 030	7 401
Trading licences	22 707	6 221
Road and Transport	931 147	1 008 500
	956 938	**1 022 912**

Figures in Rand	2023	2022

28. Government grants and subsidies

Operating grants		
Equitable share	169 636 000	150 195 000
Energy Efficiency	-	2 000 000
Cybercadet grant	508 000	484 000
EPWP grant	1 546 000	1 260 000
Library support	1 964 000	1 871 000
Library Modular	715 000	1 364 000
Bornem	1 079 046	821 759
Library Volunteer	96 000	96 000
Finance Management Grant	1 850 000	1 850 001
	177 394 046	**159 941 760**
Capital grants		
Municipal Infrastructure grant	35 231 000	36 806 000
	35 231 000	**36 806 001**
	212 625 046	**196 747 761**

Conditional and Unconditional

Included above are the following grants and subsidies received:

Conditional grants received	42 989 046	46 552 760
Unconditional grants received	169 636 000	150 195 000
	212 625 046	**196 747 760**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a free basic electricity subsidy of 50kWh (50kWh), which is funded from the grant.

Municipal Infrastructure Grant

Current-year receipts	35 231 000	36 806 000
Conditions met - transferred to revenue	(35 231 000)	(36 806 000)
	-	**-**

Bornem Grant

Balance unspent at beginning of year	-	821 759
Current-year receipts	1 079 046	-
Conditions met - transferred to revenue	(1 079 046)	(821 759)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

Library Volunteer

Balance unspent at beginning of the year	247 941	241 941
Current-year receipts	108 000	102 000
Conditions met - transferred to revenue	(96 000)	(96 000)
	259 941	**247 941**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 17).

Library Modular

Current-year receipts	715 000	1 364 000
Conditions met - transferred to revenue	(715 000)	(1 364 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Sportfield Maintenance

Balance unspent at beginning of the year	128 896	128 896

Conditions still to be met - remain liabilities (see note 17).

Library Support

Current-year receipts	1 964 000	1 871 000
Conditions met - transferred to revenue	(1 964 000)	(1 871 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Energy Efficiency

Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	-	(2 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Cybercadet

Current-year receipts	508 000	484 000
Conditions met - transferred to revenue	(508 000)	(484 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Financial Management Grant

Current-year receipts	1 850 000	1 850 000
Conditions met - transferred to revenue	(1 850 000)	(1 850 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Extended Public Works Program

Current-year receipts	1 546 000	1 260 000
Conditions met - transferred to revenue	(1 546 000)	(1 260 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 17).

29. Fines, Penalties and Forfeits

Illegal Connections Fines	6 350	28 100
Municipal Traffic Fines	821 190	643 468
	827 540	**671 568**

Figures in Rand	2023	2022

30. Employee related costs

Basic	65 715 332	68 565 676
Bonus	4 518 388	4 066 637
Medical aid - company contributions	2 935 114	2 717 708
UIF	509 215	484 972
Overtime payments	1 587 615	2 110 650
Long-service awards	1 067 000	899 000
Car allowance	281 000	193 360
Housing benefits and allowances	79 930	73 581
Leave Gratuity	1 019 171	1 041 429
Standby allowances	2 121 446	1 633 327
Pension	7 927 798	6 752 251
Cellphone allowances	-	167 828
Bargain council	33 674	29 459
	87 795 683	**88 735 878**

Remuneration of municipal manager

Annual Remuneration	1 215 436	1 030 759
Contributions to UIF, Medical and Bargaining council	16 408	2 012
	1 231 844	**1 032 771**

Remuneration of chief finance officer

Annual Remuneration	888 491	755 460
Car Allowance	-	31 776
Contributions to UIF, Medical and Pension Funds	11 140	1 863
	899 631	**789 099**

During the 2022 financial year, the CFO position was vacant for the month of July and a new CFO was appointed in August 2021.

Corporate and Community services

Annual Remuneration	654 300	276 966
Car Allowance	171 704	45 760
Contributions to UIF, Medical and Bargaining council	10 608	772
Other	-	4 576
Acting Allowance	15 536	78 317
	852 148	**406 391**

During the 2022 financial year, this position was vacant and one person acted for the month of June 2022.
During the 2023 financial year, this position was vacant for the month of July and August 2022 and one person acted. In September 2022 a new Director Corporate Service was appointed.

Planning and Economic development

Annual Remuneration	343 686	755 460
Car Allowance	6 000	-
Acting Allowance	-	36 150
Contributions to UIF, Medical and Bargaining Council	4 475	1 863
Housing Allowance	1 500	-
Pension Allowance	2 500	-
	358 161	**793 473**

During the 2022 financial year, this position was vacant for the month of July and one person acted.

