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

General Information

Legal form of entity	Category B municipality (local municipality) envisaged in section155(1)(b) of the Constitution of the Republic of South Africa
Nature of business and principal activities	Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and Municipal Systems Act No. 32 of 2000.
Executive Committee	R.J Moletsane
	N.S Monewang
	T.S Malebatsane
	Cllr: MA Hlongwane -MPAC Chair
Executive Mayor	MA Feliti
Speaker	S.S Nkatlo
Chief Whip	R.J Moletsane
Councillors	Cllr: AK Maleho
	Cllr: M. Mothibi
	Cllr: Q.P Molosi
	Cllr: L.L Medupe
	Cllr: M.R Mosholi
	Cllr: P.E Rampai
	Cllr: PK Leshomo
	Cllr: M.D. Modisadife
	Cllr: G.J Van Zyl
	Cllr: M.H Motaung
	Cllr: L. Metoa
	Cllr: G Malepe
	Cllr: S Siyekana (Removed)
	Cllr: J.U Swart
	Cllr: K. Calvert (Removed)
	Cllr: D.H Serape
	Cllr: K.S Seakane
Grading of local authority	3
Accounting Officer	M. Mbonani
Chief Finance Officer (CFO)	A. Madisha (Acting)
Accounting Officer	M. Mbonani
Registered office	19 Kruger Street Wolmaransstad 2630
Business address	19 Kruger Street Wolmaransstad 2630
Postal address	Private Bag X3 Wolmaransstad 2630
Bankers	ABSA (Primary bank Account)

General Information

Auditors	Auditor General of South Africa
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act No.108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 89 of 1991) Municipal Structures Act (Act No 177 of 1998 Water Service Act (Act No.108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations

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

Abbreviations used:

ASB	Accounting Standard Board
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MIG	Municipal Infrastructure Grant
IAS	International Accounting Standards
WSIG	Water Supply Infrastructure Grant
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

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 are 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 she 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, she 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 income from services, rates and grants 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.

The accounting officer certifies that the salaries, allowances and benefits of councilors, as disclosed in note 31 - councilors remuneration 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 (Act No. 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 5, 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
N Mbonani

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Maquassi Hills local municipality is a South African category B municipality as defined by the Municipal Structures Act (Act no 117 of 1998). The municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 177 of 1998), Municipal Systems Act (Act 32 of 2000) and various legislations and regulations and operates principally in South Africa.

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

2. Going concern

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.

3. Subsequent events

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

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Auditors

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

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

Accounting Officer
N Mbonani

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	9	2 645 132	3 342 575
Other financial assets	5	360 000	360 000
Receivables from exchange transactions	10&13	45 040 961	56 604 231
Receivables from non-exchange transactions	11&13	53 465 449	46 430 957
VAT receivable	12	5 492 130	7 292 080
Cash and cash equivalents	14	13 476 924	12 522 138
		120 480 596	**126 551 981**
Non-Current Assets			
Investment property	3	370 674 116	359 670 540
Property, plant and equipment	4	1 234 173 981	1 229 807 898
		1 604 848 097	**1 589 478 438**
Total Assets		**1 725 328 693**	**1 716 030 419**
Liabilities			
Current Liabilities			
Other financial liabilites	16	16 794 434	30 188 057
Payables from exchange transactions	6	501 617 630	398 842 450
Consumer deposits	7	2 977 436	2 674 116
Employee benefit obligation	8	1 241 000	1 384 000
Unspent conditional grants and receipts	15	377 154	3 731 035
Provisions	17	34 303 633	32 723 361
		557 311 287	**469 543 019**
Non-Current Liabilities			
Other financial liabilites	16	43 654 340	29 663 115
Employee benefit obligation	8	23 491 001	24 532 000
Provisions	17	37 220 670	30 985 213
		104 366 011	**85 180 328**
Total Liabilities		**661 677 298**	**554 723 347**
Net Assets		**1 063 651 395**	**1 161 307 072**
Accumulated surplus		1 063 651 395	1 161 307 072
Total Net Assets		**1 063 651 395**	**1 161 307 072**

* See Note 45

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	170 559 777	181 692 146
Rental of facilities and equipment	20	559 544	322 069
Licences and permits	22	3 994 295	3 268 653
Other income		813 086	2 705 622
Interest income	25	113 140 722	74 602 410
Total revenue from exchange transactions		**289 067 424**	**262 590 900**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	69 863 403	51 401 648
Interest - Property rates	26	16 436 035	11 589 644
Transfer revenue			
Government grants & subsidies	27	234 136 897	218 203 148
Public contributions and donations	28	159 689 726	-
Fines, Penalties and Forfeits	21	2 048 500	1 999 138
Total revenue from non-exchange transactions		**482 174 561**	**283 193 578**
Total revenue		**771 241 985**	**545 784 478**
Expenditure			
Employee related costs	29	(99 627 207)	(89 930 605)
Remuneration of councillors	30	(9 716 341)	(8 957 852)
Depreciation and amortisation	31	(38 223 358)	(37 439 028)
Finance costs	33	(18 935 517)	(11 740 225)
Lease rentals on operating lease	23	(3 316 586)	(3 445 539)
Debt Impairment	35	(273 593 384)	(190 130 181)
Bad debts written off		-	(51 370 144)
Bulk purchases	37	(118 482 430)	(133 019 944)
Contracted services	38	(62 283 072)	(32 814 437)
Transfers and Subsidies		(3 186 722)	-
Inventory consumed	18	(1 725 043)	(1 604 322)
General Expenses	36	(45 518 637)	(42 626 084)
Total expenditure		**(674 608 297)**	**(603 078 361)**
Operating surplus (deficit)		**96 633 688**	**(57 293 883)**
Loss on disposal of assets		(18 773 007)	-
Fair value adjustments	40	11 003 576	14 007 999
Actuarial gains/losses	8	3 898 675	1 190 290
Impairment loss	32	(163 928 194)	(2 591 834)
Inventories losses/write-downs		(8 424)	-
		(167 807 374)	**12 606 455**
Deficit for the year		**(71 173 686)**	**(44 687 428)**

* See Note 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	562 280 190	562 280 190
Adjustments		
Correction of errors	643 714 310	643 714 310
Balance at 01 July 2021 as restated*	**1 205 994 500**	**1 205 994 500**
Changes in net assets		
Surplus for the year	(44 687 428)	(44 687 428)
Total changes	(44 687 428)	(44 687 428)
Restated* Balance at 01 July 2022	**1 134 825 081**	**1 134 825 081**
Changes in net assets		
Surplus for the year	(71 173 686)	(71 173 686)
Total changes	(71 173 686)	(71 173 686)
Balance at 30 June 2023	**1 063 651 395**	**1 063 651 395**

Note(s)

* See Note 45

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Service charges and rates		119 912 401	-
Rental income		478 564	322 069
Grants		230 783 015	223 352 415
Interest income		113 140 722	74 602 410
Licences and permits		3 886 410	3 268 653
Other income		813 086	2 705 622
Fines, penalties and forfeits		148 500	-
		469 162 698	304 251 169
Payments			
Employee costs		(96 523 398)	(87 879 336)
Suppliers		(131 106 360)	(159 019 564)
Finance costs		(8 170 788)	(2 480 098)
		(235 800 546)	(249 378 998)
Net cash flows from operating activities	39	**233 362 152**	**54 872 171**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(228 520 956)	(51 603 518)
Net cash flows from investing activities		**(232 407 366)**	**(54 872 171)**
Cash flows from financing activities			
Repayment of loan from DBSA		(1 315 644)	-
Net increase/(decrease) in cash and cash equivalents		**954 786**	**-**
Cash and cash equivalents at the beginning of the year		12 522 138	12 522 138
Cash and cash equivalents at the end of the year	14	**13 476 924**	**12 522 138**

