



Maquassi Hills Local Municipality
Annual Financial Statements
for the year ended 30 June 2024

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	Category B municipality (local municipality) envisaged in section 155(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: J.U Swart Cllr: D.H Serape Cllr: K.S Seakane
Grading of local authority	3
Chief Finance Officer (CFO)	Mr TA Modibedi
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)
Auditors	Auditor General of South Africa

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

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

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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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

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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 2025 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 2024 and were signed on its behalf by:

Accounting Officer
N Mbonani

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2024.

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 2024 and were signed on its behalf by:

Accounting Officer
N Mbonani

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	2 881 391	2 651 391
Other financial assets	4	360 000	360 000
Trade and other receivables from exchange transactions	5&7	100 975 732	88 589 913
Receivables from non-exchange transactions	6&7	14 081 755	11 200 102
VAT receivable	8	69 785 413	35 553 331
Cash and cash equivalents	9	2 880 936	15 604 521
		190 965 227	153 959 258
Non-Current Assets			
Investment property	10	372 401 675	370 674 116
Property, plant and equipment	11	1 247 285 288	1 234 192 194
		1 619 686 963	1 604 866 310
Total Assets		1 810 652 190	1 758 825 568
Liabilities			
Current Liabilities			
Other financial liabilities	12	21 959 262	16 794 434
Finance lease obligation	13	7 746 229	-
Trade and other payables from exchange transactions	14	551 758 035	504 431 533
Consumer deposits	15	3 337 331	2 994 104
Employee benefit obligation	16	1 639 000	1 241 000
Unspent conditional grants and receipts	17	2 185 662	137 154
Provisions	18	34 359 842	34 303 633
Municipal Eskom Debt relief liability	58	20 785 061	-
		643 770 422	559 901 858
Non-Current Liabilities			
Other financial liabilities	12	38 613 153	43 654 340
Finance lease obligation	13	9 611 911	-
Employee benefit obligation	16	26 019 550	23 491 001
Provisions	18	39 427 053	37 220 670
Municipal Eskom Debt relief liability	58	26 962 541	-
		140 634 208	104 366 011
Total Liabilities		784 404 630	664 267 869
Net Assets		1 026 247 560	1 094 557 699
Accumulated surplus		1 024 467 954	1 092 778 012
Total Net Assets		1 024 467 954	1 092 778 012

* See Note 51 & 50

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Services charges - Electricity	19	60 549 970	63 815 695
Services charges - Waste Management	19	18 991 601	19 271 197
Services charges - Waste Water Management	19	38 048 552	38 226 568
Services charges - Water	19	54 633 479	49 246 317
Rental of facilities and equipment	20	2 235 356	478 667
Interest earned - outstanding debtors	22	139 634 217	111 109 236
Licences and permits	21	2 658 915	3 994 295
Operational revenue	24	930 116	1 045 261
Interest earned - external investments	23	1 212 195	1 884 752
Fair value adjustments	25	29 197 249	11 003 576
Actuarial gains	41	-	3 898 675
Inventories surplus	40	154 109	-
Total revenue from exchange transactions		348 245 759	303 974 239
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	66 399 239	69 863 403
Interest - Property rates	26	21 196 800	16 436 035
Transfer revenue			
Government grants & subsidies	27	261 607 066	234 376 897
Public contributions and donations	29	-	159 689 726
Fines, Penalties and Forfeits	28	913 510	2 114 000
Debt relief benefits		12 412 846	-
Total revenue from non-exchange transactions		362 529 461	482 480 061
Total revenue		710 775 220	786 454 300
Expenditure			
Employee related costs	30	(110 018 881)	(99 627 207)
Remuneration of councillors	31	(8 825 458)	(9 716 341)
Inventory consumed	32	(932 384)	(1 725 043)
Depreciation and amortisation	33	(43 889 485)	(38 223 358)
Impairment loss	34	(6 193 887)	(163 928 194)
Finance costs	35	(21 147 231)	(18 960 727)
Lease rentals on operating lease	36	(3 626 188)	(3 316 586)
Debt Impairment	37	(268 259 680)	(216 927 292)
Bulk purchases	38	(131 086 510)	(118 482 430)
Contracted services	39	(99 728 780)	(82 404 225)
Transfers and Subsidies		(27 469 610)	(3 186 722)
Loss on disposal of assets and liabilities		(30 713 605)	(18 773 007)
Actuarial losses	41	(319 660)	-
Inventories write-down	40	-	(8 424)
Operational costs	42	(28 725 927)	(24 605 913)
Total expenditure		(780 937 286)	(799 885 469)
Deficit for the year		(70 162 066)	(13 431 169)

* See Note 51 & 50

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 133 045 393	1 133 045 393
Adjustments		
Correction of errors 50	(26 836 212)	(26 836 212)
Balance at 01 July 2022 as restated*	1 106 209 181	1 106 209 181
Changes in net assets		
Surplus for the year	(13 431 169)	(13 431 169)
Total changes	(13 431 169)	(13 431 169)
Restated* Balance at 01 July 2023	1 094 630 020	1 094 630 020
Changes in net assets		
Surplus for the year	(70 162 066)	(70 162 066)
Total changes	(70 162 066)	(70 162 066)
Balance at 30 June 2024	1 024 467 954	1 024 467 954
Note(s)		

* See Note 51 & 50

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Services charges		83 230 933	84 971 180
Grants		261 607 066	230 783 016
Property Rates		32 700 878	54 325 836
Interest on investment		1 212 195	1 884 752
Other receipts		930 116	1 045 261
Rental Income		2 235 356	478 667
Fines, penalties and forfeits		908 405	17 103 334
		382 824 949	390 592 046
Payments			
Employee costs		(123 680 872)	(106 981 907)
Suppliers		(309 002 181)	(156 565 382)
Finance costs		(8 647 452)	-
		(441 330 505)	(263 547 289)
Net cash flows from operating activities	44	(58 505 556)	127 044 757
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(81 183 268)	(62 627 358)
Other cash item		930 116	-
Net cash flows from investing activities		(81 183 268)	(63 672 619)
Cash flows from financing activities			
Loan repayment		14 676 730	593 306
Outflow of other liability 1		47 747 602	(4 853 628)
Net cash flows from financing activities		62 424 332	(4 260 322)
Net increase/(decrease) in cash and cash equivalents		(77 264 492)	59 111 816
Cash and cash equivalents at the beginning of the year		15 604 521	12 522 138
Cash and cash equivalents at the end of the year	9	(61 659 971)	71 633 954

* See Note 51 & 50

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Services charges - Electricity	86 164 000	(19 358 000)	66 806 000	60 549 970	(6 256 030)	Refer to Appendix A
Services charges - Refuse Removal	19 035 000	912 000	19 947 000	18 991 601	(955 399)	Refer to Appendix A
Services charges - Sanitation and sewerage	40 041 000	-	40 041 000	38 048 552	(1 992 448)	Refer to Appendix A
Services charges - Water	74 400 000	(23 064 000)	51 336 000	54 633 479	3 297 479	Refer to Appendix A
Rental of facilities and equipment	300 000	42 000	342 000	2 235 356	1 893 356	Refer to Appendix A
Interest earned - outstanding Debtors	127 557 000	13 252 000	140 809 000	139 634 217	(1 174 783)	Refer to Appendix A
Licences and permits	13 313 000	-	13 313 000	2 658 915	(10 654 085)	Refer to Appendix A
Other income	-	-	-	930 116	930 116	Refer to Appendix A
Interest received - investment	810 000	-	810 000	1 212 195	402 195	Refer to Appendix A
Total revenue from exchange transactions	361 620 000	(28 216 000)	333 404 000	318 894 401	(14 509 599)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	75 793 000	-	75 793 000	66 399 239	(9 393 761)	Refer to Appendix A
Property rates - penalties imposed	-	-	-	21 196 800	21 196 800	Refer to Appendix A

Transfer revenue

Government grants & subsidies	251 000 000	-	251 000 000	261 607 066	10 607 066	Refer to Appendix A
Fines, Penalties and Forfeits	5 700 000	-	5 700 000	913 510	(4 786 490)	Refer to Appendix A
Revenue from service concession arrangements	-	-	-	12 412 846	12 412 846	

Total revenue from non-exchange transactions	332 493 000	-	332 493 000	362 529 461	30 036 461	
Total revenue	694 113 000	(28 216 000)	665 897 000	681 423 862	15 526 862	

Expenditure

Employee related costs	(123 482 000)	(3 102 000)	(126 584 000)	(110 018 881)	16 565 119	Refer to Appendix A
Remuneration of councillors	(9 785 000)	(653 000)	(10 438 000)	(8 825 458)	1 612 542	Refer to Appendix A
Inventory consumed	-	-	-	(932 384)	(932 384)	Refer to Appendix A