Figures in Rand	2023	2022

30. Employee related costs (continued)

Technical Services

Annual Remuneration	751 814	685 166
Car Allowance	125 000	147 600
Acting Allwance	-	14 810
Contributions to UIF, Medical and Pension Funds	11 926	2 012
Cellphone Allowance	-	9 808
Housing allowance	84 219	-
	972 959	**859 396**

31. Remuneration of councillors

Mayor	993 124	902 110
Deputy Mayor	971 567	728 802
Mayoral Committee Members	1 891 385	1 847 963
Speaker	701 144	728 802
Councillors	8 601 835	8 526 817
Section 79 MPAC	302 677	351 005
	13 461 732	**13 085 499**

In-kind benefits

The MEC for local government has designated three political office bearers to be full time i.e. the Mayor, Deputy Mayor, and Speaker. The Mayor, Deputy Mayor and Speaker are provided with an office and secretarial support at the cost of council whilst the other councillors share secretarial support.

The Mayor, Deputy Mayor and Speaker have the use of council owned vehicles for official use. They are also provided with a full time driver and bodyguards as per their tools of trade. The Mayor has three bodyguards whilst the Deputy Mayor and Speaker each have two bodyguards.

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa

32. Depreciation and amortisation

Property, plant and equipment	26 790 953	24 734 483
Investment property	66 661	66 661
Intangible assets	8 143	12 213
	26 865 757	**24 813 357**

33. Finance costs

Finance leases	-	189 228
Interest expenses -provision for landfill Site	277 379	-
	277 379	**189 228**

34. Lease rentals on operating lease

Equipment		
Contractual amounts	399 305	333 367

The municipality leases photocopying machines on a 36 month contract which commenced in February 2021

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

35. Debt impairment

Non Exchange revenue	(4 497 515)	14 619 488
Exchange revenue	(373 180)	(729 127)
	(4 870 695)	**13 890 361**

Significant financial difficulties of the debtor and default or delinquency in payments are considered as indicators to determine debt impairment.

36. Bulk purchases

Electricity - Eskom	31 383 891	30 663 273

Material losses -Electricity

	2023	2022	2023	2022
KWh value	Units	Units	Monetary Value	Monetary Value
Total Purchased	21 361 658	22 635 129	31 383 981	30 663 273
Total Sold	(13 208 885)	(15 649 154)	(26 160 128)	(25 237 449)
Own Consumption	(75 223)	(103 402)	(260 022)	(310 994)
Free basic Electricity	(1 090 500)	(1 126 050)	(1 477 451)	(1 075 760)
Total loss	**6 987 050**	**5 756 523**	**3 486 380**	**4 039 070**

Percentage Loss:				
Electricity losses	33 %			25 %

37. Contracted services

Outsourced Services		
Administrative and Support Staff	431 858	984 242
Animal Pounding	75 000	135 000
Burial Services	806 202	549 298
Business and Advisory	2 138 367	1 603 046
Refuse Removal	3 210 820	1 820 254
Fire Services	2 415 700	1 945 450
Internal Auditors	2 587 446	2 868 267
Security Services	14 706 797	15 823 506
Consultants and Professional Services		
Business and Advisory	8 757 180	8 814 494
Infrastructure and Planning	2 208 071	1 798 878
Laboratory Services	-	22 850
Legal Cost	589 615	599 871
Contractors		
Building	236 927	238 894
Electrical	1 232 230	2 659 014
Maintenance of Unspecified Assets	9 530 619	25 210 803
Pest Control and Fumigation	462 423	471 591
	49 389 255	**65 545 458**

Figures in Rand	2023	2022

38. General expenses

Advertising	3 751 882	3 759 477
Auditors remuneration	3 407 858	3 029 473
Bank Charges, Facility and Card Fees	272 288	255 928
Remuneration to Ward Committees	2 490 000	855 800
Commission paid	418 170	521 387
Motor Vehicle Licence and Registration	510 798	495 735
Entertainment	96 952	36 584
Youth Support Programme	7 631 650	4 321 652
Events	8 543 074	4 300 948
Insurance	2 043 098	1 702 929
Vehicle Tracking	161 671	157 734
IT expenses	535 582	2 355 673
Indigent Relief- Free Basic Electricity	1 832 138	2 068 608
Skills Development Fund levies	830 177	790 217
Fuel and oil	4 816 795	4 796 022
Printing and stationery	126 091	377 767
Protective clothing	1 356 423	620 243
System Access and Software licence expenses	3 518 106	2 040 354
Subscriptions and membership fees	1 267 835	1 258 638
Telephone and fax	710 632	295 613
Transport	899 300	285 750
Accomodation	5 348 684	2 232 789
Travel - overseas	234 680	-
Travel and Subsistence	1 324 760	427 458
Electricity	1 074 524	1 788 724
Poverty Relief	5 117 513	8 239 309
Forex Loss	85 374	-
Training	96 678	58 478
Seating Allowance for Traditional Leaders	4 134	29 429
Brokers Fees	25 000	-
	58 531 867	**47 102 719**