* 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	208 780 398	(7 342 871)	**201 437 527**	170 559 777	**(30 877 750)**	55
Rental of facilities and equipment	653 200	(443 034)	**210 166**	559 544	**349 378**	
Interest earned - outstanding Debtors	84 241 000	36 895 724	**121 136 724**	111 109 236	**(10 027 488)**	55
Licences and permits	15 950 000	-	**15 950 000**	3 994 295	**(11 955 705)**	55
Other income	7 639 610	-	**7 639 610**	813 086	**(6 826 524)**	55
Interest received - investment	789 985	-	**789 985**	2 031 486	**1 241 501**	55
Total revenue from exchange transactions	**318 054 193**	**29 109 819**	**347 164 012**	**289 067 424**	**(58 096 588)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	63 099 367	8 715 053	**71 814 420**	69 863 403	**(1 951 017)**	55
Property rates - penalties imposed	-	-	**-**	16 436 035	**16 436 035**	
Transfer revenue						
Government grants & subsidies	226 855 000	1 474 566	**228 329 566**	234 136 897	**5 807 331**	
Public contributions and donations	-	-	**-**	159 689 726	**159 689 726**	55
Fines, Penalties and Forfeits	5 500 000	-	**5 500 000**	2 048 500	**(3 451 500)**	55
Total revenue from non-exchange transactions	**295 454 367**	**10 189 619**	**305 643 986**	**482 174 561**	**176 530 575**	
Total revenue	**613 508 560**	**39 299 438**	**652 807 998**	**771 241 985**	**118 433 987**	
Expenditure						
Employee related costs	(118 479 447)	(1 675 313)	**(120 154 760)**	(99 627 207)	**20 527 553**	55
Remuneration of councillors	(9 385 749)	-	**(9 385 749)**	(9 716 341)	**(330 592)**	
Depreciation and amortisation	(52 298 545)	-	**(52 298 545)**	(38 223 358)	**14 075 187**	55
Impairment loss	-	-	**-**	(163 928 194)	**(163 928 194)**	
Finance costs	(4 945 000)	-	**(4 945 000)**	(18 935 517)	**(13 990 517)**	55
Lease rentals on operating lease	-	-	**-**	(3 316 586)	**(3 316 586)**	
Debt Impairment	(128 245 048)	-	**(128 245 048)**	(273 593 384)	**(145 348 336)**	55
Bulk purchases	(65 134 737)	-	**(65 134 737)**	(118 482 430)	**(53 347 693)**	55
Contracted Services	(17 742 983)	(10 447 295)	**(28 190 278)**	(62 283 072)	**(34 092 794)**	55
Transfers and Subsidies	-	-	**-**	(3 186 722)	**(3 186 722)**	
Inventory consumed	-	-	**-**	(1 725 043)	**(1 725 043)**	
General Expenses	(30 716 014)	(10 926 264)	**(41 642 278)**	(45 518 637)	**(3 876 359)**	55
Total expenditure	**(426 947 523)**	**(23 048 872)**	**(449 996 395)**	**(838 536 491)**	**(388 540 096)**	
Operating deficit	**186 561 037**	**16 250 566**	**202 811 603**	**(67 294 506)**	**(270 106 109)**	
Loss on disposal of assets and liabilities	-	-	**-**	(18 773 007)	**(18 773 007)**	
Fair value adjustments	-	-	**-**	11 003 576	**11 003 576**	55
Actuarial gains/losses	-	-	**-**	3 898 675	**3 898 675**	55

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
Inventories losses/write-downs	-	-	-	(8 424)	**(8 424)**	
	-	**-**	**-**	**(3 879 180)**	**(3 879 180)**	
Deficit before taxation	**186 561 037**	**16 250 566**	**202 811 603**	**(71 173 686)**	**(273 985 289)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**186 561 037**	**16 250 566**	**202 811 603**	**(71 173 686)**	**(273 985 289)**	

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	61 445 000	-	**61 445 000**	2 645 132	**(58 799 868)**	
Other financial assets	-	-	**-**	360 000	**360 000**	
Receivables from exchange transactions	56 477 000	-	**56 477 000**	45 040 961	**(11 436 039)**	
Receivables from non-exchange transactions	(33 771 000)	-	**(33 771 000)**	53 465 449	**87 236 449**	
VAT receivable	-	-	**-**	6 588 813	**6 588 813**	
Cash and cash equivalents	6 083 000	-	**6 083 000**	13 447 203	**7 364 203**	
	90 234 000	**-**	**90 234 000**	**121 547 558**	**31 313 558**	
Non-Current Assets						
Investment property	-	-	**-**	370 674 116	**370 674 116**	
Property, plant and equipment	1 127 421 000	-	**1 127 421 000**	1 234 173 981	**106 752 981**	
	1 127 421 000	**-**	**1 127 421 000**	**1 604 848 097**	**477 427 097**	
Total Assets	**1 217 655 000**	**-**	**1 217 655 000**	**1 726 395 655**	**508 740 655**	
Liabilities						
Current Liabilities						
Other financial liabilites	5 629 000	-	**5 629 000**	16 794 434	**11 165 434**	
Payables from exchange transactions	377 099 000	-	**377 099 000**	501 617 630	**124 518 630**	
Consumer deposits	(127 889 000)	-	**(127 889 000)**	2 977 436	**130 866 436**	
Employee benefit obligation	-	-	**-**	1 241 000	**1 241 000**	
Unspent conditional grants and receipts	-	-	**-**	377 154	**377 154**	
Provisions	22 167 000	-	**22 167 000**	34 303 633	**12 136 633**	
	277 006 000	**-**	**277 006 000**	**557 311 287**	**280 305 287**	
Non-Current Liabilities						
Other financial liabilites	41 020 000	-	**41 020 000**	43 654 340	**2 634 340**	
Employee benefit obligation	-	-	**-**	23 491 001	**23 491 001**	
Provisions	34 627 000	(34 627 000)	**-**	37 220 670	**37 220 670**	
	75 647 000	**(34 627 000)**	**41 020 000**	**104 366 011**	**63 346 011**	
Total Liabilities	**352 653 000**	**(34 627 000)**	**318 026 000**	**661 677 298**	**343 651 298**	
Net Assets	**865 002 000**	**34 627 000**	**899 629 000**	**1 064 718 357**	**165 089 357**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	865 002 000	34 627 000	**899 629 000**	1 063 651 395	**164 022 395**	

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						
Fines, penalties	-	-	**-**	148 500	**148 500**	
Service charges and rates	114 255 000	-	**114 255 000**	119 912 401	**5 657 401**	
Grants	231 523 000	-	**231 523 000**	230 783 015	**(739 985)**	
Interest income	49 751 000	-	**49 751 000**	113 140 722	**63 389 722**	
other income	413 884 000	-	**413 884 000**	813 086	**(413 070 914)**	
Rental income	-	-	**-**	478 564	**478 564**	
Licence and permits	-	-	**-**	3 886 410	**3 886 410**	
	809 413 000	**-**	**809 413 000**	**469 162 698**	**(340 250 302)**	
Payments						
Suppliers and employeesEmployee costs	(1 037 606 000)	-	**(1 037 606 000)**	(215 239 690)	**822 366 310**	
Finance costs	-	-	**-**	(8 170 788)	**(8 170 788)**	
	(1 037 606 000)	**-**	**(1 037 606 000)**	**(223 410 478)**	**814 195 522**	
Net cash flows from operating activities	**(228 193 000)**	**-**	**(228 193 000)**	**245 752 220**	**473 945 220**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(51 022 000)	-	**(51 022 000)**	(228 520 956)	**(177 498 956)**	
Cash flows from financing activities						
Repayment of BBSA loans	-	-	**-**	(1 315 644)	**(1 315 644)**	
Net increase/(decrease) in cash and cash equivalents	(279 215 000)	-	**(279 215 000)**	17 231 264	**296 446 264**	
Cash and cash equivalents at the beginning of the year	(72 558 000)	-	**(72 558 000)**	12 522 138	**85 080 138**	
Cash and cash equivalents at the end of the year	**(351 773 000)**	**-**	**(351 773 000)**	**29 753 402**	**381 526 402**	

Accounting Policies

Figures in Rand	Note(s)	2023	2022

1. Significant accounting polices

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

1.1 Basis of preparations

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.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 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.

1.4 Materiality

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

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

1.5 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.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

Impairment testing

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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as exchange rates, inflation and interest.

Judgements are made by management in applying the criteria to designate assets as non-cash-generating units or cashgenerating units. The designation is made on the basis as described in accounting policy 1.13 - Impairment of non-cashgenerating assets.

Provisions

Provisions were raised, and management determined an estimate based on available information. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

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

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites and the remaining useful life of each specific landfill site.

- Interest rates (investment rate) linked to prime was used to calculate the effect of the time value of money.

The provision for staff leave is based on accrued leave at year-end. The uncertainty is when the leave will be taken or if employment will be terminated..

1.5 Significant judgements and sources of estimation uncertainty (continued)

Prepaid electricy

Pre-paid electricity is only recognised as income as electricity is consumed. The estimate is based on pre-paid electricity sold at year-end but still unused.

Useful lives and residual values of property,plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant, equipment and other assets. This estimate involves judgment based on the municipality's experience with similar assets, whether the assets will be sold or used to the end of their economic lives, and the condition at the time. The municipality considers all the facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other facts. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

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

Long-term employee benefit obligation

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 8.

Effective interest rate

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

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow [State significant judgements made].

Additional information is disclosed in Note .

1.6 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

1.6 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.

Management applies the category below to distinguish Investment Property from Property Plant and Equipment:
- Land currently held for undetermined future use and held for capital appreciation is regarded as Investment Property

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.
Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.
Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.
Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.
The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note xx).

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.7 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.

1.7 Property, plant and equipment (continued)

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.

Initial measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and
equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.
Where the municipality acquires an asset for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.
The cost of an item of property, plant and equipment acquired in exchange for non-monetary assets, monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.
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.
Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.
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.
Subsequent measurement – cost model

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

Subsequently, all property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

The measurement and recognition of impairment losses are indicated in accounting policies 1.13 Impairment of cash-generating assets and 1.14 Impairment of non-cash-generating assets.

