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

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The primary function of Abaqulusi Local Municipality is to provide basic services i.e. water, electricity, sanitation and refuse to the Abaqulusi communities in a sustainable manner, to promote social and economic development and to promote and safe and healthy environment.
Mayoral committee	
Mayor	SE Mkhwanazi (Engaged 20/06/2023)
Deputy Mayor	MA Mazibuko
Speaker	NP Ndlela (Engaged 20/06/2023)
Executive Committee Members	L Dube (Engaged 01/08/2022)
	LWC Mtshali (Engaged 01/08/2022)
	HB Khumalo (Engaged 01/08/2022)
	LN Ntuli ((Engaged 01/04/2023)
	ML Mtshali (Engaged 01/08/2022)
	FK Nene (Resigned 29/07/2022)
Councillors	SB Mkhwanazi
	KZ Mbatha
	BE Ndlela
	TE Vilakazi
	BW Mdlalose
	MD Khumalo
	BP Buthelezi
	SS Mthembu
	JX Sangweni
	ZM Ngcobo
	KM Ntuli
	MM Lambiso
	XJ Zungu
	LM Xulu
	MD Buthelezi
	E Cronje
	PP Selepe
	SN Buthelezi
	MB Mabaso
	SN Ndlela
	ST Mbokazi
	BI Ngema
	VV Dlamini
	NM Sibiya
	HV Khumalo
	CB Hlatshwayo
	S Shelembe
	PF Buthelezi
	SP Ndaba (Engaged 01/12/2022)
	T Kunene (Engaged 05/04/20223)
	S Kuzwayo (Engaged 01/05/2023)
	SZ Mdluli (Engaged 01/05/2023)

General Information

	MB Khumalo (Engaged 14/06/2023) MC Maphisa (Engaged 14/06/2023) M Viktor (MPAC Chairperson Engaged 01/08/2022) AP Mbatha (Deceased 24/09/2022) NN Mdlalose (Deceased 20/12/2022) RZ Nzuza (Dismissed 04/04/2023) BP Nhlengethwa (Dismissed 04/04/2023) MP Williams (Resigned 13/06/2023) AT Mdletshe (Resigned 14/06/2023)
Grading of local authority	Grade 04 Medium Capacity
Chief Finance Officer (CFO)	Mr. MPE Mthembu
Accounting Officer	Mr ZG Dhlamini
Business address	Cnr of Mark and High Street Vryheid Kwa-Zulu Natal 3100
Postal address	P. O. Box 57 Vryheid Kwa-Zulu Natal 3100
Tel	034 982 2133 or 080 020 1102
Email	information@abaqulusi.gov.za
Website	www.abaqulusi.gov.za
Bankers	ABSA Bank of South Africa Limited Nedbank of South Africa Limited Standard Bank
Auditors	Auditor General of South Africa
Attorneys	Cox and Partners Garlicke & Bousfield Nxumalo & Partners Mathapo Attorneys S Pearl Ndaba Attorneys

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
LGSETA	Local Government Services Sector Education & Training Authority
MEC	Member of the Executive Council
SALGA	South African Local Government Association

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. My assumption is made based on the municipality receiving continuous grant funding from both National and Provincial Government. The municipality is dependent on revenue received from billing of property rates and services to the community and state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that Abaqulusi Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. (Refer to note for going concern for the detailed analysis).

I certify that the salaries, allowances and benefits of Councillors as disclosed in the note entitled Remuneration of Councillors of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

Mr ZG Dhlamini
Municipal Manager

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

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Cash and cash equivalents	5	20 110 522	29 031 313
Receivables from exchange transactions	3	98 992 246	70 177 571
Receivables from non-exchange transactions	4	31 839 521	43 165 482
Inventories	2	44 242 386	36 234 475
		195 184 675	**178 608 841**
Non-Current Assets			
Investment property	6	96 023 500	92 601 155
Property, plant and equipment	7	1 199 990 687	1 284 639 582
Intangible assets	8	239 471	321 578
Heritage assets	9	3 854 571	3 854 571
		1 300 108 229	**1 381 416 886**
Total Assets		**1 495 292 904**	**1 560 025 727**
Liabilities			
Current Liabilities			
Finance lease obligation	15	2 836 599	-
Payables from exchange transactions	10	183 702 552	139 768 283
Statutory Payables	3	1 919 119	-
Consumer deposits	11	18 077 847	17 675 964
Employee benefit obligation	13	4 191 000	3 729 000
Unspent conditional grants and receipts	12	5 441 876	7 523 997
Provisions	14	966 115	1 021 505
		217 135 108	**169 718 749**
Non-Current Liabilities			
Finance lease obligation	15	4 607 425	-
Employee benefit obligation	13	52 247 001	52 767 001
Provisions	14	42 468 188	40 185 333
		99 322 614	**92 952 334**
Total Liabilities		**316 457 722**	**262 671 083**
Net Assets		**1 178 835 182**	**1 297 354 644**
Accumulated surplus		1 178 835 182	1 297 354 644
Total Net Assets		**1 178 835 182**	**1 297 354 644**