39. Impairment of assets

Impairments		
Property, plant and equipment	3 831 677	614 745

40. Auditors' remuneration

Fees	3 407 858	3 029 473

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

41. Cash generated from operations

Surplus (deficit)	22 639 786	(2 857 971)
Adjustments for:		
Depreciation and amortisation	26 865 757	24 813 357
Loss on sale of assets	(28 083)	54 492
Actuarial losses	(499 456)	149 583
Finance costs	277 379	189 228
Donations received	(2 005 220)	-
Other Non-cash items	147 417	(252 878)
Impairment Assets	3 831 677	614 745
Debt impairment	(4 870 693)	13 964 781
Bad debts written off	151 440	-
Movements in operating lease assets and accruals	38 293	25 761
Movements in Long service award policy changes	1 067 000	899 000
Movements in leave provision	179 711	(241 390)
Movement in Bonus Accrual	80 846	117 199
Changes in working capital:		
Inventories	500 022	551 897
Receivable from exchange transactions	(633 371)	(11 768 745)
Receivables from non-exchange transactions	(8 285 548)	795 826
Other Receivables from exchange transactions	(1 198 262)	(253 082)
Payables from exchange transactions	15 959 055	11 582 435
VAT	106 224	(1 860 126)
Finance lease	-	(20 306)
Unspent conditional grants and receipts	12 000	(815 760)
Consumer deposits	18 128	24 249
Employee benefit	(448 544)	-
	53 905 558	**35 712 295**

42. Commitments

Authorised capital expenditure

Total capital commitments		
Already contracted for but not provided for	65 823 107	106 619 248

The adjustment of R37 440 814 in capital commitments for 2022 is due to the incompleteness of the register that was used. The correction resulted in an increase in commitments for 2022

Notes to the Annual Financial Statements

43. Contingencies

Litigation in is progress regarding the following matters to which the municipality is a party. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. As at the reporting date, the outcome of the cases is uncertain. The best estimate of the financial exposure by the municipality determined in concurrence with the municipality's legal representatives is as follows:

LS Sangweni vs Nquthu LM (Case. D790/2021)
An application for review was submitted to labour court regarding the decision of the commissioner to reinstate Mrs LS Sangweni.There are fair prospects of success, however, should the decision be in favour of the employee the employer will have to pay for only legal fees and not compensation as employee is not suspended. Legal costs are estimated to be R300 000.

Nquthu LM vs BJ Buthelezi
Mr BJ Buthelezi claims entitlement to Nquthu Erf 2461. He had bought the site before but later, through lawyers, he demanded and received the refund. There is also no deed of sale agreement in place. The matter is in Nquthu magistrate court. Legal costs are estimated to be R70 000.

Nquthu vs IMATU obo S Kunene
The municipality appeals the arbitration award that was awarded to S Kunene. The matter is waiting for set down date from the registrar. Legal costs are estimated to be R450 000

Nokuphiwa Mbatha vs Nquthu Municipality
Miss. N Mbhatha injured from uncompleted work she believed was caused by the municipality. Legal costs are estimated to be R2 500 000

Nquthu Municipality vs Inkosi TJ Ngobese
The iNkosi instructed citizens to illegally occupy the municipal land without consent of the municipality

Nquthu Municipality and other vs Temba N Buthelezi
This case is between two Buthelezi siblings where one of the siblings is chasing his brother out of their home. So, the victim took the matter to court and the court indicated that should the application fail or should the court rule in favor of the respondent, the municipality together with the Department of human settlement will have to provide a residence for the applicant

Parties	**Estimated Cost**
LS Sangweni vs Nquthu LM	300 000
Nquthu LM vs BJ Buthelezi	70 000
Nquthu vs IMATU obo S Kunene	450 000
Nokuphiwa Mbatha vs Nquthu Municipality	2 500 000
Nquthu Municipality vs Inkosi TJ Ngobese	250 000
Nquthu Municipality and other vs Temba N Buthelezi	50 000

Figures in Rand	2023	2022

44. Related parties

Relationships	
Members of key management	Refer to the employee cost note 30
Councillors	Refer to the Councillors remuneration note 31

Councillors exercise a significant influence over the municipality's financial and administrative capacity by being the municipality's executive and legislative authority.

Related party balances

	2023	2022
Loan accounts - Owing by related parties		
Overpayment to councillors	37 009	37 009
	-	-

Upper limits debt

An amount was paid to councillors following a council decision. Following further clarification from COGTA, the municipality was required to recover the paid amounts. The councillors then signed an acknowledgement of debt for these amounts to be deducted from their remuneration on a monthly basis. The above is the amount outstanding at year end. The balance of Upper limits debts is disclosed on note 9.