Depreciation
Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight-line method to allocate their cost less their residual values over the assets' estimated useful lives. The depreciation method used reflects the pattern in which the municipality expects to consume the assets' future economic benefits or service potential. 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 rates are based on the following estimated useful lives:

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	5-60 Years
Plant and machinery	Straight-line	5-7 Yeras
Furniture and fixtures	Straight-line	7 Years
Motor vehicles	Straight-line	5-20 Years
Office equipment	Straight-line	3-5 Years
IT equipment	Straight-line	3-5 Years
Computer software	Straight-line	2-10 years

1.7 Property, plant and equipment (continued)

Infrastructure	Straight-line	5-100 Years
Community	Straight-line	5-60 Years

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipality's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.
The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any indication exists, the municipality accordingly revises the expected useful life and/or residual value. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.
At each reporting date, all property, plant and equipment items are reviewed for any indication that they may be impaired. An impairment exists when an asset's carrying amount is greater than its recoverable amount or recoverable service amount.
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.
Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

1.8 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.

1.9 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

1.9 Financial instruments (continued)

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

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

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

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

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- 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.

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 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.

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

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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.

1.9 Financial instruments (continued)

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.9 Financial instruments (continued)

Classification

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

Class	Category
Other financial assets	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	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
Consumer deposit	Financial liability measured at amortised cost
Other financial liability	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost

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.

The municipality recognises financial assets using trade date accounting.

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.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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.

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.

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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
  - 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 transfer.

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 recognises 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.

1.9 Financial instruments (continued)

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

1.10 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).

1.10 Statutory receivables (continued)

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.

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.

1.11 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.

1.11 Leases (continued)

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 formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity’s cash management activities, and as such are included as a component of cash and cash equivalents.

1.14 Impairment of cash-generating assets

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

1.14 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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

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

[Specify judgements made]

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

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

1.14 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.14 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

[Specify judgements made]

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.16 Employee benefits

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

1.16 Employee benefits (continued)

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

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 municipality 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 municipality 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.

Other employee benefits obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.17 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.

Accounting Policies

1.17 Provisions and contingencies (continued)

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.

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.

1.17 Provisions and contingencies (continued)

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.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly 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; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- 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;
- 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 reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

Accounting Policies

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.19 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.

1.19 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 .

Interest

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.

1.20 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.

Accounting Policies

1.20 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.

1.20 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

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.Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

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.

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

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.

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

1.24 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 Segment information

A segment is an activity of an entity:

Accounting Policies

1.25 Segment information (continued)

- 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 Budget information

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

The approved budget covers the fiscal period from 2010/04/01 to 2011/03/31.

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.

1.27 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.

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.

1.28 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

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is for years beginning on or after 01 April 2023.

The municipality expects to adopt the guideline for the first time in the 2022/2023 annual financial statements.

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

3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	370 674 116	-	370 674 116	359 670 540	-	359 670 540

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	359 670 540	11 003 576	370 674 116

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	345 669 541	14 000 999	359 670 540

Pledged as security

No investment property has been pledged as security:

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.

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was . Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the municipality and have recent experience in location and category of the investment property being valued.

he valuation was based on the comparable sales method and accrued depreciation method. Based on the valuation, the value of investment property is unchanged from the previous year.

Notes to the Annual Financial Statements

Figures in Rand

4. 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	109 261 918	-	109 261 918	109 261 918	-	109 261 918
Buildings	175 985 682	(142 991 271)	32 994 411	169 946 479	(143 925 549)	26 020 930
Plant and machinery	793 265	112 203	905 468	4 881 027	(2 808 152)	2 072 875
Furniture and fixtures	4 565 069	(2 690 496)	1 874 573	4 892 463	(3 203 219)	1 689 244
Motor vehicles	14 865 384	(7 108 034)	7 757 350	19 945 575	(10 541 749)	9 403 826
IT equipment	3 895 141	(2 172 188)	1 722 953	5 294 808	(2 984 135)	2 310 673
Infrastructure	1 666 239 239	(705 291 555)	960 947 684	1 519 933 675	(530 488 090)	989 445 585
Work in progess	118 709 624	-	118 709 624	89 602 847	-	89 602 847
Total	**2 094 315 322**	**(860 141 341)**	**1 234 173 981**	**1 923 758 792**	**(693 950 894)**	**1 229 807 898**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	109 261 918	-	-	-	-	-	-	109 261 918
Buildings	26 020 930	16 192	(535 609)	13 318 933	-	(4 144 142)	(1 665 008)	32 994 411
Plant and machinery	2 072 875	52 067	(822 088)	-	1	(388 380)	(9 006)	905 468
Furniture and fixtures	1 689 244	901 829	(320 809)	-	-	(395 487)	(205)	1 874 573
Motor vehicles	9 403 826	1 073 502	(969 008)	-	-	(1 380 162)	(282 233)	7 757 350
IT equipment	2 310 673	564 818	(538 716)	-	-	(597 141)	(16 681)	1 722 953
Infrastructure	989 445 585	161 783 195	(15 586 776)	18 459 702	-	(31 198 961)	(161 955 060)	960 947 684
Work in process	89 602 847	64 129 353	-	(31 778 635)	-	-	-	118 709 624
	1 229 807 898	**228 520 956**	**(18 773 006)**	**-**	**1**	**(38 104 273)**	**(163 928 193)**	**1 234 173 981**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	109 261 918	-	-	-	-	109 261 918
Buildings	31 059 022	-	449 010	(5 632 802)	-	26 020 930
Plant and machinery	2 497 275	68 977	-	(493 179)	-	2 072 875
Furniture and fixtures	1 904 016	150 000	-	(364 772)	-	1 689 244
Motor vehicles	8 768 280	1 192 000	-	(1 315 599)	-	9 403 826
IT equipment	2 603 097	265 651	-	(558 074)	-	2 310 673
Infrastructure	1 016 859 700	-	4 379 947	(29 202 229)	(2 591 833)	989 445 585
Work in process	36 625 693	49 926 890	(4 828 957)	-	-	89 602 847
	1 209 579 001	**51 603 518**	**-**	**(37 566 655)**	**(2 591 833)**	**1 229 807 898**

Other information

Projects which are taking significantly longer periods to complete		
Length of Bulk Water Supply line upgraded between Buisfontein and Tswelelang-Portion C : Lack of funds, scarcity of OPVC pipes in the market, delay in trying toaccess the private farm/property also alteration in the design of the project wereexperienced	23 115 764	23 115 764
Length of Bulk Water Supply Line Upgraded Between Buisfontein and Tswelelang(Portion A) : Lack of funds, scarcity of OPVC pipes in the market, delay in trying toaccess the private farm/property also alteration in the design of the project wereexperienced	39 536 740	22 116 747
Length of Bulk Water Supply Line Upgraded Between Buisfontein and Tswelelang(Portion B) : Lack of funds, scarcity of OPVC pipes in the market, delay in trying toaccess the private farm/property also alteration in the design of the project wereexperienced.	22 829 209	22 648 653
	85 481 713	**67 881 164**

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Buildings	Total
Opening balance	82 172 636	6 238 225	88 410 861
Additions/capital expenditure	55 548 646	8 580 707	64 129 353
Transfers to Magalies Water	(3 186 722)	-	(3 186 722)
Transferred to completed items	(18 459 702)	(13 318 933)	(31 778 635)
	116 074 858	**1 499 999**	**117 574 857**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Buildings	Total
Opening balance	36 625 693	-	36 625 693
Additions/capital expenditure	49 926 890	6 687 235	56 614 125
Transferred to completed items	(4 379 947)	(449 010)	(4 828 957)
	82 172 636	**6 238 225**	**88 410 861**

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	2023	2022
Building	336 644	423 548
Infrastructure	9 854 166	2 765 058
Motor Vehilces	576 130	1 557 720
	10 766 940	**4 746 326**

5. Other financial assets

	2023	2022
Designated at fair value		
ABSA Bank limited	360 000	360 000
Terms and conditions		
Current assets		
Designated at fair value	360 000	360 000

6. Payables from exchange transactions

	2023	2022
Trade payables	456 402 913	363 071 595
Debtors with credit balances	12 937 497	9 867 517
Unallocated deposits	561 675	487 076
Accrued leave pay	8 127 360	7 681 803
Accrued bonus	1 321 466	1 602 665
Retention fees	16 713 984	11 277 511
Payroll Clearing and control accounts	698 452	-
Deposits	4 854 283	4 854 283
	501 617 630	**398 842 450**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. Consumer deposits

Electricity	2 323 153	2 053 903
Water	654 283	620 213
	2 977 436	**2 674 116**

8. Employee benefit obligations

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

Carrying value		
Post retirement health care benefits	(20 539 001)	(21 477 000)
Long service awards	(4 193 000)	(4 439 000)
	(24 732 001)	**(25 916 000)**
Non-current liabilities	(23 491 001)	(24 532 000)
Current liabilities	(1 241 000)	(1 384 000)
	(24 732 001)	**(25 916 000)**

The Municipality offers eligible employees a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. Continuing members and their eligible dependents receive a 60% subsidy. The post-employment subsidies are not limited to a maximum Rand value/subsidy. Upon a member's death-in-service, surviving dependents are entitled to commence receipt of the same post-employment subsidy. Upon a member's death-in-retirement, surviving dependents are entitled to continue to receive the same subsidy.