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Depreciation and amortisation	(55 949 000)	-	(55 949 000)	(43 889 485)	12 059 515	Refer to Appendix A
Impairment loss	-	-	-	(6 193 887)	(6 193 887)	Refer to Appendix A
Finance costs	(5 126 000)	(3 612 000)	(8 738 000)	(21 147 231)	(12 409 231)	Refer to Appendix A
Lease rentals on operating lease	-	-	-	(3 626 188)	(3 626 188)	Refer to Appendix A
Debt Impairment	(145 042 000)	10 000 000	(135 042 000)	(268 259 680)	(133 217 680)	Refer to Appendix A
Bulk purchases	(136 492 478)	26 705 851	(109 786 627)	(131 086 510)	(21 299 883)	Refer to Appendix A
Contracted Services	(23 383 000)	(9 005 000)	(32 388 000)	(99 728 780)	(67 340 780)	Refer to Appendix A
Transfers and Subsidies	-	-	-	(27 469 610)	(27 469 610)	Refer to Appendix A
General Expenses	(33 543 000)	(4 222 000)	(37 765 000)	(28 725 927)	9 039 073	Refer to Appendix A
Total expenditure	(532 802 478)	16 111 851	(516 690 627)	(749 904 021)	(233 213 394)	
Operating deficit	161 310 522	(12 104 149)	149 206 373	(68 480 159)	(217 686 532)	
Loss on disposal of assets and liabilities	-	-	-	(30 713 605)	(30 713 605)	Refer to Appendix A
Fair value adjustments	-	-	-	29 197 249	29 197 249	Refer to Appendix A
Actuarial gains/losses	-	-	-	(319 660)	(319 660)	Refer to Appendix A
Inventories losses/write-downs	-	-	-	154 109	154 109	Refer to Appendix A
	-	-	-	(1 681 907)	(1 681 907)	
Deficit before taxation	161 310 522	(12 104 149)	149 206 373	(70 162 066)	(219 368 439)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	161 310 522	(12 104 149)	149 206 373	(70 162 066)	(219 368 439)	

Material variances between approved budget and final budget can be found in the MBRR that was tabled in the council.

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	-	-	-	2 881 391	2 881 391	Refer to Appendix A
Other financial assets	-	-	-	360 000	360 000	Refer to Appendix A
Trade and other receivables from exchange transactions	(125 528 000)	-	(125 528 000)	100 975 732	226 503 732	Refer to Appendix A
Receivables from non-exchange transactions	(10 574 631)	-	(10 574 631)	14 081 755	24 656 386	Refer to Appendix A
Cash and cash equivalents	(214 429 000)	-	(214 429 000)	2 069 115	216 498 115	Refer to Appendix A
	(350 531 631)	-	(350 531 631)	120 367 993	470 899 624	

Non-Current Assets

Investment property	-	-	-	372 401 675	372 401 675	Refer to Appendix A
Property, plant and equipment	170 226 000	-	170 226 000	1 247 285 288	1 077 059 288	Refer to Appendix A
Employee benefit asset	1 487 033	(1 487 033)	-	-	-	Refer to Appendix A
	171 713 033	(1 487 033)	170 226 000	1 619 686 963	1 449 460 963	

Total Assets (178 818 598) (1 487 033) (180 305 631) 1 740 054 956 1 920 360 587

Liabilities

Current Liabilities

DBSA Loan	-	-	-	21 959 262	21 959 262	Refer to Appendix A
Finance lease obligation	-	-	-	7 746 229	7 746 229	Refer to Appendix A
Trade and other payables from exchange transactions	(417 413 000)	-	(417 413 000)	551 758 035	969 171 035	Refer to Appendix A
VAT payable	-	-	-	(69 785 413)	(69 785 413)	Refer to Appendix A
Consumer deposits	170 050 268	-	170 050 268	3 337 331	(166 712 937)	Refer to Appendix A
Employee benefit obligation	-	-	-	1 639 000	1 639 000	Refer to Appendix A
Unspent conditional grants and receipts	-	-	-	2 185 662	2 185 662	Refer to Appendix A
Provisions	-	-	-	34 359 842	34 359 842	Refer to Appendix A
Municipal Eskom Debt relief liability	-	-	-	20 785 061	20 785 061	
Bank overdraft	1	(1)	-	-	-	
	(247 362 731)	(1)	(247 362 732)	573 985 009	821 347 741	

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Non-Current Liabilities						
DBSA Loan	-	-	-	38 613 153	38 613 153	Refer to Appendix A
Finance lease obligation	-	-	-	9 611 911	9 611 911	Refer to Appendix A
Employee benefit obligation	-	-	-	26 019 550	26 019 550	Refer to Appendix A
Provisions	-	-	-	39 427 053	39 427 053	Refer to Appendix A
Municipal Eskom Debt relief liability	-	-	-	26 962 541	26 962 541	
	-	-	-	140 634 208	140 634 208	
Total Liabilities	(247 362 731)	(1)	(247 362 732)	714 619 217	961 981 949	
Net Assets	68 544 133	(1 487 032)	67 057 101	1 025 435 739	958 378 638	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	68 544 133	(1 487 032)	67 057 101	1 024 467 955	957 410 854	Refer to Appendix A

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Fines, penalties	-	-	-	148 500	148 500	Refer to Appendix A
Service charges and rates	114 255 000	-	114 255 000	119 912 401	5 657 401	Refer to Appendix A
Grants	231 523 000	-	231 523 000	230 783 015	(739 985)	Refer to Appendix A
Interest income	49 751 000	-	49 751 000	113 140 722	63 389 722	Refer to Appendix A
other income	413 884 000	-	413 884 000	813 086	(413 070 914)	Refer to Appendix A
Rental income	-	-	-	478 564	478 564	Refer to Appendix A
Licence and permits	-	-	-	3 886 410	3 886 410	Refer to Appendix A
	809 413 000	-	809 413 000	469 162 698	(340 250 302)	
Payments						
Suppliers and employees	(1 037 606 000)	-	(1 037 606 000)	(215 239 690)	822 366 310	Refer to Appendix A
Employee costs	-	-	-	(8 170 788)	(8 170 788)	Refer to Appendix A
Finance costs	-	-	-	-	-	
	(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)	Refer to Appendix A
Cash flows from financing activities						
Repayment of BBSA loans	-	-	-	(1 315 644)	(1 315 644)	Refer to Appendix A
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	

The accounting policies on pages 15 to 42 and the notes on pages 42 to 89 form an integral part of the annual financial statements.

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Significant accounting policies

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.

Maquassi Hills Local Municipality

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Accounting Policies

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 cash-generating units. The designation is made on the basis as described in accounting policy 1.13 - Impairment of non-cash-generating 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..

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Prepaid electricity

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 16.

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.

Maquassi Hills Local Municipality

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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.

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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:

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

Maquassi Hills Local Municipality

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Accounting Policies

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.

Maquassi Hills Local Municipality

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Accounting Policies

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.

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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.

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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
Receivables from non-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.

Maquassi Hills Local Municipality

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Accounting Policies

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.

Maquassi Hills Local Municipality

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Accounting Policies

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).

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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.

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1.11 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - 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.

Maquassi Hills Local Municipality

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Accounting Policies

1.13 Cash and cash equivalents (continued)

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.

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.

Maquassi Hills Local Municipality

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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.

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.

Maquassi Hills Local Municipality

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Accounting Policies

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.

Maquassi Hills Local Municipality

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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.

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Accounting Policies

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.

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Accounting Policies

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.

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Accounting Policies

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.

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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Accounting Policies

1.16 Employee benefits (continued)

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.

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.

Maquassi Hills Local Municipality

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Accounting Policies

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.17 Provisions and contingencies (continued)

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.

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.

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.19 Revenue from exchange transactions (continued)

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.

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 .

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.19 Revenue from exchange transactions (continued)

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.

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.

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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.

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.

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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:

- 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.

Maquassi Hills Local Municipality

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Accounting Policies

1.27 Related parties (continued)

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	2024	2023
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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 2024 or later periods:

3. Inventories

Spare parts	2 726 392	2 536 439
Water for distribution	154 999	114 952
	2 881 391	2 651 391

Inventories recognised as an expense during the year	778 275	1 733 467
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Inventory pledged as security

No inventory pledged as security

4. Other financial assets

Designated at fair value

ABSA Bank limited	360 000	360 000
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Current assets

Designated at fair value	360 000	360 000
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Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Trade and other receivables from exchange transactions		
Accrued interest income	176 547	111 298
Outstanding Municipality licencing claims	107 825	107 825
Consumer debtors - Electricity	4 877 165	4 062 682
Consumer debtors - Water	54 999 638	48 867 657
Consumer debtors - Waste Water Management	26 698 375	(40 702 401)
Consumer debtors - Waste Management	13 735 008	75 983 179
Consumer debtors - Services charges	381 174	159 673
	100 975 732	88 589 913
6. Receivables from non-exchange transactions		
Fines	153 246	148 141
Consumer debtors - Rates	13 928 509	11 051 961
	14 081 755	11 200 102
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	153 246	148 141
Consumer Debtor - Rates	13 928 509	11 051 141
	14 081 755	11 199 282
Financial asset receivables included in receivables from non-exchange transactions above	-	820
Total receivables from non-exchange transactions	14 081 755	11 200 102
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 2024, R - (2023: R -) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(290 825 178)	(191 393 600)
Provision for impairment	(719 345)	(99 431 578)
	(291 544 523)	(290 825 178)
7. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Property rates	307 300 214	244 602 261
Consumer debtors - Electricity	107 603 304	90 083 740
Consumer debtors - Water	1 213 439 237	1 083 565 454
Consumer debtors - Waste Water Management	589 037 648	516 306 488
Consumer debtors - Waste Management	303 031 044	265 990 757
Consumer debtors - Services charges	8 409 704	5 403 948
	2 528 821 151	2 205 952 648