45. Prior-year adjustments

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

Statement of financial position

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Other receivables from exchange transactions	9	151 645	120 000	54 832	326 477
Receivables from non-exchange transactions	5	29 950 795	(18 108 825)	-	11 841 970
Receivable from exchange transactions	7	8 432 541	(4 608 876)	-	3 823 665
Overpayments to Councillors	9	37 009	-	(37 006)	-
VAT receivable		12 948 909	(9 687 428)	-	3 261 481
Prepayment	9	17 826	-	(17 826)	-
Investment property	10	19 371 051	22 101 000	-	41 472 051
Cash and Cash equivalent	8	130 502 942	(7 491)	-	130 495 451
Property, Plant and Equipment	11	594 916 585	(6 058 357)	-	588 858 228
Payable from exchange transaction	14	(53 748 809)	(101 734)	-	(53 850 543)
Accumulated Surplus		(728 499 650)	16 351 711	-	(712 147 939)
		14 080 844	**-**	**-**	**14 080 841**

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Fines, Penalties and Forfeits	29	711 750	(40 182)	-	671 568
Other Income	24	1 377 083	(384 148)	-	992 935
Construction contract revenue	22	1 643 462	25 158 284	-	26 801 746
Property rates		45 634 506	1 476 357	-	47 110 863
Property rates - penalties imposed		4 358 151	(1 476 357)	-	2 881 794
Employee Related Cost	30	(87 839 693)	2 815	(899 000)	(88 735 878)
Depreciation	32	(24 825 672)	12 315	-	24 813 357
Finance Cost	33	(899 254)	(188 974)	899 000	(189 228)
Debt impairment	35	(1 036 101)	(6 105 533)	-	(7 141 634)
Construction contract expenditure	22	(1 643 462)	(25 158 284)	-	(26 801 746)
Contracted Services	37	(67 371 221)	1 825 763	-	(65 545 458)
General expenses	38	(45 460 156)	(1 642 560)	-	(47 102 719)
Surplus for the year		**(175 350 607)**	**(6 520 504)**	**-**	**(132 244 400)**

Errors

Figures in Rand	2023	2022

45. Prior-year adjustments (continued)

The following prior period errors adjustments occurred:

<u>Statement of Financial Position</u>
Other receivable from exchange transactions
In the prior year, an amount of R120 000 relating to overpayment of Coole Networks was captured under unallocated deposits. A correction was processed resulting to an increase in other receivables and a decrease in payables from exchange transaction.
Furthermore, a reclassification of overpayment to councillors and prepayments resulted in an increase of R54 835 in other receivables from exchange transaction.

Receivables from exchange transactions
In the prior year, the assumptions that were used to calculate debt impairment were not in line with GRAP 104. The correction of assumptions used to calculate debt impairment resulted to a decrease of R4 608 876 in receivables from exchange transaction.

Receivables from non-exchange transactions
In the prior year, the assumptions that were used to calculate debt impairment were not in line with GRAP 104. The correction of assumptions used to calculate debt impairment resulted in a decrease of R18 108 825 in receivables from non-exchange transaction.

Investment Property
In the prior year, Investment property was incorrectly accounted for. Land that was occupied by illegal occupants was not accounted for. The effect of the correction resulted in an increase of R 22 101 000

Property, Plant and Equipment
In the prior year, the municipality accounted for land that is not registered under the name of the municipality according to the title deed. The effect of the correction resulted in a decrease of R6 058 357

VAT receivable
In the prior year, an incorrect amount of vat receivable was reported. A reconciliation of vat receivable and vat payable was performed in order to establish the correct amount of VAT receivable. The effect of the correction resulted in a decrease of VAT receivable of R 9 687 428. The error was due to an incorrect 2021 opening balance.

Cash and Cash Equivalent
Upon review of debtors reconciliation, it was noted that a receipt was captured twice. The correction resulted in a decrease of R7 491 in cash and cash equivalent

Payables from exchange transactions

<u>Unallocated Deposits</u>
In the prior year, an amount of R120 000 relating to overpayment of Coole Networks was captured under unallocated deposits. A correction was processed resulting in an increase in other receivables and an increase in payables from exchange transaction. Moreover, the amount of R35 536.13 that was received from a debtor (relating to overpayment of creditors) was incorrectly captured to unallocated deposit account instead of crediting account receivables. The correction resulted in a decrease in unallocated deposit.

<u>Bonus Accrual</u>
In the prior year, a bonus accrual was raised for a temporary employee resulting to an overstatement of R2 814.87. The correcting resulted to in a decrease of R 2 814.87 in payables from exchange transactions and a decrease of R2 814.87 in employee related costs.