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

Opening balance	25 916 000	24 841 000
Benefits paid	(1 576 325)	(1 359 710)
Net expense recognised in the statement of financial performance	392 325	2 434 710
	24 732 000	**25 916 000**

Net expense recognised in the statement of financial performance

Current service cost	1 342 000	1 198 000
Interest cost	2 949 000	2 427 000
Actuarial (gains) losses	(3 898 675)	(1 190 290)
	392 325	**2 434 710**

Calculation of actuarial gains and losses

Figures in Rand	2023	2022

8. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2023	2022
Discount rates used	12,54 %	11,85 %
Consumer price inflation	6,64 %	5,20 %
Health care cost inflation	8,14 %	8,45 %

]

The rates were determined by using the Johannesburg Stock Exchange as at 30 June 2023.

The effect of a 1% increase or decrease in the health care cost inflation rate is as follows:

	1% decrease R's	Valuation bas	R's	1% increase R's
Employer's accrued liability	3 990 000	4 193 000		4 413 000
Interest cost	1 607 000	2 949 000		3 422 000

A 1% increase in the health care cost inflation rate results in a 31.27% increase in the accrued liability, whilst a 1% decrease in the health care cost inflation rate will result in a 54.49% decrease in the accrued liability.

Normal retirement age

The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill- health and early retirement. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Long-service awards

An actuarial valuation has been performed on Maquassi Hills Local Municipality's unfunded liability in respect of the entitlement of employees to Long Service Awards. the Projected Unit Credit Method has been used to determine the liabilities. The projected liability is based on actuarial assumptions about the future. These assumptions are set to be realistic and individually justifiable. These variations emerge at each valuation as actuarial gains or losses.

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

8. Employee benefit obligations (continued)

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The Actuaries used the nominal and real zero curves as at 30 June 2023 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations.

Key assumptions used		Discount rate
11,01 %	10,81 %	Consumer price inflation
6,44 %	4,33 %	Salary increase rate
5,40 %	4,90 %	Net discount rate
4,29%	3,24 %	

The effect of a one percent increase and decrease in the salary inflation rates is as follows:

1% decrease R's

result in a 6.63% increase in the accrued liability. Similarly, a 1% decrease in the salary inflation assumption will result in roughly a 5.79% decrease in the accrued liability.

The present value of the long service awards for the current and previous four years is as follows:

	2023	2022	2021	2019	2018
Long Service Awards	4 193 000	4 439 000	4 283 000	11 868 577	10 673 074

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases: [provide details]

The basis on which the discount rate has been determined is as follow: [state basis]

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

9. Inventories

Consumable stores	2 530 180	3 219 556
Water for distribution	114 952	123 019
	2 645 132	**3 342 575**

Inventories recognised as an expense during the year (Refer to note 18)	1 725 043	1 604 322

Inventory pledged as security

No inventory pledged as security

10. Receivables from exchange transactions

Accrued income	104 275	-
Outstanding Municipality licencing claims	107 825	-
Consumer debtors - Electricity	8 199 328	23 163 783
Consumer debtors - Water	19 712 373	18 728 747
Consumer debtors - Waste water	11 085 076	9 759 979
Consumer debtors - Refuse	5 832 084	4 951 722
	45 040 961	**56 604 231**

11. Receivables from non-exchange transactions

Fines	16 722 730	15 137 475
Consumer debtors - Rates	36 896 561	31 447 633
Consumer debtors - Sundry debtors	(153 842)	(154 151)
	53 465 449	**46 430 957**

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R - (2022: R -) were past due but not impaired.

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

12. VAT receivable

VAT	5 492 130	7 292 080

13. Consumer debtors disclosure

Gross balances		
Property rates (Statutory receivables)	267 326 921	11 763 746
Consumer debtors - Electricity	90 395 055	96 881 277
Consumer debtors - Water	1 084 838 485	974 140 006
Consumer debtors - Waste water	517 005 011	451 692 637
Consumer debtors - Refuse	266 369 834	232 867 892
Consumer debtors - Sundry debtors	(153 842)	(154 151)
	2 225 781 464	**1 767 191 407**

Figures in Rand	2023	2022

13. Consumer debtors disclosure (continued)

Less: Allowance for impairment		
Consumer debtors - Rates	(230 430 360)	(172 884 695)
Consumer debtors - Electricity	(82 195 727)	(73 717 494)
Consumer debtors - Water	(1 065 126 112)	(955 411 259)
Consumer debtors - Waste water	(505 919 935)	(441 932 658)
Consumer debtors - Refuse	(260 537 750)	(227 916 170)
Consumer debtors - Other (Specified)	(5 645 799)	(4 817 923)
	(2 149 855 683)	**(1 876 680 199)**
Net balance		
Consumer debtors - Rates (Statutory receivables)	36 896 561	31 447 633
Consumer debtors - Electricity	8 199 328	23 163 783
Consumer debtors - Water	19 712 373	18 728 747
Consumer debtors - Waste water	11 085 076	9 759 979
Consumer debtors - Refuse	5 832 084	4 951 722
Consumer debtors - Sundry debtors	(153 842)	(154 151)
	81 571 580	**87 897 713**
Rates		
Current (0 -30 days)	15 230 940	9 818 971
31 - 60 days	6 245 350	4 333 117
61 - 90 days	6 072 038	4 462 000
91 - 120 days	6 029 751	4 421 803
121 - 365 days	233 748 840	182 897 878
	267 326 919	**205 933 769**
Electricity		
Current (0 -30 days)	8 806 874	27 746 160
31 - 60 days	1 795 560	1 846 891
61 - 90 days	2 011 661	1 634 666
91 - 120 days	3 926 688	2 971 772
121 - 365 days	73 854 271	62 681 688
	90 395 055	**96 881 277**
Water		
Current (0 -30 days)	21 413 954	22 782 109
31 - 60 days	11 519 473	10 555 840
61 - 90 days	9 834 084	11 055 799
91 - 120 days	21 787 026	11 614 914
121 - 365 days	1 020 283 950	918 131 344
	1 084 838 486	**974 138 938**
Waste water		
Current (0 -30 days)	12 474 680	9 046 792
31 - 60 days	5 911 320	4 195 345
61 - 90 days	5 761 784	4 091 284
91 - 120 days	5 708 701	4 062 824
121 - 365 days	5 708 701	430 296 393
	517 005 011	**451 689 847**

Figures in Rand	2023	2022

13. Consumer debtors disclosure (continued)

Refuse		
Current (0 -30 days)	6 356 729	4 502 053
31 - 60 days	3 023 355	2 124 688
61 - 90 days	2 947 536	2 076 084
91 - 120 days	2 923 493	2 062 811
121 - 365 days	251 118 721	222 102 255
	266 369 834	**232 869 320**

Sundry debtors		
Current (0 -30 days)	185 038	132 431
31 - 60 days	97 961	39 954
61 - 90 days	82 504	43 508
91 - 120 days	63 189	111 006
121+ days	5 063 265	4 336 873
	5 491 957	**4 663 772**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 698 977 581)	(1 688 544 884)
Contributions to allowance	(214 801 943)	(228 017 202)
Debt impairment written off against allowance	-	10 642 736
Reversal of allowance	-	1 709 620 317
	(1 913 779 524)	**(1 698 977 581)**

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	75 309	56 632
Bank balances	12 087 244	2 265 611
Short-term deposits	1 314 371	10 199 895
	13 476 924	**12 522 138**

14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA BANK - Main - 405-560-5473	(186 953)	(200 575)	(1 537 524)	12 037 244	2 265 612	(471 525)
ABSA BANK - PMU - 406-402-3765	3 718 026	8 231 213	12 627 561	4 010 970	8 231 214	12 617 562
ABSA BANK - Premier - 405-568-6261	4 785 212	1 016 253	8 637 967	4 691 657	(1 629 215)	8 637 968
ABSA BANK - Licenciming -405-098-9969	3 771 378	503 081	1 214 590	3 828 508	503 081	1 214 591
ABSA BANK - TMT - 406-154-5689	62 043	128 601	195 928	18 723	84 785	195 929
ABSA BANK - Public Safety - 404-967-8703	622 918	347 293	124 285	601 622	323 335	124 285
ABSA BANK - Solidarity Fund - 405-254-3232	17 783	20 436	22 547	18 840	20 437	22 546
ABSABANK - Housing DVT Fund - 405-563-6965	16 674	18 230	19 992	66 835	18 230	19 992
ABSA BANK - Call Account - 406-469-2380	14 912	16 543	18 127	(295 809)	16 543	18 127
ABSA BANK - Money market - 912-664-3503	570 084	531 464	509 053	611 015	531 464	509 054
ABSA Bank - Eskom - 913-862-2959	106 820	99 973	96 186	126 492	100 023	96 186
Total	**13 498 897**	**10 712 512**	**21 928 712**	**25 716 097**	**10 465 509**	**22 984 715**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2023	2022
Unspent conditional grants and receipts		
Municipal Infrastructure grant	-	3 054 566
Water Services Infrastructure grant	-	572 606
Dr Kenneth Kaunda District Municipality	20 316	20 316
FMG Grant	13 561	-
Provincial Government Library Grant	343 277	83 547
	377 154	**3 731 035**