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
7. Consumer debtors disclosure (continued)		
Less: Allowance for impairment		
Consumer debtors - Property Rates	(293 371 705)	(233 550 300)
Consumer debtors - Electricity	(102 726 139)	(86 021 058)
Consumer debtors - Water	(1 158 439 599)	(1 034 697 797)
Consumer debtors - Waste Water Management	(562 339 273)	(557 008 889)
Consumer debtors - Waste Management	(289 296 036)	(190 007 578)
Consumer debtors - Services charges	(8 028 530)	(5 244 275)
	(2 414 201 282)	(2 106 529 897)
Net balance		
Consumer debtors - Property Rates	13 928 509	11 051 961
Consumer debtors - Electricity	4 877 165	4 062 682
Consumer debtors - Water	54 999 638	48 867 657
Consumer debtors - Waste Water Management	26 698 375	(40 702 401)
Consumer debtors - Waste Management	13 735 008	75 983 179
Consumer debtors - Services charges	381 174	159 673
	114 619 869	99 422 751
Property Rates		
Current (0 -30 days)	5 116 097	15 230 940
31 - 60 days	237 152	6 245 350
61 - 90 days	2 328 817	6 072 038
91 - 120 days	2 298 879	6 029 751
121 - 365 days	343 212 164	211 002 547
Less Allowance for impairment	(293 371 704)	(233 550 299)
	59 821 405	11 030 327
Electricity		
Current (0 -30 days)	15 805 295	8 806 874
31 - 60 days	2 371 652	1 795 560
61 - 90 days	3 988 231	2 011 661
91 - 120 days	2 815 474	3 926 688
121 - 365 days	94 450 569	73 542 956
Less Allowance for impairment	(102 726 140)	(86 021 058)
	16 705 081	4 062 681
Water		
Current (0 -30 days)	46 471 589	21 413 954
31 - 60 days	23 434 583	11 519 473
61 - 90 days	21 924 006	9 834 084
91 - 120 days	6 204 819	21 787 026
121 - 365 days	1 184 146 404	1 019 010 917
Less: Allowance for impairment	(1 158 439 599)	(1 034 697 797)
	123 741 802	48 867 657
Waste Water Management		
Current (0 -30 days)	4 975 035	12 474 680
31 - 60 days	2 561 785	5 911 320
61 - 90 days	2 293 828	5 761 784
91 - 120 days	195 721 725	5 708 701
121 - 365 days	426 104 560	486 450 003
Less: Allowance for impairment	(562 339 272)	(493 021 611)
	69 317 661	23 284 877

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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7. Consumer debtors disclosure (continued)

Waste Management

Current (0 -30 days)	2 374 646	6 356 729
31 - 60 days	1 314 202	3 023 355
61 - 90 days	435 784	2 947 536
91 - 120 days	291 188	2 923 493
121 - 365 days	317 251 964	250 739 644
Less: Allowance for impairment	(286 366 603)	(253 994 855)
	35 301 181	11 995 902

Sundry Services charges

Current (0 -30 days)	140 370	185 038
31 - 60 days	218 444	97 961
61 - 90 days	55 761	82 504
91 - 120 days	4 875 800	63 189
121 - 365 days	5 545 386	5 332 284
Less: Allowance for impairment	(8 051 506)	(5 244 275)
	2 784 255	5 491 957

Reconciliation of allowance for impairment

Balance at beginning of the year	(2 106 529 895)	(1 876 680 197)
Contributions to allowance	(307 671 385)	(229 849 698)
	(2 414 201 280)	(2 106 529 895)

8. VAT receivable

VAT	69 785 413	35 553 331
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9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	83 135	75 309
Bank balances	811 821	1 842 304
Short-term deposits	1 985 980	13 686 908
	2 880 936	15 604 521

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA BANK - Main - 405-560-5473	(770 242)	(186 953)	(200 575)	811 822	1 842 304	2 265 612
ABSA BANK - PMU - 406-402-3765	201 443	3 718 026	8 231 213	201 443	3 718 026	8 231 214
ABSA BANK - Premier - 405-568-6261	263 855	4 785 212	1 016 253	263 855	4 785 211	(1 629 215)
ABSA BANK - Licencing - 405-098-9969	(28 330)	3 771 378	503 081	(28 330)	3 771 379	503 081
ABSA BANK - TMT - 406-154-5689	50 347	62 043	128 601	51 210	62 043	84 785
ABSA BANK - Public Safety - 404-967-8703	712 474	622 918	347 293	712 474	622 918	323 335
ABSA BANK - Solidarity Fund - 405-254-3232	17 664	18 841	20 436	17 722	18 841	20 437
ABSABANK - Housing DVT Fund - 405-563-6965	15 546	16 674	18 230	15 547	16 674	18 230
ABSA BANK - Call Account - 406-469-2380	13 480	14 912	16 543	13 479	14 912	16 543
ABSA BANK - Money market - 912-664-3503	622 525	570 084	531 464	622 342	570 084	531 464
ABSA Bank - Eskom - 913-862-2959	116 184	106 820	99 973	116 233	106 820	100 023
Petty cash	-	-	-	83 135	75 309	-
Total	1 214 946	13 499 955	10 712 512	2 880 932	15 604 521	10 465 509

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	372 401 675	-	372 401 675	370 674 116	-	370 674 116

Reconciliation of investment property - 2024

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	370 674 116	(27 469 650)	29 197 209	372 401 675

Reconciliation of investment property - 2023

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

Pledged as security

No investment property has been pledged as security:

The municipality derecognised 366 line items in terms of iGrap 18 that are improved with RDP Building in Lebaleng, the fair value of the properties amounted to R 27 105 487

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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10. Investment property (continued)

Details of valuation

The effective date of the revaluations was . Revaluations were performed by an independent valuer, Mr Mzoli Mziwabantu Mbangatha, of TESA Properties (Pty) Ltd, is a partner and business associate of PMT Management Consulting. TESA Properties (Pty) Ltd is 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.

Maquassi Hills Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2024			2023		
	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	172 410 212	(143 538 655)	28 871 557	175 985 682	(142 991 271)	32 994 411
Plant and machinery	2 229 887	(1 548 783)	681 104	2 100 981	(1 195 513)	905 468
Furniture and fixtures	5 629 188	(3 221 375)	2 407 813	4 565 069	(2 690 496)	1 874 573
Transport Assets	27 706 253	(9 067 768)	18 638 485	14 865 384	(7 108 034)	7 757 350
IT equipment	10 194 258	(3 033 952)	7 160 306	3 895 141	(2 172 188)	1 722 953
Infrastructure	1 792 487 514	(712 223 409)	1 080 264 105	1 784 967 076	(705 291 555)	1 079 675 521
Total	2 119 919 230	(872 633 942)	1 247 285 288	2 095 641 251	(861 449 057)	1 234 192 194

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	WIP Opening	WIP Closing	Depreciation	Impairment loss	Total
Land	109 261 918	-	-	-	-	-	-	-	109 261 918
Buildings	32 994 411	-	(253 165)	-	-	-	(2 946 500)	(923 985)	28 871 557
Plant and machinery	905 468	224 551	(20 905)	-	-	-	(437 015)	-	681 104
Furniture and fixtures	1 874 573	1 090 569	(5 544)	-	-	-	(551 785)	-	2 407 813
Transport Assets	7 757 350	12 901 499	(60 631)	-	-	-	(1 959 735)	-	18 638 485
IT equipment	1 722 953	6 349 462	(6 979)	-	-	-	(905 130)	-	7 160 306
Infrastructure	1 079 675 521	-	(30 366 378)	73 589 467	(118 452 553)	116 378 172	(37 089 320)	(5 269 903)	1 080 264 105
	1 234 192 194	20 566 081	(30 713 602)	73 589 467	(118 452 553)	116 378 172	(43 889 485)	(6 193 888)	1 247 285 288

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	WIP Closing	Depreciation	Impairment loss	Total
Land	109 261 918	-	-	-	-	-	-	-	109 261 918
Buildings	26 020 930	-	(538 716)	13 321 347	-	-	(4 144 142)	(1 665 008)	32 994 411
Plant and machinery	2 072 875	52 067	(823 415)	-	-	-	(387 052)	(9 006)	905 468
Furniture and fixtures	1 689 160	901 829	(320 808)	-	-	-	(395 487)	(205)	1 874 573
Transport Assets	9 403 826	1 073 502	(969 008)	-	-	-	(1 468 737)	(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	148 464 344	(15 586 776)	-	31 796 766	118 709 624	(31 198 961)	(161 955 061)	1 079 675 521
	1 140 204 967	151 056 560	(18 777 439)	13 321 347	31 796 766	118 709 624	(38 191 520)	(163 928 194)	1 234 192 194

Pledged as security

No portion of property, plant and equipment has been pledged as security for liabilities, other than obligations under finance leases that are secured by the lessor's right over the leased assets.