<u>Retentions</u>
Upon review of retentions, it was noted that they were understated by an amount of R56 216. The correction resulted in an increase in payable from exchange by an amount of R56 216

<u>Human Settlement - Housing Development funds</u>
Up review of reconciliation for this line item it was noted that the opening balance for 2022, a difference of R1 413 was noted. The correction resulted in a decrease of R1 413 in payables from exchange transactions

45. Prior-year adjustments (continued)

SARS Debt

In the prior year, R34 618 relating to leave pay that was not yet due was incorrectly raised. The correction resulted in a decrease of R34 618 in payable from exchange.

Statement of Financial Performance

Revenue:

Fines, Penalties and Forfeits

The correction of 8 900 was due to the reversal of 59 700 was reversed and 50 800 that was processed during the 2022 audit. The correction of 31 282 was due to cancelled and reversed tickets

Construction Contract revenue

In the prior year, construction contract revenue relating to electrification project was incorrectly accounted for as principal-agent relationship. The correction resulted in an increase in construction contract revenue of R 25 158 284

Property rates and penalties imposed on property rates

In the prior year, penalties imposed on property rates was incorrectly reversed on property rates resulting in property rates being understated by an amount of R 1 476 357. The correction resulted in an increase in property rates and a decrease in penalties imposed on property rates.

Depreciation

During the calculation of depreciation of Isuzu KB 300 4X4, the residual value was not taken into account. The correction resulted in a decrease of R12 315.

Construction Contract Expenditure

In the prior year, construction contract expenditure relating to electrification project was incorrectly accounted for as principal-agent relationship. The correction resulted in an increase in construction contract expenditure of R 25 158 284

Other Income

In the prior year, an amount of R384 180 relating to the transaction that took place prior 2020 financial year was received in 2022 financial year. The receipt was incorrect recorded as revenue for 2022 financial year

Employee related cost

Long service award

In the prior year, current service cost and finance cost for long service award was incorrectly classified as finance cost instead of employee related cost. Therefore a reclassification from finance cost to employee related cost was done to correct the error resulting in an increase in employee related cost and decrease in finance cost by R899 000.

Bonus Accrual

In the prior year, a bonus accrual was raised for a temporary employee resulting to an overstatement of R2 814.87. The correcting resulted in a decrease of R 2 814.87 in payables from exchange transactions and a decrease of R2 814.87 in employee related cost.

Finance cost

In the prior year, current service cost and finance cost for long service award was incorrectly classified as finance cost instead of employee related cost. Therefore, a reclassification from finance cost to employee related cost was done to correct the error resulting in an increase in employee related cost and decrease in finance cost by R899 000.
In the prior year, finance cost relating to landfill site were incorrectly classified as contracted services. The correction resulted in an increase of R188 974 in finance costs.

Debt Impairment

In the prior year, the assumptions that were used to calculate debt impairment were not in line with GRAP 104. The correction of assumptions used to calculate debt impairment resulted in an increase of R6 105 533 in debt impairment.

General Expenses

An analytical review of expenditure was conducted and anomalies were identified. Through further perusal of the general ledger misallocations were identified between contracted services and general expenditure. The correction resulted in a decrease of R 1 642 560 in general expenses

Contracted Services

45. Prior-year adjustments (continued)
An analytical review of expenditure for contracted services was conducted and anomalies were identified. Through further perusal of the general ledger misallocation was identified between contracted services and general expenses. The correction resulted in an increase of R1 825 763 in contracted services

46. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The global economic crises and the adverse impacts of the Covid 19 pandemic has had and will continue to have negative financial impacts on the municipality as well as the community. This will result in businesses closing down and individuals unable to settle their obligations with the municipality. A reduction in public spending will also impact on municipal spending on key focus areas. The uncertainties presented by the Covid 19 pandemic puts a strain on the finances of the municipality as well as spending within allocated budgets. The municipality continues to monitor and manage business risks (strategic and operational) and also assesses the impact of emerging risks on a continuous basis.

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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.

Payable from Exchange Transaction	-	-	69 809 596	53 850 543
Consumer Deposit	-	-	545 036	526 908
Unspent Conditional grant	-	-	388 834	376 834

Credit risk

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

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 board. The utilisation of credit limits is regularly monitored.

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

	2023	2022
Cash and Cash Equivalent	108 853 798	130 495 451
Receivable from Exchange Transactions	5 232 172	4 232 003
Receivable from Non-exchange transactions	35 224 084	21 175 627
	149 310 054	155 903 081

Market risk

46. Risk management (continued)

Interest rate risk

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.

Cash and Cash Equivalent	-	-	108 853 798	130 495 451

47. Going concern

The Municipality is technically solvent as its total assets exceed its total liabilities, liquidity is not a challenge as it has enough investments, cash and other assets to repay it short term obligations.

Further, the Municipality's management and the leadership remains committed to good budgeting and financial management, and for this purpose will continue to monitor the implementation of budgets, including expenditure, revenue collection and borrowing. The effective functioning of the budget processes will contribute significantly to developing and sustaining financial health in the Municipality.