Movement during the year

	2023	2022
Balance at the beginning of the year	3 731 035	224 771 928
Income recognition during the year	(3 353 881)	(221 040 893)
	377 154	**3 731 035**

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Other financial liabilities

	2023	2022
At Amortised cost		
DBSA loan - 61007165	44 829 450	31 897 751
DBSA Loan arreas - 61007165	11 076 817	27 950 942
DBSA Loan arreas - 61007163	4 141 789	2 479
	60 048 056	**59 851 172**
Non-current liabilities		
At amortised cost	43 654 340	29 663 115
Current liabilities		
At amortised cost	16 794 434	30 188 057

Defaults and breaches

DBSA loan 61007165 was obtained in 2013 with a term of 20 years. The loan is repayable in quarterly instalments of R947 095.19 at fixed interest rate of 5%. The municipality has missed the instalments for the current financial years and preceeding years due to liquidity crisis

17. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Environmental rehabilitation	63 708 574	7 815 729	71 524 303

Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Environmental rehabilitation	60 251 065	3 457 509	63 708 574

	2023	2022
Non-current liabilities	37 220 670	30 985 213
Current liabilities	34 303 633	32 723 361
	71 524 303	**63 708 574**

Environmental rehabilitation provision

The provision is made in terms of the licensing stipulations. The Provision has been determined on the basis of the recent independent study by taking into account a number of factors to the design, manner of operations and rehabilitation measures proposed which was assessed, investigated and tested. There is no anticipated environmental harm, groundwater pollution, leachate leakage that could be found. The municipality did not alter any structure and infrustructure to the existing landfill.

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used is based on the annual average CPI for the financial year.
The average of the CPI for the year amounted to 6.3%.

18. Inventory consumed

	2023	2022
Other inventories consumed	1 725 043	1 604 322

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

19. Service charges

Sale of electricity	63 815 695	67 749 823
Sale of water	49 246 317	68 148 453
Sewerage and sanitation charges	38 226 568	30 646 378
Refuse removal	19 271 197	15 147 492
	170 559 777	**181 692 146**

20. Rental of facilities and equipment

Premises		
Venue hire	559 544	322 069

21. Fines, Penalties and Forfeits

Illegal Connections Fines	-	82 468
Municipal Traffic Fines	2 048 500	1 916 670
	2 048 500	**1 999 138**

22. Licences and permits

Trading	3 994 295	3 268 653

23. Lease rentals on operating lease

Lease rentals on operating lease - 2		
Contractual amounts	3 316 586	3 445 539

24. Other revenue

Other income	813 086	2 705 622

25. Interest income

Interest revenue		
Interest on investments	2 031 486	622 607
Interest charged on trade and other receivables	111 109 236	73 979 803
	113 140 722	**74 602 410**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

26. Property rates

Rates received

Residential	42 523 870	29 088 520
Commercial	6 768 810	6 878 554
State	4 306 928	1 854 448
Small holdings and farms	16 263 795	13 580 126
	69 863 403	51 401 648
Interest on Property rates	16 436 035	11 589 644
	86 299 438	**62 991 292**

Valuations

Residential	2 482 535 240	1 808 977 284
Commercial	294 546 738	338 140 086
State	188 656 788	196 506 378
Municipal	11 635 100	-
Small holdings and farms	3 213 122 000	2 697 863 834
Property rates 1	323 416 624	71 268 058
	6 513 912 490	**5 112 755 640**

Figures in Rand	2023	2022

27. Government grants & subsidies

Operating grants		
Equitable share	159 404 000	143 540 867
Financial Management Grant	3 086 439	3 100 000
Expanded Public Works Programme Grant	1 544 000	1 386 000
Library Grant	739 270	859 453
LG SETA	289 286	151 106
	165 062 995	**149 037 426**
Capital grants		
Municipal Infrastructure Grant	34 836 566	36 577 434
Water Supply Infrastructure Grant	30 572 606	29 427 394
Provincial Infrastructure Grant	3 664 730	3 160 894
	69 073 902	**69 165 722**
	234 136 897	**218 203 148**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	69 073 902	69 165 722
Unconditional grants received	165 062 995	149 037 426
	234 136 897	**218 203 148**

Municipal Infrastructure Grant

Balance unspent at beginning of year	3 054 566	721 867
Current-year receipts	31 782 000	39 632 000
Conditions met - transferred to revenue	(34 836 566)	(36 577 434)
Withheld	-	(721 867)
	-	**3 054 566**

The Municipality Infrastructure Grant complements the equitable share grant for local government, however, it is provided conditionally to Municipalities. One of the key objects of the grant is to fully subsidise the capital costs of providing basic services to poor households. This implies that priority must be given to meeting the baiscinfrastructure needs of poor households, through the provision of appropriate bulk, connector, and internal infrastructure in key services. The grant was used by the Municipality to build and develop its infrastructure. The unused funds are committed and remain a liability at financial year end.

Water Supply Infrastructure Grant

Balance unspent at beginning of year	572 606	-
Current-year receipts	30 000 000	30 000 000
Conditions met - transferred to revenue	(30 572 606)	(29 427 396)
	-	**572 606**

The grant is used for water service infrastructure and restructuring. The capacity building and restructuring grants were set up to assist municipalities in developing and providing quality water services. The grant was utilised by the Municipality for its intended purposes.

EPWP Roads

Current-year receipts	1 544 000	1 386 000
Conditions met - transferred to revenue	(1 544 000)	(1 386 000)

Figures in Rand	2023	2022

27. Government grants & subsidies (continued)

	-	-

The grant is received from the National Department of Public Works for creating job opportunities for unemployed persons and so allowing economic participation and resulting in poverty alleviation ((see note 15).

Dr Kenneth Kaunda Local Municipality

Balance unspent at beginning of year	20 316	20 316

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

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

Financial Management Grants

Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 086 439)	(3 100 000)
	13 561	**-**

The main purpose of this grant is to assist in the rollout of financial management reforms embodied in the MFMA through building capacity in financial management. Its primary purpose is to assist in building strong financial management skills. The grant was utilised by the Municipality for its intended purposes.

Provincial Infrastructure Grant

Current-year receipts	3 664 730	3 160 894
Conditions met - transferred to revenue	(3 664 730)	(3 160 894)
	-	-

The purpose of this grant was to develop infrastructure required to connect or augument a water resource,to inftrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area with the Municipality.This is an in kind service received from the Departmentr of Water Affairs relating to water infrastructure projects incurred on the Municipality's behalf. (see note 15).

Library Grant

Balance unspent at beginning of year	83 547	-
Current-year receipts	999 000	943 000
Conditions met - transferred to revenue	(739 270)	(859 453)
	343 277	**83 547**

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

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

28. Public contributions and donations

Donation of Water infrastructure	159 689 726	-

Figures in Rand	2023	2022

29. Employee related costs

Basic	59 000 306	52 758 561
Bonus	3 453 883	3 614 460
Medical aid - company contributions	5 312 019	4 963 215
UIF	555 802	483 642
Contributions - Bargain council	31 061	28 377
Leave pay provision charge	1 761 809	853 269
Group life insurance	475 905	414 593
Pension fund contributions	9 513 346	8 683 486
Defined contribution plans	1 342 000	1 198 000
Car Allowance	4 479 206	3 884 448
Overtime payments	9 086 784	8 522 146
Scarcity allowance	505 300	511 600
Housing benefits and allowances	464 081	450 426
Cellphone allowance	363 811	382 567
Standby allowance	3 226 894	3 125 565
Rental subsidy	55 000	56 250
	99 627 207	**89 930 605**

Remuneration of Municipal Manager

Basic salary	487 467	468 420
Car allowance	158 025	116 149
Acting Allowance	6 939	-
Contributions to UIF, Medical and Pension Funds	18 173	518 643
Cellphone Allowance	17 500	12 518
Internet allowance	3 500	15 666
	691 604	**1 118 878**

Remuneration of Chief Finance Officer

Basic salary	995 102	660 107
Car Allowance	309 316	224 684
Backpay	8 459	-
Acting Allowance	57 366	-
Contributions to UIF, Medical and Pension Funds	237 917	292 994
Cellphone & internet allownace	25 300	25 300
Internet allowance	8 500	-
Non-pensionable allowance	43 992	-
	1 685 453	**1 203 085**