Assets subject to finance lease (Net carrying amount)

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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11. Property, plant and equipment (continued)

Carrying value of property, plant and equipment that is taking a significantly

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

Length of Bulk Water Supply Line Upgraded Between Buisfontein and Tswelelang (Portion A)	39 783 639	39 783 639
Length of Bulk Water Supply Line Upgraded Between Buisfontein and Tswelelang (Portion B)	22 917 720	22 917 720
	62 701 359	62 701 359

Reasons for Slow-mowing projects:

1. Due to degeneration of the pumping capacity at Balkfontein Water Treatment Plant the Municipality had to prioritize the Augmentation Bulk Water in Wolmaransstad. So, this portion was suspended.

2. A Contractor was appointed and is currently on site. There is currently no expenditure incurred.

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Total
Opening balance	118 429 389	118 429 389
Additions/capital expenditure	71 538 249	71 538 249
Transferred to completed items	(73 589 467)	(73 589 467)
	116 378 171	116 378 171

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	89 602 847	89 602 847
Additions/capital expenditure	63 791 899	63 791 899
Other movements [specify]	(34 965 357)	(34 965 357)
	118 429 389	118 429 389

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

Maintenance of Buildings and facilities	3 735 728	-
Maintenance of Equipments	35 016 812	24 321 817
Maintenance of Other assets	30 929	2 109 626
	38 783 469	26 431 443

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.

12. Other financial liabilities

At Amortised cost

DBSA loan - 61007165	48 952 542	49 369 478
DBSA Loan arrears - 61007165	11 619 873	11 076 817
	60 572 415	60 446 295

Maquassi Hills Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
12. Other financial liabilities (continued)		
Non-current liabilities		
At amortised cost	38 613 153	43 654 340
Current liabilities		
At amortised cost	21 959 262	16 794 434
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.		
The restructuring of DBSA Loan agreement with the municipality was signed in 2021. The municipality has defaulted on the new agreement and are in the process to renegotiate new terms.		
13. Finance lease obligation		
Minimum lease payments due		
- within one year	7 677 530	-
- in second to fifth year inclusive	12 455 442	-
	20 132 972	-
less: future finance charges	(2 230 597)	-
Present value of minimum lease payments	17 902 375	-
Present value of minimum lease payments due		
- within one year	6 350 584	-
- in second to fifth year inclusive	11 551 791	-
	17 902 375	-
Non-current liabilities	9 611 911	-
Current liabilities	7 746 229	-
	17 358 140	-
Defaults and breaches		
Market risk		
The carrying amounts of finance lease liabilities are denominated in the following currencies:		
Rand	17 902 376	-
14. Trade and other payables from exchange transactions		
Trade payables	509 828 159	465 037 901
Debtors with credit balances	13 930 773	12 937 497
Unallocated deposits	1 050 829	573 560
Accrued leave pay	10 335 064	8 127 360
Accrued bonus	2 214 746	1 321 466
Retention fees	14 430 153	16 433 749
Payroll Clearing and control accounts	(31 689)	-
Deposits	-	-
	551 758 035	504 431 533

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
15. Consumer deposits		
Electricity	2 638 349	2 339 821
Water	698 982	654 283
	3 337 331	2 994 104

16. Employee benefit obligations

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

Carrying value		
Employee benefit obligation	(27 658 550)	(24 732 001)
Non-current liabilities	(26 019 550)	(23 491 001)
Current liabilities	(1 639 000)	(1 241 000)
	(27 658 550)	(24 732 001)

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	24 732 000	25 916 000
Benefits paid	(1 486 653)	(1 576 325)
Net expense recognised in the statement of financial performance	4 476 660	392 325
	27 722 007	24 732 000

Net expense recognised in the statement of financial performance

Current service cost	1 191 000	1 342 000
Interest cost	2 966 000	2 949 000
Actuarial (gains) losses	319 660	(3 898 675)
	4 476 660	392 325

Calculation of actuarial gains and losses

Actuarial (gains) losses – Long service award	457 113	(253 537)
Actuarial (gains) losses – Plan assets	(137 453)	(3 645 138)
	319 660	(3 898 675)

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate -Long Service award	10,83 %	11,01 %
Discount rate - Post Medical aid	12,30 %	12,54 %
CPI Inflation rate - Long service award	4,98 %	8,45 %
General earnings inflation rate	5,98 %	6,44 %
Medical cost aid contribution inflation rate	7,77 %	8,14 %
CPI inflation rate -Post Medical aid	6,27 %	- %

Long Service award

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2024 by Mr Chanan Weiss of ARCH Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 223 employees were eligible for Long Services Awards

Post employment Medical Aid subsidy

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member aged 55 or older on 1 January 2005 with at least 25 years of service is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for 60% of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2024 by Mr Chanan Weiss of ARCH Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The number of individuals entitled to the post-employment medical aid subsidy at the valuation was as follows:

In-service members (Eligible employees on medical aid)	142
In-service non-members (Eligible employees without medical aid)	81
Continuation members (retirees and surviving dependants)	14

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Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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16. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Amounts for the current and previous four years are as follows:

	2024 R	2023 R	2022 R	2021 R	2020 R
Defined benefit obligation	27 722 007	24 732 000	25 916 000	24 841 000	24 779 782

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Water Services Infrastructure grant	1 583 100	-
EPWP	140 274	-
Dr Kenneth Kaunda District Municipality	20 316	20 316
FMG Grant	31 783	13 561
Provincial Government Library Grant	410 189	103 277
	2 185 662	137 154

Movement during the year

Balance at the beginning of the year	137 154	3 731 035
Additions during the year	90 238 484	71 379 016
Income recognition during the year	(88 189 976)	(74 972 897)
	2 185 662	137 154

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.

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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17. Unspent conditional grants and receipts (continued)

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

18. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Interest	Change in estimate	Total
Environmental rehabilitation	71 524 303	4 291 458	(2 028 866)	73 786 895

Reconciliation of provisions - 2023

	Opening Balance	Interest	Change in estimate	Total
Environmental rehabilitation	63 708 574	7 815 729	-	71 524 303
Non-current liabilities			39 427 053	37 220 670
Current liabilities			34 359 842	34 303 633
			73 786 895	71 524 303

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 infrastructure to the existing landfill.

19. Service charges

Electricity	60 549 970	63 815 695
Waste Management	18 991 601	19 271 197
Water	54 633 479	49 246 317
Waste Water Management	38 048 552	38 226 568
	172 223 602	170 559 777

20. Rental of facilities and equipment

Hiring fees	2 235 356	478 667
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21. Licences and permits

Licences and permits	2 658 915	3 994 295
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22. Interest earned - outstanding debtors

Water	77 582 113	63 156 822
Electricity	7 012 137	3 696 372
Waste Water Management	36 195 670	28 511 659
Waste Management	18 577 851	14 666 151
Sundry services	266 446	1 078 232
	139 634 217	111 109 236

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
23. Interest earned - external investments		
I		
Short-term investments and call accounts	1 212 195	1 884 752
24. Operational revenue		
Other income	930 116	1 045 261
25. Fair value adjustments		
Investment property (Fair value model)	29 197 249	11 003 576
26. Property rates		
Rates received		
Residential Properties	41 724 931	42 523 870
Business and Commercial Properties	5 921 521	6 768 810
State and Public Service infrastructure	2 017 057	4 306 928
Agricultural properties	16 735 730	16 263 795
	66 399 239	69 863 403
Interest on Property rates	21 196 800	16 436 035
	87 596 039	86 299 438
Valuations as at 30 June 2024		
Residential Properties	2 802 236 464	2 482 535 240
Business and Commercial Properties	307 697 738	294 546 738
State and Public Service infrastructure	200 426 888	188 656 788
	3 310 361 090	2 965 738 766

Residential properties

The valuation roll was compiled in terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA) which is used as a basis to levy property rates. The valuation came into effect on 1 July 2018. All objections were referred to the valuer for his comments and letters of outcome. Supplementary valuations are attended to in line with the MPRA. Reconciliations between the valuation roll and billing are completed on a monthly basis.

Valuations on buildings are performed every 5 years. The current valuation roll is effective until 30 June 2025. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis and interest is levied after due date.