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.

48. Events after the reporting date

The council approved a write off of R 69 894 324 on 27 July 2023, for unauthorised expenditure that was incurred in prior years.

The council approved a write off of R 71 843 on 27 July 2023, for fruitless and wasteful expenditure incurred in prior years

The council approved a write off of an amount of R 132 943 on 27 July 2023, the amount was included in other receivables.

49. Fruitless and wasteful expenditure

	2023	2022
Opening balance as previously reported	71 843	33 678
Opening balance as restated	**71 843**	**33 678**
Add: Expenditure identified - current	19 614	38 165
Less: Amount written off - current	(18 636)	-
Less: Amount written off - prior period	(71 843)	-
Closing balance	**978**	**71 843**

50. Irregular expenditure

	2023	2022
Opening balance as previously reported	153 999 870	75 026 418
Correction of prior period error	-	(362 361)
Opening balance as restated	**153 999 870**	**74 664 057**
Irregular Expenditure as previously reported	-	121 079 401
Add: Irregular Expenditure	96 626 791	-
Add/ (Less) :Correction of prior period error	-	32 920 469
Less: Amounts written off	(107 735 805)	-
Less: Amount written off - prior period error	-	(74 664 057)
Closing balance	**142 890 856**	**153 999 870**

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 107 735 805 (2022 :R 74 664 0571) from the total irregular expenditure amount as it was proven without reasonable doubt that the is indeed receiving the services.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

51. Additional disclosure in terms of Municipal Finance Management Act

SALGA fees

Current year subscription / fee	1 257 835	1 253 638
Amount paid - current year	(2 718 517)	(1 253 638)
	(1 460 682)	**-**

Audit fees

Current year subscription / fee	3 919 036	3 483 894
Amount paid - current year	(3 919 036)	(3 483 894)
	-	**-**

PAYE and UIF

Opening balance	1 035 724	-
Current year subscription / fee	11 010 310	13 045 347
Amount paid - current year	(11 150 605)	(12 009 623)
	895 429	**1 035 724**

Pension and Medical Aid Deductions

Opening balance	1 344 025	-
Current year subscription / fee	16 811 835	14 644 193
Amount paid - current year	(18 155 860)	(13 300 167)
	-	**1 344 026**

VAT

VAT receivable	4 562 589	4 480 044
VAT payable	(954 072)	(1 238 107)
	3 608 517	**3 241 937**

VAT output payables and VAT input receivables are shown in note 6.

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2023:

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
SM Kunene	-	37 005	37 005
Councillor B	804	1 508	2 312
	804	**38 513**	**39 317**

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr SM Kunene	-	37 005	37 005
Cllr ET Nhlebela	374	10 238	10 612
Cllr SD Masimula	157	-	157
Cllr CN Skosana	654	-	654
	1 185	**47 243**	**48 428**

During the year the following Councillor's had arrear accounts outstanding for more than 90 days.

52. Deviation from supply chain management regulations

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

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

Sole Service Provider	-	-	4 961 926	342 745

53. Unauthorised expenditure

	2023	2022
Opening balance as previously reported	69 894 324	-
Correction of prior period error	-	44 940 969
Opening balance as restated	**69 894 324**	**44 940 969**
Add: Expenditure identified - current	10 588 682	24 953 355
Less: Approved/condoned/authorised by council	(69 894 324)	-
Closing balance	**10 588 682**	**69 894 324**

The adjustment of R44 940 969 is a result of the incorrect R0 opening balance that was disclosed in 2022. The correction resulted in an increase of 44 940 969 in the opening balance for 2022 and increase in the closing balance of R44 940 969 of 2022

The municipality has budgeted most of its expenditure under inventory consumed and actual expenditure transactions recognised on the same line item. The municipality in compliance with GRAP Standard recognised expenditure on a nature basis which resulted in most transactions being reclassified from inventory consumed where it was budgeted to appropriate expenditure line items in terms of GRAP Standards.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

53. Unauthorised expenditure (continued)

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	-	6 587 196
Cash	10 588 682	18 366 159
	10 588 682	**24 953 355**

Analysed as follows: non-cash

Employee related cost	599 422	614 745
Depreciation and amortisation	-	2 820 205
Finance charges	-	899 254
Loss on disposal of property, plant and equipment	-	54 492
Provision of impairment	-	149 583
Bad Debt written off	-	359 946
Construction contract	-	1 643 462
Inventory write down	-	45 509
Inventory consumed	776 908	-
General expenses	970 355	-
Contracted Services	8 242 074	-
	10 588 759	**6 587 196**

Analysed as follows: cash

Contracted services	-	9 819 539
General expenditure	-	8 213 753
Employee related costs	-	332 867
	-	**18 366 159**

54. Budget differences

Material differences between budget and actual amounts

Items with excess of actual expenditure and revenue over the final budget of 10% . There were no other material differences between the final budget and the actual amounts.