Director: Community Services

Basic Salary	911 562	703 645
Car Allowance	297 086	224 684
Backpay	16 032	-
Acting allowance	52 548	-
Contributions to UIF, Medical and Pension Funds	245 607	-
Cellphone allowance	22 500	-
Internet allowance	4 500	-
Non-pensionable allowance	76 337	30 000
	1 626 172	**958 329**

Remuneration of Director: Corporate Services

Basic salary	876 422	225 215

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

29. Employee related costs (continued)

Car Allowance	210 906	74 895
Contributions to UIF, Medical and Pension Funds	399 080	10 414
Acting allowance	151 483	182 624
Cellphone allowance	15 000	9 200
Internet allowance	9 000	-
	1 661 891	**491 934**

Remuneration of Technical Services

Basic salary	710 244	703 654
Car Allowance	226 015	260 884
Back pay	16 035	-
Contributions to UIF, Medical and Pension Funds	4 251	11 144
Cellphone allowance	30 000	36 000
Internet allowance	6 000	-
Non-pensionable allowance	20 340	-
	1 012 885	**1 011 682**

30. Remuneration of councillors

Executive Major	956 909	905 259
Chief Whip	716 397	245 350
Speaker	767 064	735 558
Mayoral Members Committee	2 182 313	3 145 115
Other Councillors	5 093 658	3 926 570
	9 716 341	**8 957 852**

31. Depreciation and amortisation

Property, plant and equipment	38 223 358	37 439 028

32. Impairment loss

Impairments

Property, plant and equipment	163 928 194	2 591 834

33. Finance costs

Provision for landfil sites	7 815 729	3 457 509
Interest expense on employee benefit obligation	2 949 000	2 427 000
Interest on Overdue accounts	8 166 492	2 480 098
Intererest on DBSA loan	4 296	3 375 618
	18 935 517	**11 740 225**

34. Auditors' remuneration

Fees	5 635 521	4 938 083

35. Debt impairment

Bad debts written off	273 593 384	190 130 181

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

36. General expenses

Advertising	1 274 502	818 968
Auditors remuneration	5 635 521	4 938 083
Bank charges	500 790	641 229
Computer expenses	-	69 814
Consumables	17 345 113	10 758 087
Gifts	132 400	-
Hire	1 038 170	9 407 359
Insurance	1 832 642	1 372 879
Skills develoment Levy Fund	817 317	749 558
Fuel and oil	5 654 809	3 434 923
Printing and stationery	1 436 082	1 133 699
Subscriptions and membership fees	1 580 676	1 032 361
Telephone and fax	1 044 351	903 822
Training	1 027 322	424 742
Travel - local	190 302	345 614
Travel - overseas	686 534	74 084
Uniforms	176 495	163 695
EPWP Employees	2 063 522	3 817 318
Remuneration of Ward concillors	1 345 000	1 687 503
Accomodation	1 208 397	443 784
Registration fees - national	528 692	408 562
	45 518 637	**42 626 084**

37. Bulk purchases

Electricity - Eskom	70 779 887	80 908 351
Water	47 702 543	52 111 593
	118 482 430	**133 019 944**

Electricity losses

Units purchased	-	47 254 776
Units sold	-	(33 057 546)
Total loss	**-**	**14 197 230**

Water losses

Apparent losses: Unauthorised consumption	-	25 266 510

Water (KL) purchased	3 507 356	4 161 396
Water (KL) sold to customers	(2 584 659)	(2 144 285)
Water (KL) on hand	(8 630)	(8 489)
Total	**914 067**	**2 008 622**

38. Contracted services

Outsourced Services

Catering Services	453 919	2 239 887
Traffic Fines Management	21 630	150 524
Water Takers	10 664 665	-

Figures in Rand	2023	2022

38. Contracted services (continued)

Consultants and Professional Services		
Business and Advisory	22 149 323	14 993 668
Infrastructure and Planning	2 456 867	1 163 161
Legal Cost	10 265 069	2 391 800
Contractors		
Electrical	95 280	2 873 727
Maintenance of Equipment	10 715 670	4 730 406
Maintenance of Other Assets	51 270	15 920
Safeguard and Security	5 409 379	4 255 344
	62 283 072	**32 814 437**

39. Cash generated from operations

Deficit	(71 173 686)	(44 687 428)
Adjustments for:		
Depreciation and amortisation	38 223 358	37 439 028
Gain on sale of assets and liabilities	18 773 007	-
Fair value adjustments	(11 003 576)	(14 007 999)
Impairment deficit	163 928 194	2 591 834
Debt impairment	273 593 384	190 130 181
Bad debts written off	-	51 370 144
Movements in retirement benefit assets and liabilities	(1 183 999)	1 072 792
Movements in provisions	7 815 729	3 457 509
Other non-cash items	(273 763 287)	(55 205 900)
Changes in working capital:		
Inventories	697 443	(2 266 911)
Receivables from exchange transactions	(7 034 492)	22 367 641
Other receivables from non-exchange transactions	(7 034 492)	(21 972 916)
Payables from exchange transactions	102 775 180	50 909 073
VAT	1 799 950	(168 364 437)
Unspent conditional grants and receipts	(3 353 881)	1 846 853
Consumer deposits	303 320	192 707
	233 362 152	**54 872 171**

40. Fair value adjustments

Investment property (Fair value model)	11 003 576	14 007 999

41. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	360 000	-	360 000
Trade and other receivables from exchange transactions	-	45 040 962	45 040 962
Cash and cash equivalents	-	25 866 992	25 866 992
	360 000	**70 907 954**	**71 267 954**

Financial liabilities

41. Financial instruments disclosure (continued)

	At amortised cost	Total
Other financial liabilities	60 448 774	60 448 774
Consumer deposits	2 977 436	2 977 436
Trade and other payables from exchange transactions	512 799 493	512 799 493
	576 225 703	**576 225 703**

2022

Financial assets

	At amortised cost	Total
Other financial assets	360 000	360 000
Trade and other receivables from exchange transactions	56 604 231	56 604 231
Cash and cash equivalents	12 522 138	12 522 138
	69 486 369	**69 486 369**

Financial liabilities

	At amortised cost	Total
Consumer deposit	2 674 116	2 674 116
Other financial liabilities	59 851 172	59 851 172
Trade and other payables from exchange transactions	398 842 450	398 842 450
	461 367 738	**461 367 738**

42. Commitments

Authorised capital expenditure

	2023	2022
Already contracted for but not provided for		
• Property, plant and equipment	31 693 781	44 911 133
• Prior period error	-	556 021
	31 693 781	**45 467 154**

	2023	2022
Total capital commitments		
Approved and contracted for	31 693 781	45 467 154

Authorised operational expenditure

Total commitments

	2023	2022
Total commitments		
Authorised capital expenditure	31 693 781	45 467 154

Operating leases - as lessee (expense)

	2023	2022
Minimum lease payments due		
- within one year	-	2 021 046

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

43. Contingencies

Contingent liabilities

Cases		
Clear away property investments vs Maquassi Hills Local Municipality - Application for cross-appeal claim	314 824	314 824
Maxprof vs Maquassi and others	600 000	600 000
Mr KD Mohadi - A claim for damages suffered councillor subsequent to his house being burned down during a community riot.	82 460	82 460
Kgopane - Review application	300 000	300 000
Windy Mahlangu - Unfair labour practice dispude, the matter is pending to CCMA	300 000	300 000
IR Jones vs Maquassi Hills - the applicant claim that the current Appointed Municipal Manager was unlawfully appointed	950 000	950 000
Korone engineers vs Maquassi hills - The applicant claim that it was appointed for the project of Leeudoringstad Sewer pound rehabilkitation which the municipality disputes	250 000	250 000
CLLR Percy Mokgabi urgent application	450 000	450 000
Mr M. Besani - The contract of the Municipality's former Director: Engineering Services was terminated and the matter is currently at the Labour Court for review	300 000	300 000
	3 547 284	**3 547 284**

Contingent assets

Cases		
MHLM vs SAMWU	339 158	339 158
KWANE CAPITAL The municipality issued an application to review the appointment of Kwane Capital	950 000	950 000
	1 289 158	**1 289 158**

44. Related parties

Relationships	
Accounting Officer	Ms N Mbonani
Shareholder with significant influence	Mr V.G Nicodemus (Director: Community Services) has 25% interest in Molete Nare Properties
Shareholder with joint control	Nelson Mwase (Director : Engineering) has joint control in a company called Mwasiba Projects of 60%

Remuneration of management

44. Related parties (continued)

Management class: Councillors

2023

Name	Office Bearer	Cellphone Allowance	Travelling allowances	Medical aid	Pension fund	Total
Mayor	566 619	44 400	288 127	34 466	83 297	956 909
Speaker	541 998	44 400	180 666	-	-	767 064
Chief Whip	442 120	44 400	169 374	-	60 503	716 397
MMC	1 470 815	133 200	512 295	-	66 003	2 182 313
Other Concillors	3 001 417	710 961	1 130 479	-	250 801	5 093 658
	6 022 969	**977 361**	**2 280 941**	**34 466**	**460 604**	**9 716 341**