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
27. Government grants & subsidies		
Operating grants		
Equitable share	171 953 000	159 404 000
Financial Management Grant	3 081 778	3 086 439
Expanded Public Works Programme Grant	1 175 726	1 544 000
Library Grant	736 088	979 270
LG SETA	393 574	289 286
	177 340 166	165 302 995
Capital grants		
Municipal Infrastructure Grant	30 850 000	34 836 566
Water Supply Infrastructure Grant	53 416 900	30 572 606
Provincial Infrastructure Grant	-	3 664 730
	84 266 900	69 073 902
	261 607 066	234 376 897
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	89 672 288	74 972 897
Unconditional grants received	171 953 000	159 404 000
	261 625 288	234 376 897
Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	3 054 566
Current-year receipts	30 850 000	31 782 000
Conditions met - transferred to revenue	(30 850 000)	(34 836 566)
	-	-
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 basic infrastructure 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	55 000 000	30 000 000
Conditions met - transferred to revenue	(53 416 900)	(30 572 606)
	1 583 100	-
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	1 316 000	1 544 000
Conditions met - transferred to revenue	(1 175 726)	(1 544 000)
	140 274	-

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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 17).

Dr Kenneth Kaunda Local Municipality

Balance unspent at beginning of year	20 316	20 316
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Conditions still to be met - remain liabilities (see note 17).

Financial Management Grants

Balance unspent at beginning of year	13 561	-
Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 081 778)	(3 086 439)
	31 783	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
Conditions met - transferred to revenue	-	(3 664 730)
	-	-

The purpose of this grant was to develop infrastructure required to connect or augment a water resource, to infrastructure 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 Department of Water Affairs relating to water infrastructure projects incurred on the Municipality's behalf. (see note 17).

Library Grant

Balance unspent at beginning of year	103 277	83 547
Current-year receipts	1 043 000	999 000
Conditions met - transferred to revenue	(736 088)	(979 270)
	410 189	103 277

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

28. Fines, Penalties and Forfeits

Illegal Connections Fines	189 060	-
Municipal Traffic Fines	724 450	2 114 000
	913 510	2 114 000

29. Public contributions and donations

Donation of Water infrastructure	-	159 689 726
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Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
30. Employee related costs		
Basic	65 128 690	59 000 306
Bonus	6 965 756	3 453 883
Medical aid - company contributions	5 566 329	5 312 019
UIF	541 527	555 802
Contributions - Bargain council	32 968	31 061
Leave pay provision charge	2 442 817	1 761 809
Group life insurance	609 138	475 905
Pension fund contributions	11 483 077	9 513 346
Defined contribution plans	1 191 000	1 342 000
Car Allowance	4 502 985	4 479 206
Overtime payments	7 267 409	9 086 784
Scarcity allowance	490 950	505 300
Housing benefits and allowances	485 826	464 081
Cellphone allowance	340 050	363 811
Standby allowance	2 919 911	3 226 894
Rental subsidy	50 448	55 000
	110 018 881	99 627 207
Remuneration of Municipal Manager		
Basic salary	809 718	487 467
Car allowance	270 901	158 025
Acting Allowance	-	6 939
Contributions to UIF, Medical and Pension Funds	57 100	18 173
Cellphone Allowance	30 000	17 500
Internet allowance	6 000	3 500
	1 173 719	691 604
Remuneration of Chief Finance Officer		
Basic salary	435 288	995 102
Car Allowance	91 580	309 316
Backpay	-	8 459
Acting Allowance	236 464	57 366
Contributions to UIF, Medical and Pension Funds	149 452	237 917
Cellphone allowance	6 000	25 300
Internet allowance	3 000	8 500
Non-pensionable allowance	-	43 992
	921 784	1 685 952
Director: Community Services		
Basic Salary	438 839	911 562
Car Allowance	64 269	297 086
Backpay	-	16 032
Acting allowance	72 540	52 548
Contributions to UIF, Medical and Pension Funds	126 829	245 607
Cellphone allowance	3 500	22 500
Internet allowance	1 750	4 500
Other allowances	138 171	76 337
	845 898	1 626 172
Remuneration of Director: Corporate Services		
Basic salary	524 603	876 422

Maquassi Hills Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
30. Employee related costs (continued)		
Car Allowance	90 454	210 906
Bonuses	58 289	-
Contributions to UIF, Medical and Pension Funds	158 237	399 080
Acting allowance	72 857	151 483
Cellphone allowance	6 750	15 000
Internet allowance	4 500	9 000
	915 690	1 661 891
Remuneration of Technical Services		
Basic salary	714 957	710 244
Car Allowance	226 966	226 015
Back pay	-	16 035
Contributions to UIF, Medical and Pension Funds	11 289	4 251
Cellphone allowance	30 000	30 000
Internet allowance	6 000	6 000
Non-pensionable allowance	-	20 340
	989 212	1 012 885
31. Remuneration of councillors		
Mayor	931 085	956 911
Speaker	753 749	767 064
Mayoral Members Committee	1 477 948	3 451 695
Other Councillors	5 662 676	4 540 671
	8 825 458	9 716 341
32. Inventory consumed		
Material spares used	932 384	1 725 043
33. Depreciation and amortisation		
Property, plant and equipment	43 889 485	38 223 358
34. Impairment loss		
Impairments		
Property, plant and equipment	6 193 887	163 928 194
35. Finance costs		
Provision for landfill sites	2 262 592	7 815 729
Interest expense on employee benefit obligation	2 966 000	2 949 000
Interest on Overdue accounts	8 581 608	8 166 492
Finance leases	451 665	-
Bank	65 844	25 210
Intererest on DBSA loan	6 819 522	4 296
	21 147 231	18 960 727
36. Lease rentals on operating lease		
Lease rentals on operating lease		
Contractual amounts	3 626 188	3 316 586

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
37. Debt impairment		
Debt impairment	268 259 680	216 927 292
38. Bulk purchases		
Electricity - Eskom	76 035 023	70 779 887
Water	55 051 487	47 702 543
	131 086 510	118 482 430
Electricity losses		
Units purchased	39 576 451	47 254 776
Units sold	(27 008 918)	(33 057 546)
Total loss	12 567 533	14 197 230
Percentage Loss:		
Distribution loss or (gain)	32 %	30 %
Water losses		
Opening units	8 630	-
Water (KL) purchased	3 562 624	3 507 356
Water (KL) sold to customers	(1 417 583)	(2 584 659)
Water (KL) distributed via water takers	(818 881)	-
Water (KL) on hand	(9 469)	(8 630)
Total	1 325 321	914 067
Percentage Loss:		
Water losses	38 %	26 %
39. Contracted services		
Outsourced Services		
Burial Services	238 000	-
Catering Services	402 047	678 733
Personnel and Labour	1 175 726	1 365 070
Printing services	1 563 797	1 423 179
Traffic Fines Management	-	21 630
Water Takers	17 928 485	10 664 665
Consultants and Professional Services		
Business and Advisory	19 467 296	23 387 133
Infrastructure and Planning	2 027 634	2 456 867
Legal Cost	9 545 077	10 444 851
Contractors		
Electrical	-	95 280
Maintenance of Buildings and Facilities	3 735 728	-
Maintenance of Equipment	35 421 421	24 347 812
Maintenance of Other Assets	2 490 037	2 109 626
Safeguard and Security	5 733 532	5 409 379

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
39. Contracted services (continued)	99 728 780	82 404 225
40. Inventory (write down) Surplus		
Inventories losses/write-downs	154 109	(8 424)
41. Actuarial gains/(Losses)		
Actuarial gains/losses	(319 660)	3 898 675
42. Operational costs		
Assets less than the Capitalisation Threshold	399 031	-
Advertising	1 565 795	1 293 132
Auditors remuneration	5 527 588	5 786 007
Bank charges	446 774	475 579
Gifts	-	132 400
Hire	29 950	1 038 170
Insurance	2 719 665	1 832 642
Skills development Levy Fund	890 723	817 317
Indegent Relief	5 257 882	-
Fuel and oil	4 989 961	5 654 809
Roadmarking and signage services	-	12 903
Subscriptions and membership fees	1 513 653	1 580 676
Telephone and fax	946 462	1 044 351
Training	927 571	1 027 322
Travel - local	311 120	652 021
Uniforms	303 263	176 495
Motor vehicles expenses	92 691	-
Remuneration of Ward committees	1 160 000	1 345 000
Accommodation	1 326 751	1 208 397
Registration fees - national	317 047	528 692
	28 725 927	24 605 913
43. Auditors' remuneration		
Fees	5 527 588	5 786 007

Maquassi Hills Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
44. Cash (used in) generated from operations		
Deficit	(70 162 066)	(13 431 169)
Adjustments for:		
Depreciation and amortisation	43 889 485	38 223 358
Gain on sale of assets and liabilities	30 713 605	18 773 007
Fair value adjustments	(29 197 249)	(11 003 576)
Finance costs - Finance leases	451 665	-
Finance costs	(930 116)	-
Impairment loss	6 193 887	163 928 194
Debt impairment	268 259 680	216 927 292
Movements in employee benefit obligation	2 926 549	(1 183 999)
Movements in provisions	2 262 592	7 815 729
Inventory losses or write-downs	154 109	(8 424)
Other non-cash items	(57 182 519)	(247 569 516)
Changes in working capital:		
Inventories	(230 000)	697 443
Consumer debtors	(268 259 680)	(160 409 896)
Other receivables from non-exchange transactions	(2 881 653)	35 385 006
Trade and other payables from exchange transactions	47 326 502	159 255 388
VAT	(34 232 082)	(77 080 187)
Unspent conditional grants and receipts	2 048 508	(3 593 881)
Trade and other receivables from exchange	343 227	319 988
	(58 505 556)	127 044 757

45. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Other financial assets	360 000	360 000
Trade and other receivables from exchange transactions	100 975 732	100 975 732
Cash and cash equivalents	2 880 937	2 880 937
	104 216 669	104 216 669

Financial liabilities

	At amortised cost	Total
Financial lease liabilities	17 902 376	17 902 376
Other financial liabilities	60 572 415	60 572 415
Consumer deposits	3 320 663	3 320 663
Trade and other payables from exchange transactions	594 936 705	594 936 705
	676 732 159	676 732 159

2023

Financial assets

	At amortised cost	Total
Other financial assets	360 000	360 000
Trade and other receivables from exchange transactions	88 589 913	88 589 913

Maquassi Hills Local Municipality

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Figures in Rand	2024	2023
45. Financial instruments disclosure (continued)		
Cash and cash equivalents	15 604 521	15 604 521
	104 554 434	104 554 434
Financial liabilities		
	At amortised cost	Total
Consumer deposit	2 977 436	2 977 436
Other financial liabilities	60 446 295	60 446 295
Trade and other payables from exchange transactions	494 982 707	494 982 707
	558 406 438	558 406 438

Maquassi Hills Local Municipality

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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 2024	Less than 1 year	More than a year		
Other financial liabilities	21 989 262	38 583 153	-	-
Trade and other payables from exchange transactions	524 258 312	-	-	-
Finance lease liability	7 677 530	9 611 911	-	-
Municipal Eskom Debt relief liability	20 785 061	26 962 541	-	-
At 30 June 2023	Less than 1 year	More than year		
Other financial liabilities	16 794 434	43 654 340	-	-
Trade and other payables from exchange transactions	504 431 533	-	-	-

Maquassi Hills Local Municipality

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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	2024	2023
Other financial Assets	360 000	360 000
Consumer debtors	114 619 869	99 422 751
Cand and cash equipment	2 880 937	15 604 521

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.

Maquassi Hills Local Municipality

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47. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	78 645 910	31 693 781
• Prior period error	-	68 759
	78 645 910	31 762 540
Total capital commitments		
Approved and contracted for	78 645 910	31 762 540
Authorised operational expenditure		
Total commitments		
Total commitments		
Authorised capital expenditure	78 645 910	31 762 540

Maquassi Hills Local Municipality

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Figures in Rand	2024	2023
48. Contingencies		
Contingent liabilities		
Cases		
Victor Nicodemus//MHLM- Urgent Application was lodged by Mr V.Nicodemous disputing the appointment of the chairperson in his disciplinary hearing brought against him by the Municipality.	275 928	-
Gosekwang Boikanyo and 3 others// MHLM - The Plaintiffs in this matter claim damages from the Municipality due to the fact that 4 four children fell into excavation waterhole that was left open which resulted to the death of those children.	1 400 000	-
Dunamis Emporium // MHLM - The investigation in to the irregular awarding of a tender was concluded and recommended that the such tender was awarded irregularly and shall be terminated. Dunamis Emporium claim future damages from the Municipality for the tender that was terminated.	2 433 169	-
Sizwentsalubagobodo Grant Thornton Advisory Services // MHLM - The plaintiff had a contract with the Municipality of which they did not fully perform as required by the Municipality. The Municipality then terminated the contract and the plaintiff claim breach of contract and payment of the remaining period of contract.	2 891 567	-
Masikhule Project Consultants // MHLM - North West Department of Human Settlement made an application to join the Municipality in their case should they be ordered to pay Masikhule Project Consultant for the project done on their behalf. The Municipality opposed the application.	33 578 875	-
Clear away property investments vs Maquassi Hills Local Municipality - The plaintiff lodged a dispute claiming it was overbilled through the prepaid meters	314 824	314 824
Maxprof vs Maquassi and others - Plaintiffs made an application to recover/review calculation of Value Added Tax to Direct Precision Management Services CC.	500 000	600 000
Windy Mahlangu - Unfair labour practice dispute, the matter is pending to CCMA	-	300 000
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 // MHLM - Application to dismiss application for review and condonation.	300 000	300 000
Employment and labour / MHLM: The Municipality failed to comply with the provisions of Sections of Compensation for Occupational Injuries and Diseases Act 130 of 1993 being; to keep and provide records of earning from 2017 to 2020, to declare total earnings to the commissioner and to pay an assessment amount to the commissioner.	2 720 009	-
South African Political Association vs Maquassi Hills Local Municipality - The Speaker of the Municipality failed to inaugurate the Councillor into the Council which resulted to that Councillor not being paid for the period of that failure. He then claimed compensation from the Municipality.	204 900	-
Pontsho Anna Galeboe vs Maquassi Hills Local Municipality - Annah Galeboe was found guilty in two charges and dismissed. She then referred the matter to the Bargaining Council claiming unfair dismissal both procedural and substantive.	89 933	-
IR Jones vs Maquassi Hills - the applicant claim that the current Appointed Municipal Manager was unlawfully appointed	-	950 000
CLLR Percy Mokgabi urgent application	-	450 000
Korone engineers vs Maquassi hills - The applicant claim that it was appointed for the project of Leeudoringstad Sewer pound rehabilitation which the municipality disputes	-	250 000
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
	44 791 665	3 547 284

Contingent assets

Cases

MHLM vs SAMWU - Disciplinary Hearing matter whereby nine of the Municipality's Employees were involved in an illegal strike and damaged Municipal property.	339 158	339 158
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Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
48. Contingencies (continued)		
Maquassi Hills Local Municipality vs Mothetos Construction - Municipality issued a summons to recover double payments made to the service provide herein.	147 000	-
Maquassi Hills Local Municipality vs Power C Metering Africa & Others - An urgent application was launched for a declaratory order for PCMA to transfer monies it has collected from the sale of electricity tokens to the municipality.	7 895 418	-
Investigation of the procurement and utilisation of petrol and diesel for the Municipality vehicles including generators for the periods from January 2022 to December 2022 and April 2023 to September 2023	2 478 896	-
KWANE CAPITAL The municipality issued an application to review the appointment of Kwane Capital	-	950 000
	10 860 472	1 289 158

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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49. 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

Maquassi Hills Local Municipality

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2024

2023

49. Related parties (continued)

Management class: Councillors

2024

	Office Bearer	Cellphone Allowance	Travelling allowances	Medical aid	Pension fund	Total
Name						
Mayor	545 351	44 400	221 671	37 860	81 803	931 085
Speaker	532 012	44 400	177 337	-	-	753 749
MMC	974 030	92 500	346 362	-	65 056	1 477 948
Other Councillors	3 329 312	762 740	1 224 985	41 295	304 344	5 662 676
	1 160 000	-	-	-	-	-
	6 540 705	944 040	1 970 355	79 155	451 203	8 825 458

2023

	Office Bearer	Cellphone Allowance	Travelling allowances	Medical Aid	Pension fund	Total
Name						
Mayor	566 619	44 400	288 127	34 466	83 297	1 016 909
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 Councillors	3 001 417	710 961	1 130 479	-	250 801	5 033 658
	6 022 969	977 361	2 280 941	34 466	460 604	9 716 341

Management class: Executive management

2024

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

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand									2024	2023
49. Related parties (continued)										
Name										
Mrs NJ Mbonan - MM	809 718	-	270 901	-	57 100	30 000	6 000	-	-	1 173 719
Mr AM Madisha - ACFO	326 466	36 274	83 949	-	109 588	4 500	2 250	-	204 446	767 473
Mr TA Modibedi - ACFO	108 822	36 274	22 895	-	39 864	1 500	750	-	32 017	242 122
Mr N MWASE - EN	714 957	-	226 966	-	11 289	30 000	6 000	-	-	989 212
Mr TJ Molutsi - ACS	233 157	-	35 990	-	66 320	3 000	2 000	-	30 945	371 412
Mr TL Mokoto -ACDC	408 025	-	53 422	-	112 134	3 500	1 750	7 465	56 014	642 310
Mr ND Tladi -ACDC	30 814	10 271	10 847	-	14 696	-	-	130 706	16 526	213 860
Mr VK Motlashuping - ACS	291 446	58 289	54 465	-	91 917	3 750	2 500	5 332	41 912	549 611
	2 923 405	141 108	759 435	-	502 908	76 250	21 250	143 503	381 860	4 949 719

2023

	Basic salary	Bonus	Car Allowances	Backpay	Contribution to UIF, Medical and Pension Fund	Cellphone allowance	Internet allowance	Non-pensionable allowance	Acting Allowance	Total
Name										
Mrs NJ Mbonan - MM	487 467	-	158 025	-	18 173	17 500	3 500	-	-	684 665
Mr LJ Mogema - CFO	605 394	-	207 101	8 459	58 859	19 800	5 500	20 340	-	925 453
Mr AM Modisha - 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
Mr N Nwase - EN	710 244	-	226 015	16 035	4 251	30 000	6 000	20 340	-	1 012 885
Mr VK Motlashuping - ACS	486 714	-	124 018	-	232 080	9 000	6 000	80 431	50 576	988 819
Mr TL Mokoto - ACS	389 708	-	86 888	-	167 000	6 000	3 000	23 653	100 907	777 156
ND Tladi - ACDC	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

Maquassi Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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50. Prior period errors

1. Service charges - Electricity and Accumulated surplus

Nature

In the 2022/2023 financial year, the municipality recorded a current year year journal against accumulated surplus.