1. More rental income due to filling of vacant municipal rented properties.
2. Other income was higher than budget due to insurance proceeds.
3. Service Charges were less than budget due to an increase of electricity losses because of illegal connections.
4. Higher than budgeted interest on investments was due to the lesser withdrawals than anticipated.
5. Penalties imposed were not budgeted for.
6. Government grants and subsidies show an unfavorable position because of underspending on capital conditional grants.
7. Fines, penalties and forfeits show a favourable balance, the municipality anticipated to receive more income from this revenue stream since it is difficult to estimate accurately.
8. Employee related costs were lower due to certain positions which were note filled during the financial year
9. Remuneration of councillors less since increments have not yet been approved.
10. Depreciation and amortisation was higher than budgeted due to more projects being completed than anticipated.
11. Debt Impairment loss was higher than expected to due low collections from consumers than anticipated and new debt impairment criterion..
12. Lease rentals on operating lease was higher than budget due to new lease agreements entered into than was initially expected.
13 Contracted services were higher due to an increase in repairs and maintenance costs as well as consulting fees
14 Transfers and subsidies budget was misallocated.
15 General Expenses were higher than budget due to poverty alleviation costs which were not included in the budget as well as higher expenditure than expected on events and fuel & oil costs.
16 Debt write-off, actuarial gains or losses, gains or losses on disposal of assets, impairment losses and inventory consumed were not budgeted for.
17. Stringent controls were implemented for accounts receivables resulting in more collection of property rates than anticipated.
18. Increase in electricity illegal connections resulted in less collection for sale of goods and services.
19. Less funds were withdrawn due to a decrease in expenditure for capital projects.
20. Less revenue for integrated electrification projects was recognised due to delayed SCM processes.
21. Less cash was paid to employees due to vacant positions that were not filled and a decrease in subsistence and travel claimed.
22. More unpaid creditors as at year-end resulted in less cash being paid to suppliers.
23. Less cash was spent on capital projects due to delayed SCM processes
24. More inventory was consumed due to the project pothole patching.
25. Operating lease asset is a non-cash item that was not budgeted.
26. The variance in receivable from non-exchange and receivable from exchange is due to revised debt impairment.
27. The variance in other receivables is due to prepaid expenditure for SALGA games and accommodation.
28. The variance in VAT receivable is due to the correction of 2021 opening balances.
29. The variance in investment property is due to the correction of investment property that was incorrectly classified as property plant and equipment.
30. The variance in property, plant and equipment is due to the correction of investment property that was incorrectly classified as property, plant and equipment.
31. The variance in finance lease obligation is due to incorrect budgeting.
32. Payables from exchange transactions is due to increase in creditors that were not paid as at year end due to nonavailability of funds.
33. The variance in Vat payable is because this line item is disclosed as a net amount in vat receivable line item.

Notes to the Annual Financial Statements

55. Segment information

General information

Identification of segments

The municipality is organised and reports to management and governance structures on the basis of two major functional areas:Community Services and Technical 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

The Municipality has other departments namely Budget and Treasury, Corporate Services,Planning and Economic development and Council that it has considered as not meeting the definition and classification as a reportable segment as supported by paragraph 8 of Grap 18 as these departments do not undertake activities of the municpality that generates significant economic benefits or service potential.

Aggregated segments

There were no segments of the municipality that were aggregated for this disclosure..

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Technical Services	Provision electricity and refuse removal
Community Services	Licence and permits and traffic services

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Community Services	Technical Services	Total
Revenue			
Other income	182 447	2 054 351	2 236 798
Interest revenue	32 744	501 167	533 911
Service Charges	-	23 571 545	23 571 545
Rental of facilities and equipment	24 892	-	24 892
Housing development revenue	932 201	-	932 201
Government grants and Subsidies	3 436 046	36 873 000	40 309 046
Fines, penalties and forfeits	888 040	6 350	894 390
Total segment revenue	**5 496 370**	**63 006 413**	**68 502 783**
unallocated revenue			228 122 862
Entity's revenue			**296 625 645**
Expenditure			
General Expenses	(28 239 950)	(7 639 410)	(35 879 360)
Contracted Services	(4 169 291)	(17 576 752)	(21 746 043)
Depreciation and Amortisation	(2 286 607)	(10 006 683)	(12 293 290)
Bulk Purchases	-	(31 383 891)	(31 383 891)
Inventory consumed	(404 220)	(473 752)	(877 972)
Lease rental on operating lease	(399 305)	-	(399 305)
Finance cost	-	(277 379)	(277 379)
Employee related Cost	(30 552 866)	(27 709 569)	(58 262 435)
Total segment expenditure	**(66 052 239)**	**(95 067 436)**	**(161 119 675)**
Total segmental surplus/(deficit)			**(92 616 892)**