2022

Name	Office Bearer	Cellphone Allowance	Travelling allowances	Medical Aid	Pension fund	Total
Mayor	581 242	44 400	215 215	30 785	33 618	905 260
Speaker	481 443	44 400	172 172	16 843	20 700	735 558
Chief Whip	280 482	28 613	104 021	-	31 581	444 697
MMC	1 364 975	133 200	813 440	48 440	137 198	2 497 253
Other Concillors	3 038 338	700 788	1 074 976	54 093	133 351	4 375 084
	5 746 480	**951 401**	**2 379 824**	**150 161**	**356 448**	**8 957 852**

Management class: Executive management

2023

	Basic salary	Car Allowance	Backpay	Contribution to UIF, Medical and Pension Fund	Cellphone allowance	Internet allowances	Non-pensionable allowance	Acting Allowance	Total

44. Related parties (continued)

Name									
LJ MOGOEMA - CFO	605 394	207 101	8 459	58 859	19 800	5 500	20 340	-	925 453
AM MADISHA - ACFO	389 708	102 215	-	179 058	6 000	3 000	23 652	57 366	760 999
VG NICODEM - DC	531 504	169 274	16 032	8 770	22 500	4 500	20 340	-	772 920
N MWASE - EN	710 244	226 015	16 035	4 251	30 000	6 000	20 340	-	1 012 885
NJ MBONAN - MM	487 467	158 025	-	18 173	17 500	3 500	-	-	684 665
VK MOTLASHUPING - ACS	486 714	124 018	-	232 080	9 000	6 000	80 431	50 576	988 819
TL MOKOTO - ACS	389 708	86 888	-	167 000	6 000	3 000	23 653	100 907	777 156
ND TLADI - ACDS	380 058	127 812	-	236 837	-	-	33 497	52 548	830 752
	3 980 797	**1 201 348**	**40 526**	**905 028**	**110 800**	**31 500**	**222 253**	**261 397**	**6 753 649**

2022

Name	Basic salary	Car Allowances	Backpay	Contribution to UIF, Medical and Pension Fund	Cellphone allowance	Internet allowance	Non-pensionable allowance	Acting Allowance	Total
LJ MOGOEMA - CFO	660 107	224 684	6 927	292 994	21 600	6 000	-	-	1 212 312
VG NICODEM - CS	703 645	224 684	-	-	30 000	-	-	-	958 329
N MWASE - EN	703 645	224 684	-	11 144	30 000	6 000	-	-	975 473
KJ LESEISA - MM (Appoint 01/11/2021	468 420	116 149	-	-	13 055	2 611	-	525 582	1 125 817
KJ LESEISA - CS (Resigned 31/10/2021)	225 215	74 895	-	-	7 200	2 000	-	182 624	491 934
	2 761 032	**865 096**	**6 927**	**304 138**	**101 855**	**16 611**	**-**	**708 206**	**4 763 865**

In the year 2022/23 Nokuthula Karelse was seconded from Cogsta as an Acting Municipal Manager from 01/07/2022 to 30/09/202 and the acting was extended until her resignation on the 17/10/2022. The cost of her remuneration was borne by Provincial COGTA as part of its section 154 support obligations. Therefore she is a related party with no financial exponsure from the municipality.Refer to note "Employee related costs"

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

45. Prior-year adjustments (continued)

2022

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions		45 961 496	10 642 735	56 604 231
VAT Receivables/(Payables)		(171 299 589)	178 591 669	7 292 080
Receivables from non exchange transactions		17 411 430	29 019 527	46 430 957
Property plant and equipment		987 546 496	242 261 402	1 229 807 898
Investment properties		131 680 000	227 990 670	359 670 670
Payables from exchange transactions		(402 769 531)	3 920 562	(398 848 969)
Accumulated surplus		(468 910 266)	(692 426 565)	(1 161 336 831)
		139 620 036	**-**	**139 620 036**

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Service Charges		181 684 645	-	7 500	181 692 145
Licences and permits		4 120 924	(852 271)	-	3 268 653
General expenses		(102 367 127)	7 836 985	51 370 144	(43 159 998)
Depreciation and amortsation		(43 940 919)	6 501 891	-	(37 439 028)
Contracted services		(32 846 344)	(4 201 781)	3 438 039	(33 610 086)
Lease rentals on operating lease		-	-	(3 445 539)	(3 445 539)
Debt Impairment		(229 792 439)	39 662 258	-	(190 130 181)
Bad debts written off		-	-	(51 370 144)	(51 370 144)
Impairment loss		-	(2 591 834)	-	(2 591 834)
Fair value adjustment		11 406 000	2 601 999	-	14 007 999
Surplus for the year		**(211 735 260)**	**48 957 247**	**-**	**(162 778 013)**

45.1.Reclassifications

45.1.1 Sale of prepaid electricity reclassified from contracted services charges

During the 2021/2022 financial year, Sale of prepaid electricity amounting to R 7 500 were incorrectly classified as contracted services. The sale of prepaid have been reclassified to services charges.

45.1.2 Lease rentals on operating lease

Lease rentals from operating lease were incorrectly classified in the contracted services - business advisory. the lease rental are required in term of GRAP 1 to be presented has been presented on the face of the statement of financial statement..

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.

Liquidity risk

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

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

The table below analyses the municipality’s financial liabilities 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.

At 30 June 2023	Less than 1 year	More than a year		
Other financial liabilities	16 794 434	43 654 340	-	-
Trade and other payables	500 409 426	-	-	-

At 30 June 2022	Less than 1 year	More than year		
Other financial liabilities	30 188 058	29 663 114	-	-
Trade and other payables	398 842 450	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

46. Risk management (continued)

Credit risk

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

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

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

Financial instrument	2023	2022
Other financial Assets	360 000	360 000
Consumer debtors	81 571 580	87 897 713
Cand and cash equipment	13 447 203	12 522 141

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 5 & 6 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at prime rate where applicable.

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

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed above.

47. Going concern

We draw attention to the fact that the municipality incurred a net loss of R 71 173 686 during the year ended 30 June 2023 and, as of that date, the municipality’s current liabilities exceeded its current assets by R 434 525 802. In addition, the municipality owed Eskom R 36 952 135 (2022: R51 215 028) and the Magalies Water R 284 035 857 (2022 : R266 110 904) as at 30 June 2023, which was long overdue. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the municipality’s ability to continue as a going concern.

Management has prepared an annual budget based on the Municipality's collections levels and government grants from National Treasury, and applied cost cutting measures to ensure that the municipality operate within its financial limits. Monthly and annual cash flow forecast for the period ending 30 June 2024 are prepared and monitored by senior management team, if necessary budget adjustment process will be initiated. The annual budget for the next financial year has been prepared and approved by council and it is deemed to be fully funded. Municipality applied for Eskom debt relief and it was approved. The municipality is under discretionary S139 Intervention, S139(5)(a) & (c) of the Constitution with S139 of the MFMA to assist the municipality with financial recovery.

Management is satisfied that the municipality has, or has access to, adequate resources to continue in operational existence for the foreseeable future. The Municipality will continue monitor the budget process and asssess risk associated to the extended impact of the load shedding limitations to ensure that its operating activities will be within its financial measures

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

48. Events after the reporting date

At the time of preparation and submission of this set of annual financial statements, there were no events after reporting date to disclose.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Unauthorised expenditure

Opening balance as previously reported	1 044 936 628	987 628 473
Add: Unauthorised expenditure - current	23 960 909	57 308 155
Closing balance	**1 068 897 537**	**1 044 936 628**

50. Fruitless, wasteful and irregular expenditure

Opening balance as previously reported	22 962 224	17 584 129
Fruitless and wasteful expenditure identified - current	7 831 540	4 906 308
Irregular expenditure identified - current	-	471 787
Closing balance	**30 793 764**	**22 962 224**

Notes to the Annual Financial Statements

Figures in Rand		2023	2022

50. Fruitless, wasteful and irregular expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest charge Eskom	No disciplinary action taken	5 607 287	3 058 738
Interest charge AGSA	No disciplinary action taken	377 855	7 844
Interrest Charge SARS	No disciplinary action taken	75 288	-
Interrest Charge Magalies	No disciplinary action taken	129 430	122 570
DBSA	No disciplinary action taken	1 641 179	1 836 118
Others	No disciplinary action taken	501	3 608
		7 831 540	**5 028 878**

51. Irregular expenditure

Opening balance as previously reported	485 950 064	444 804 155
Prior period error	-	3 171 867
Add: Irregular Expenditure - current	21 761 431	37 974 042
Closing balance	**507 711 495**	**485 950 064**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

51. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Competitive bidding not invited	No disciplinary action taken	11 792	17 167
Three written quotations not invited	No disciplinary action taken	104 765	-
SCM process not followed	No disciplinary action taken	594 005	1 357 759
Other	No disciplinary action taken	21 050 869	36 599 117
		21 761 431	**37 974 043**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1 336 679	1 210 314
Current year subscription / fee	154 885	1 189 388
Amount paid - current year	(1 484 359)	(1 063 023)
	7 205	**1 336 679**