2. Contracted services and Accumulated Surplus

Nature

In the 2022/2023 financial year, Legal fees totaling R 1.6 million that were paid, relating to the previous financial year (2020/2021) were incorrectly recorded as 2022/2023 expenses.

4. Debt impairment and Receivable from from exchange and non- exchange transactions

In the 2022/2023 financial year, debt impairment for receivables were calculated incorrectly due to misapplication of the debt impairment methodology. during the current financial year, the municipality revisited the bedbt impairment methodology, and applied it retrospectively. This resulted in the restated of debt impairment and receivables from exchange and non-exchange transactions.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Increase in Accumulated surplus	-	24 787 632
Increase in Receivables from exchange transactions	-	44 226 292
Decrease in Receivables from non-exchange transactions	-	(41 182 299)
Increase in VAT Receivables	-	33 070 748

Statement of financial performance

Decrease in contracted services	-	1 628 294
Decrease in Debt impairment	-	36 063 745

51. 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

Maquassi Hills Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2024	2023		
51. Prior-year adjustments (continued)					
2023					
	Note	As previously reported	Correction of error	Re-classification	Restated
Inventory		2 645 132	6 259	-	2 651 391
Other financial assets		360 000	-	-	360 000
Receivables from exchange transactions		45 040 961	43 702 794	(153 842)	88 589 913
Receivables from non-exchange transactions		53 465 449	(42 419 189)	153 842	11 200 102
Vat Receivables		5 492 130	30 055 575	5 626	35 553 331
Cash and cash equivalents		13 476 924	2 127 597	-	15 604 521
Investment properties		370 674 116	-	-	370 674 116
Property, plant and equipment	1	234 173 981	18 213	-	234 192 194
DBSA loan		(60 448 774)	-	-	(60 448 774)
Payables from exchange transactions		(501 617 630)	(2 808 277)	(5 626)	(504 431 533)
Consumer deposit		(2 977 436)	(16 668)	-	(2 994 104)
Unspent conditional grants		(377 154)	240 000	-	(137 154)
Employee benefit obligation		(24 732 001)	-	-	(24 732 001)
Provisions		(71 524 303)	-	-	(71 524 303)
Accumulated surplus		(1 063 651 395)	(30 906 304)	-	(1 094 557 699)
		-	-	-	-

Statement of financial performance

Maquassi Hills Local Municipality

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Figures in Rand		2024	2023		
51. Prior-year adjustments (continued)					
2023					
	Note	As previously reported	Correction of error	Re-classification	Restated
Service Charges-electricity		63 815 695	-	-	63 815 695
Services charges -Water		49 246 317	-	-	49 246 317
Services chares - Sewerage and sanitation charges		38 226 568	-	-	38 226 568
Services charges - Refuse Removal		19 271 197	-	-	19 271 197
Rental of facilities and equipment		559 544	(80 877)	-	478 667
Licence and permits		3 994 295	-	-	3 994 295
Operational revenue		813 086	232 174	-	1 045 260
Interest earned - outstanding debtors	111	109 236	-	-	111 109 236
Interest earned - external investment		2 031 486	(146 734)	-	1 884 752
Property rates		69 863 403	-	-	69 863 403
Interest -Property rates		16 436 035	-	-	16 436 035
Government grants and subsidies	234	136 897	240 000	-	234 376 897
Public contributions and donations		159 689 726	-	-	159 689 726
Fines, Penalties and forfeits		2 048 500	65 500	-	2 114 000
Employee related cost		(99 627 207)	-	-	(99 627 207)
Remuneration of concillors		(9 716 341)	-	-	(9 716 341)
Depreciation and amortisation		(38 223 358)	-	-	(38 223 358)
Finance costs		(18 935 517)	-	(25 210)	(18 960 727)
Lease rentals on operating lease		(3 316 722)	-	-	(3 316 722)
Debt impairment		(273 593 384)	56 666 092	-	(216 927 292)
Bulk purchases		(118 482 430)	-	-	(118 482 430)
Contracted services -Catering services		(453 919)	-	(224 814)	(678 733)
Contracted services -Traffic fines management		(21 630)	-	-	(21 630)
Contracted services -Water tankers		(10 664 665)	-	-	(10 664 665)
Contracted services -Printing Services		-	-	(1 423 179)	(1 423 179)
Contracted services -Personel and Labour		-	698 452	(2 063 522)	(1 365 070)
Contracted services -Business and advisory		(22 149 323)	(284 368)	(953 442)	(23 387 133)
Contracted services -Infrastructure and planing		(2 456 867)	-	-	(2 456 867)
Contracted services -legal cost		(10 265 069)	270 218	(450 000)	(10 444 851)
Contracted services -Electrical		(95 280)	-	-	(95 280)
Contracted services -Maintenance of equipment		(10 715 670)	-	(13 606 147)	(24 321 817)
Contracted services -Maintenance of other assets		(51 270)	-	(2 058 356)	(2 109 626)
Contracted services -Safeguard and security		(5 409 379)	-	-	(5 409 379)
Transfers and subsidies		(3 186 722)	-	-	(3 186 722)
Inventory consumed		(1 725 043)	-	-	(1 725 043)
Impairment loss		(163 928 194)	-	-	(163 928 194)
Loss on disposal of assets		(18 773 007)	-	-	(18 773 007)
Inventories losses		(8 424)	-	-	(8 424)
actuarial gain		3 898 675	-	-	3 898 675
General expenses		(45 518 637)	82 196	20 804 670	(24 631 771)
Fair value adjustment		11 003 576	-	-	11 003 576
Surplus for the year		(71 173 822)	57 742 653	-	(13 431 169)

Cash flow statement

Maquassi Hills Local Municipality

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Figures in Rand		2024	2023	
51. Prior-year adjustments (continued)				
2023				
	Note	As previously reported	Correction of error	Restated
Net cash flow from operating activities		233 362 152	(162 839 223)	70 522 929
Cash flow from Investing activities		(232 407 366)	166 884 437	(65 522 929)
Cash flow from financing activities		(1 315 644)	-	(1 315 644)
		(360 858)	4 045 214	3 684 356

45.1.Reclassifications

The following reclassifications adjustment occurred:

1. Consumables Stores and Contracted services

Repairs and maintenance amounting to R 15 664 503 were incorrectly recorded in the operational costs - Consumables stores. The amount have been reclassified to Contracted services - Maintenance of equipment/assets.

Legal cost ammounting to R 450 000 were incorrectly recorded in the Operational cost- Consumables stores. These have been reclassified into Contracted services - Legal cost.

Business and advisory amounting to R 953 442 were incorrectly recorded in Operational costs - Consumables Stores. These have been reclassified into contracted Services.

2. Operational cost - EPWP Salarie and Contracted Services

EPWP Salaries R 2 063 522 were incorrecly classified as operational cost have been reclassified into Contracted services in order to align with MSCOA presentation. The reclassification does not have an impact on the operating profil/loss.

Maquassi Hills Local Municipality

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52. Unauthorised expenditure		
Opening balance as previously reported	1 308 270 720	1 044 936 628
Add: Unauthorised expenditure - current	206 663 755	23 960 909
Add: Unauthorised expenditure - prior period	-	239 373 183
Closing balance	1 514 934 475	1 308 270 720
53. Fruitless and wasteful expenditure		
Opening balance as previously reported	30 793 764	22 962 224
Fruitless and wasteful expenditure identified - current	8 581 588	7 831 540
Closing balance	39 375 352	30 793 764

Maquassi Hills Local Municipality

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53. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest charge Eskom	No disciplinary action taken	8 275 805	5 607 287
Interest charge AGSA	No disciplinary action taken	264 735	377 855
Interest Charge SARS	No disciplinary action taken	-	75 288
Interest Charge Magalies	No disciplinary action taken	-	129 430
DBSA	No disciplinary action taken	-	1 641 179
Others	No disciplinary action taken	1 307	501
		8 541 847	7 831 540

54. Irregular expenditure

Opening balance as previously reported	526 829 029	485 950 064
Add: Irregular expenditure - Identified in the current year relating to prior year	-	19 117 534
Add: Irregular Expenditure - current	15 086 972	21 761 431
Closing balance	541 916 001	526 829 029

Maquassi Hills Local Municipality

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54. 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	33 334	11 792
Three written quotations not invited	No disciplinary action taken	403 500	104 765
SCM process not followed	No disciplinary action taken	1 274 388	594 005
Other	No disciplinary action taken	13 375 750	40 168 943
		15 086 972	40 879 505