55. Segment information (continued)

	Community Services	Technical Services	Total
Total Segment expenses			(161 119 675)
Unallocated expenses			(114 432 739)
Profit/(loss) on Disposal of Assets			28 083
Actuarial gains			499 456
Impairment of assets			(3 831 677)
Debt impairment			4 870 693
Total revenue reconciling items			296 625 645
Municipality's surplus (deficit) for the period			**22 639 786**
Assets			
Receivables from Non-exchange Transactions	4 503 990	-	4 503 990
Receivables from exchange transactions	1 646 568	4 627 081	6 273 649
Property,plant and equipment	173 197 505	168 171 179	341 368 684
Total segment assets	**179 348 063**	**172 798 260**	**352 146 323**
Unallocated assets			467 219 245
Total assets as per Statement of financial Position			**819 365 568**
Liabilities			
Consumer deposit	-	434 553	434 553
Long service award	4 541 000	-	4 541 000
Landfill site provision	-	1 865 370	1 865 370
Total segment liabilities	**4 541 000**	**2 299 923**	**6 840 923**
Unallocated liabilities			77 595 580
Total liabilities as per Statement of financial Position			**84 436 503**

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

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

2022

	Community Service	Technical Services	Total
Revenue			
Licence and Permites	1 015 511	-	1 015 511
Government grants and subsidies	3 815 000	39 059 659	42 874 659
Fines, penalties and forfeits	683 650	-	683 650
Interest revenue	28 796	-	28 796
Rental of facilities	576 906	-	576 906
Service Charges	-	25 174 053	25 174 053
Total segment revenue	**6 119 863**	**64 233 712**	**70 353 575**
unallocated revenue			239 325 217
Entity's revenue			**309 678 792**
Expenditure			
General expenses	(16 007 378)	(8 324 652)	(24 332 030)
Contracted Services	(3 059 339)	(26 807 777)	(29 867 116)
Bulk purchases	-	(30 663 273)	(30 663 273)
Lease rentals on operating lease	(333 367)	-	(333 367)
Finance Cost	-	(189 228)	(189 228)
Depreciation	(1 833 519)	(11 567 513)	(13 401 032)
Employee related cost	(28 891 050)	(20 871 561)	(49 762 611)
Total segment expenditure	**(50 124 653)**	**(98 424 004)**	**(148 548 657)**
Total segmental surplus/(deficit)			**(110 498 489)**

Figures in Rand

55. Segment information (continued)

	Community Service	Technical Services	Total
Total Segment expenses			(148 548 657)
Unallocated expenses			(149 158 996)
Loss on Disposal of Assets			(54 492)
Actuarial losses			(149 583)
Impairment			(614 745)
Inventory write-down			(45 509)
Debt impairment			(13 964 781)
Total revenue			309 678 792
Municipality's surplus (deficit) for the period			**(2 857 971)**
Assets			
Receivables from exchange transactions	581 771	2 068 950	2 650 721
Receivables from non-exchange transactions	-	3 861 660	3 861 660
Property, plant and equipment	146 219 557	235 581 693	381 801 250
Total segment assets	**146 801 328**	**241 512 303**	**388 313 631**
Unallocated assets			394 035 632
Total assets as per Statement of financial Position			**782 349 263**
Liabilities			
Consumer deposit	-	526 908	526 908
Long service award	4 386 000	-	4 386 000
Landfile site provision	-	2 510 218	2 510 218
Total segment liabilities	**4 386 000**	**3 037 126**	**7 423 126**
Unallocated liabilities			62 644 491
Total liabilities as per Statement of financial Position			**70 067 617**

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

55. Segment information (continued)

Basis of accounting for transactions between reportable segments

The municipality applies the same measurement basis on the information disclosed for the reportable segment as that of the municipal financial statements, except for departmental charges which are allocated between the departments based on consumption, expenditure incurred or any other relevant basis of allocation agreed-upon by the respective departments. On the municipal financial statements, departmental charges are eliminated. There are no other allocations to the reportable segments.

Information about geographical areas

Although the municipality operates in several geographical areas across different wards, these areas are irrelevant for users of the financial statements to make decisions about the entity as the goods or services provided are substantially the same.

56. Change in estimate

Property, plant and equipment

GRAP 17: Property, Plant and Equipment requires that the Nquthu Local Municipality shall at each reporting date assess whether there has been an indication that the Municipality's expectation about the remaining useful lives of assets have changed. Such review has been completed and the following results were achieved.

The indicator, "The asset is approaching the end of its previously expected useful life", was identified in respect of 3112 assets. Management determined that these assets will still be in use for at least the next two financial periods and the remaining useful lives of these assets were extended accordingly.

The impact of the adjustment is that depreciation charges on Property, Plant and Equipment have decreased by R698,895.57 for the 2023 financial year as well as the 2024, and 2025 financial periods.