Audit fees

Opening balance	4 513 260	3 753 937
Current year subscription / fee	4 649 721	(4 459 257)
Amount paid - current year	(4 459 257)	(5 172 270)
	4 703 724	**(5 877 590)**

PAYE ,SDL and UIF

Current year subscription / fee	12 554 755	14 666 512
Amount paid - current year	(11 417 968)	(14 666 512)
	1 136 787	**-**

Pension and Medical Aid Deductions

Opening balance	1 482 644	-
Current year subscription / fee	17 550 089	17 311 607
Amount paid - current year	(17 550 089)	(15 828 963)
	1 482 644	**1 482 644**

VAT

VAT Receivables	(5 492 130)	(7 292 080)

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Ms Nkatlo	-	131 670	131 670
Mr Feliti	-	7 857	7 857
Mr Hlongwane	-	156 373	156 373
Mr Moleho	-	50 108	50 108
Ms Monewang	-	203 196	203 196
Mr Mothibi	-	139 219	139 219
Mr Molosi	-	44 155	44 155
Mr Medupe	-	131 480	131 480
Mr Rampai	-	244 640	244 640
Mr Leshomo	-	215 779	215 779
Mr Modisadife	-	36 559	36 559
Mr Moletsane	-	43 859	43 859
Mr Mosholi	-	77 078	77 078
Mr Metoa	-	121 523	121 523
Mr Malebatsane	-	6 384	6 384
	-	**1 609 880**	**1 609 880**

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr: S.S Nkatlo	13 142	117 139	130 281
Cllr: M.A Feliti	3 782	1 609	5 391
Cllr: Q.P Molosi	3 775	41 738	45 513
Cllr: LL Medupe	7 541	108 647	116 188
Cllr: M.D Modisadife	1 862	37 499	39 361
Cllr: R.J Moletsane	1 968	43 668	45 636
Cllr: M.R Mosholi	2 571	73 269	75 840
Cllr: M.H Motaung	1 170	-	1 170
Cllr: K.S Calvert	378	28 143	28 521
Cllr: T.S Malebatsane	364	4 610	4 974
	36 553	**456 322**	**492 875**

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

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

53. 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.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

54. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of Municipal Governance and Administation, Financial Services Administation, Corporate Services, Health Services and Electricity.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 in line with National Treasury Budget guidelines.

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

Aggregated segments

The Municipality does not have any geographical segments as it operates within it's area of jurisdiction in the North West Province. Segments were aggregated on the basis of services delivered to its residents.

54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Municipal Manager and Administration	Financial Services Directorate	Corporate Services	Community Services	Insfrastructure	Total
Revenue						
Revenue from exchange transactions	602 051	(346 330)	43 715	23 476 829	125 734 512	149 510 777
Revenue from non-exchange transactions	160 948 000	89 385 876	289 286	2 787 770	228 763 628	482 174 560
Interest revenue	-	2 442 468	-	15 612 070	95 086 184	113 140 722
Total segment revenue	**161 550 051**	**91 482 014**	**333 001**	**41 876 669**	**449 584 324**	**744 826 059**
Entity's revenue						**744 826 059**
Expenditure						
Debt impairment	273 593 384	-	-	-	-	273 593 384
Depreciation and amortasation	38 223 358	-	-	-	-	38 223 358
Loss on disposal of assets	-	-	-	-	18 773 007	18 773 007
Finance cost	-	15 986 517	2 949 000	-	-	18 935 517
Impairment loss	163 928 194	-	-	-	-	163 928 194
Other expenditure	31 344 376	50 913 564	30 739 276	36 434 259	193 904 293	343 335 768
Total segment expenditure	**507 089 312**	**66 900 081**	**33 688 276**	**36 434 259**	**212 677 300**	**856 789 228**
Total segmental surplus/(deficit)	**(345 539 261)**	**24 581 933**	**(33 355 275)**	**5 442 410**	**236 907 024**	**(111 963 169)**
Assets						
Current assets	107 825	153 932 262	-	(3 795 564)	(38 664 450)	111 580 073
Non-current assets	18 529 934	467 894 063	791 419	(5 978 268)	1 123 547 950	1 604 785 098
Total segment assets	**18 637 759**	**621 826 325**	**791 419**	**(9 773 832)**	**1 084 883 500**	**1 716 365 171**
Total assets as per Statement of financial Position						**1 716 365 171**

54. Segment information (continued)

	Municipal Manager and Administration	Financial Services Directorate	Corporate Services	Community Services	Insfrastructure	Total
Liabilities						
Non-current liabilities	(850 783)	68 710 154	(176 903)	36 942 878	(259 337)	104 366 009
Current liabilities	-	519 686 939	-	34 646 910	2 977 437	557 311 286
Total segment liabilities	**(850 783)**	**588 397 093**	**(176 903)**	**71 589 788**	**2 718 100**	**661 677 295**
Total liabilities as per Statement of financial Position						**661 677 295**

2022

	Municipal Manager and Administration	Financial Services Directorate	Corporate Services	Community services	Infrastructure	Total
Revenue						
Revenue from exchange transactions	272 481	1 127 722	49 424	18 636 212	167 902 651	187 988 490
Revenue from non-exchange transactions	144 926 867	66 091 292	151 106	2 776 123	69 248 190	283 193 578
Interest revenue	-	961 346	-	9 703 556	63 937 509	74 602 411
Total segment revenue	**145 199 348**	**68 180 360**	**200 530**	**31 115 891**	**301 088 350**	**545 784 479**
Entity's revenue						**545 784 479**
Expenditure						
Debt impairment	190 130 181	-	-	-	-	190 130 181
Depreciation and amortisation	37 439 028	-	-	-	-	37 439 028
Finance cost	-	9 313 224	-	-	-	9 313 224
Impairment loss	2 591 834	-	-	-	-	2 591 834
Other expenditure	27 022 698	44 801 928	37 434 946	28 223 274	175 243 221	312 726 067
Total segment expenditure	**257 183 741**	**54 115 152**	**37 434 946**	**28 223 274**	**175 243 221**	**552 200 334**
Total segmental surplus/(deficit)	**(111 984 393)**	**14 065 208**	**(37 234 416)**	**2 892 617**	**125 845 129**	**(6 415 855)**

54. Segment information (continued)

Assets						
Current assets	-	142 430 331	-	(2 204 875)	(15 939 086)	124 286 370
Non-current assets	22 529 662	457 707 781	631 719	165 161	1 108 444 117	1 589 478 440
Total segment assets	**22 529 662**	**600 138 112**	**631 719**	**(2 039 714)**	**1 092 505 031**	**1 713 764 810**
Total assets as per Statement of financial Position						**1 713 764 810**
Liabilities						
Current liabilities	-	433 489 388	-	32 806 908	3 246 722	469 543 018
Non-current liabilities	-	54 195 115	-	30 985 213	-	85 180 328
Total segment liabilities	**-**	**487 684 503**	**-**	**63 792 121**	**3 246 722**	**554 723 346**
Total liabilities as per Statement of financial Position						**554 723 346**

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

55. Budget differences

Material differences between budget and actual amounts

Variances of 10% and above are regarded as significant and explained.

Revenue
The actual revenue amounts to R 744 million whilst the budgeted revenue amounts to R 590 million, with the overperformance variance of R 154 million or 126.3% above the budget.

Significant variances are in the following areas:

Services Charges
The municipality billed less than initially budgeted, due to the impact of the continued load shedding

Rental of Facilities -
This category is inclusive of rentals from leasing of properties and municipality's comunity assets. Positive deviation is due to increased efforts on outdoor advertising

55. Budget differences (continued)

Licence and permits
There were less licences and permits issued during the year than it was anticipated. The Leeudoring Trafic office were not operational during the year thus the rate of collection is lower than expected.

Government grant and subsidies
There was also a significant MIG allocation received during the year that wasb`not reflected on the initial allocation.

Public contributions and donations
During the year the municipality received a donation from Department of Water and Sanitation of Infrastructure Assets to the value of R 159 689 726 which was not budgeted.

Expenditure
The actual expenditure amounts to R 838 million whilst the budgeted expenditure amounts to R 449 million, with a variance of R 388.1 million over budget.

Employee related cost
Municipality did not fill vacant positions as anticipated thus there were savings in employee cost budget.

Depreciation and amortisation and impairment
Due to incomplete projects still classified as WIP

Debt imparement
The calculation for the provision for debt impairment is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This is caused by the continued effect of the depressed economicconditions and additional residents put on the indingent programme lead to the increase in the bad debt contribution.

Bulk purchase
Over expenditure is as a result of the municipality paying arrear accounts of Eskom and Water Boards in line with the payment agreement that is currently in place.

Contracted services
Higher than budget is due need related to service delivery, and increased in emergency repairs of the network due to the impact of load shedding.