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Figures in Rand	2024	2023
55. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government (SALGA)		
Opening balance	2 133 785	1 484 359
Current year subscription / fee	1 452 415	1 366 877
Amount paid - current year	(1 366 877)	(122 480)
Amount paid - previous years	-	(594 971)
	2 219 323	2 133 785
Audit fees		
Opening balance	4 307 595	4 104 772
Current year subscription / fee	6 822 543	6 794 471
Amount paid - current year	(4 857 676)	(6 591 648)
	6 272 462	4 307 595
PAYE ,SDL and UIF		
Current year subscription / fee	17 091 877	12 554 755
Amount paid - current year	(17 091 877)	(12 554 755)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	26 897 332	17 550 089
Amount paid - current year	(26 897 332)	(17 550 089)
	-	-

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55. 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 2024:

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. Ms Nkatlo	6 743	134 442	141 185
Cllr. Mr Metoa	18 820	211 862	230 682
Cllr. Mr Hlongwane	7 214	162 139	169 353
Cllr. Mr Moleho	3 343	46 861	50 204
Cllr. Ms Motaung	1 465	-	1 465
Cllr. Mr Mothibi	7 706	143 052	150 758
Cllr. Mr Molosi	4 787	39 141	43 928
Cllr. Mr Medupe	12 076	140 540	152 616
Cllr. Mr Rampai	11 316	249 224	260 540
Cllr. Mr Leshomo	18 056	235 182	253 238
Cllr. Mr Modisadife	2 993	31 487	34 480
Cllr. Mr Moletsane	2 896	39 222	42 118
Cllr. Mr Mosholi	4 906	70 821	75 727
Cllr. Mr Swart	61 268	164 923	226 191
	163 589	1 668 896	1 832 485

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. Ms S.S Nkatlo	1 493	131 670	133 163
Cllr. Mr MA Feliti	1 081	7 857	8 938
Cllr. Mr Hlongwane	1 642	156 373	158 015
Cllr. Mr Moleho	810	50 108	50 918
Cllr. Ms Monewang	1 760	203 196	204 956
Cllr. Mr Mothibi	1 738	139 218	140 956
Cllr. Mr Molosi	1 202	44 155	45 357
Cllr. Mr Medupe	2 798	131 480	134 278
Cllr. Mr Rampai	3 542	244 640	248 182
Cllr. Mr Leshomo	1 896	215 779	217 675
Cllr. Mr Modisadife	740	36 559	37 299
Cllr. Mr Moletsane	757	43 859	44 616
Cllr. Mr. Mosholi	1 146	77 078	78 224
Cllr. Mr Metoa	1 360	121 523	122 883
Cllr. Ms Motaung	232	-	232
	22 197	1 603 495	1 625 692

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.

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56. 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.

Heading

Emergency	1 002 740	198 148
Sole provider	41 552	157 667
Impractical or impossible to follow process	1 439 012	611 189
	2 483 304	967 004

Notes to the Annual Financial Statements

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57. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of Municipal Governance and Administration, Financial Services Administration, 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 its area of jurisdiction in the North West Province. Segments were aggregated on the basis of services delivered to its residents.

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57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Municipal Manager	Finance	Corporate Services	Community Services	Infrastructure	Total
Revenue						
External Revenue from exchange transactions	2 142 735	4 393 050	54 285	40 569 750	271 888 690	319 048 510
External Revenue from non-exchange transactions	160 948 000	90 511 243	1 460 538	14 620 538	82 409 722	349 950 041
Fair value adjustments	29 197 249	-	-	-	-	29 197 249
Total segment revenue	192 287 984	94 904 293	1 514 823	55 190 288	354 298 412	698 195 800
Entity's revenue						698 195 800
Expenditure						
Depreciation and amortisation	43 889 485	-	-	-	-	43 889 485
Finance cost	13 651 730	-	2 966 000	-	-	16 617 730
Other expenditure	328 801 334	72 757 509	29 397 521	35 891 139	223 376 860	690 224 363
Total segment expenditure	386 342 549	72 757 509	32 363 521	35 891 139	223 376 860	750 731 578
Total segmental surplus/(deficit)	(194 054 565)	22 146 784	(30 848 698)	19 299 149	130 921 552	(52 535 778)
Assets						
Current assets	-	-	1 856 015	100 432 622	143 059 960	245 348 597
Non-current assets	28 218 306	535 012 046	1 070 559	658 742	1 049 420 180	1 614 379 833
Total segment assets	28 218 306	535 012 046	2 926 574	101 091 364	1 192 480 140	1 859 728 430
Total assets as per Statement of financial Position						1 859 728 430
Liabilities						
Non-current liabilities	-	73 350 274	-	-	-	73 350 274
Current liabilities	(881 728)	639 514 156	-	64 085 184	(4 636 663)	698 080 949
Total segment liabilities	(881 728)	712 864 430	-	64 085 184	(4 636 663)	771 431 223

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	Municipal Manager	Finance	Corporate Services	Community Services	Infrastructure	Total
57. Segment information (continued)						
Total liabilities as per Statement of financial Position						771 431 223
2023						
	Municipal Manager	Finance	Corporate Services	Community services	Infrastructure	Total
Revenue						
External Revenue from exchange transactions	602 051	(214 017)	43 715	23 476 829	129 152 215	153 060 793
Revenue from non-exchange transactions	160 948 000	89 385 876	289 285	3 027 770	228 763 627	482 414 558
Fair value adjustment	11 003 576	-	-	-	-	11 003 576
Total segment revenue	172 553 627	89 171 859	333 000	26 504 599	357 915 842	646 478 927
Entity's revenue						646 478 927
Expenditure						
Debt impairment	219 637 444	-	-	-	-	219 637 444
Depreciation and amortisation	38 134 783	-	-	-	-	38 134 783
Finance cost	-	15 986 516	2 949 000	-	-	18 935 516
Impairment loss	163 928 193	-	-	-	-	163 928 193
Other expenditure	30 589 189	46 365 346	30 916 179	40 457 108	212 676 510	361 004 332
Total segment expenditure	452 289 609	62 351 862	33 865 179	40 457 108	212 676 510	801 640 268
Total segmental surplus/(deficit)	(279 735 982)	26 819 997	(33 532 179)	(13 952 509)	145 239 332	(155 161 341)
Assets						
Current assets	-	460 869 811	-	66 644 627	(43 237 615)	484 276 823
Non-current assets	18 681 509	467 613 828	791 419	(5 978 268)	1 123 547 950	1 604 656 438
Total segment assets	18 681 509	928 483 639	791 419	60 666 359	1 080 310 335	2 088 933 261
Total assets as per Statement of financial Position						2 088 933 261

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57. Segment information (continued)

Liabilities

Current liabilities	(801 861)	529 050 261	-	71 627 580	2 977 437	602 853 417
Total liabilities as per Statement of financial Position						602 853 417

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

Services charges - the municipality under-achieved compared to the budgeted mainly due to availability because of decrease in sales of services such as water, electricity (due to load-scheduling).

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58. Eskom Debt Relief

Eskom Debt Relief status

In line with the National Treasury's guidelines for Eskom's debt relief program, Maquassi Hills Municipality was approved to participate in this initiative, designed to alleviate the municipality's electricity debt burden. This program offers the opportunity for eligible municipalities to have their debts written off over three years, provided they meet strict financial and operational conditions.

Unfortunately, Maquassi Hills Municipality failed to comply with these conditions by defaulting on payment arrangement during the current financial year, 2023/24. As a result, the municipality could not benefit from the debt relief program as intended. The breach highlights the critical importance of adherence to National Treasury's conditions, which include maintaining regular payments on current accounts, implementing sound financial management practices, and enforcing strict credit controls. In terms of Circular 124 Municipality non-compliance:

6.1.1 The National Treasury will only request Eskom to write-off a municipality's arrear debt, if the municipality demonstrates to the National Treasury's satisfaction, that the municipality complied with paragraph 6.2 to 6.14 for a consecutive period of 12 months.

6.1.2 Once the debt is written-off it remains written-off – It is noted that irrespective of paragraph 6.2 to 6.14), once Eskom has applied the annual third debt write-off to the municipality's arrear debt owed to Eskom (as at 31 March 2023), such arrear debt (or component thereof) remains fully settled to Eskom irrespective of the municipality's subsequent non-compliance with the conditions.

Approval to participate (effective date) as per signed letter Maquassi Hills Local Municipality benefited R12 412 846

Municipal Relief Debt liability - Current Liability	20 785 060,83
Municipal Relief Debt liability - Non Current Liability	26 962 541,49

59. Going concern

We draw attention to the fact that the municipality incurred a net loss of R 70 162 066 during the year ended 30 June 2024 and, as of that date, the municipality's current liabilities exceeded its current assets by R 452 805 195. In addition, the municipality owed Eskom R 84 708 180 and the Magalies Water R 351 445 789 as at 30 June 2024, 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 a discretionary provincial intervention for financial recovery referred to in Section 137 of the MFMA.

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 assess risk associated to the extended impact of the load shedding limitations to ensure that its operating activities will be within its financial measures

60. Events after the reporting date

No events after the reporting date were identified by management that will affect the operations of the municipality or the results of those operations significantly.

Figures in Rand	2024	2023
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