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* See Note

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	302 846 599	296 936 731
Sales of Goods and Rendering of services	26	591 310	592 327
Rental of facilities and equipment	18	1 124 298	936 598
Licences and permits	19	33 553	15 405
Agency services	20	5 762 966	5 804 579
Operational Income	21	853 582	434 767
Interest on Investments	22	1 701 314	1 264 564
Interest on receivables from exchange transactions	23	11 174 753	10 970 652
Actuarial gains	13	9 146 000	6 131 000
Gain on disposal of assets		2 519 121	-
Total revenue from exchange transactions		**335 753 496**	**323 086 623**
Revenue from non-exchange transactions			
Property rates	24	99 002 165	102 067 106
Property rates - penalties imposed	24	9 134 158	10 814 766
Electricity availability charges		12 868 608	12 460 700
Government grants & subsidies	27	261 248 364	223 192 155
Fines, Penalties and Forfeits	25	8 881 412	7 368 691
Fair value adjustments	6	3 632 345	9 618 470
Total revenue from non-exchange transactions		**394 767 052**	**365 521 888**
Total revenue		**730 520 548**	**688 608 511**
Expenditure			
Employee related costs	28	189 191 345	177 356 563
Remuneration of councillors	29	17 264 678	17 864 855
Inventories losses/write-downs	2	560 180	1 629 670
Water Losses	49	10 532 598	8 798 436
Depreciation and amortisation	30	131 920 097	109 997 580
Finance costs	31	5 474 907	255 372
Lease rentals on operating lease	32	5 147 293	4 720 447
Debt Impairment	33	(4 690 945)	12 264 751
Bad debts written off	34	73 664 232	17 718 588
Impairment Losses on Cash and Non cash generating assets	7	1 164 914	9 707 204
Bulk purchases	35	215 217 611	215 063 544
Contracted services	36	116 125 926	127 952 509
Loss on disposal of assets		-	1 025 856
Inventory Consumed		38 863 932	46 232 601
Operational Expenditure	38	48 603 242	40 815 456
Total expenditure		**849 040 010**	**791 403 432**
Deficit for the year		**(118 519 462)**	**(102 794 921)**

* See Note

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 388 184 946	1 388 184 946
Adjustments		
Correction of errors	11 964 619	11 964 619
Balance at 01 July 2021 as restated*	**1 400 149 565**	**1 400 149 565**
Changes in net assets		
Surplus for the year	(102 794 921)	(102 794 921)
Total changes	(102 794 921)	(102 794 921)
Restated* Balance at 01 July 2022	**1 297 354 644**	**1 297 354 644**
Changes in net assets		
Surplus for the year	(118 519 462)	(118 519 462)
Total changes	(118 519 462)	(118 519 462)
Balance at 30 June 2023	**1 178 835 182**	**1 178 835 182**

Note(s)

* See Note

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Service Charges		286 900 522	102 067 106
Rates and Fines		119 209 538	318 538 819
Grants		259 166 243	219 221 713
Interest income		22 010 225	13 937 984
Other receipts		8 365 709	-
		695 652 237	653 765 622
Payments			
Employee costs		(206 398 023)	(194 631 629)
Suppliers		(427 029 407)	(412 199 374)
Finance costs on trade and other payables		(12 918 931)	(255 372)
		(646 346 361)	(607 086 375)
Net cash flows from operating activities	39	**49 305 876**	**46 679 247**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(50 992 643)	(41 372 571)
Proceeds from sale of investment property	6	210 000	-
Net cash flows from investing activities		**(50 782 643)**	**(41 372 571)**
Cash flows from financing activities			
Finance lease payments		(7 444 024)	-
Net increase/(decrease) in cash and cash equivalents		**(8 920 791)**	**5 306 676**
Cash and cash equivalents at the beginning of the year		29 031 313	23 724 637
Cash and cash equivalents at the end of the year	5	**20 110 522**	**29 031 313**

The accounting policies on pages 11 to 41 and the notes on pages 42 to 95 form an integral part of the annual financial statements.

* See Note

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	
Statement of Financial Performance						
Revenue						
Property Rates	99 099 000	(1 620 000)	**97 479 000**	99 002 165	**1 523 165**	2%
Service charges	327 137 953	-	**327 137 953**	315 715 000	**(11 422 953)**	-3%
Investment Revenue	1 620 000	-	**1 620 000**	1 701 314	**81 314**	5%
Transfers and subsidies	241 278 000	1 520 000	**242 798 000**	261 248 364	**18 450 364**	8%
Other own revenue	87 318 000	-	**87 318 000**	52 853 705	**(34 464 295)**	-39%
Total Revenue (excluding capital transfers and contributions)	**756 452 953**	**(100 000)**	**756 352 953**	**730 520 548**	**(25 832 405)**	
Expenditure						
Personnel	(192 165 705)	(3 119 161)	**(195 284 866)**	(189 191 345)	**6 093 521**	-3%
Remuneration of councillors	(19 806 294)	-	**(19 806 294)**	(17 264 678)	**2 541 616**	-13%
Depreciation, amortisation and asset impairment	(32 694 802)	-	**(32 694 802)**	(131 920 097)	**(99 225 295)**	303%
Finance costs	-	(1 882 500)	**(1 882 500)**	(5 474 907)	**(3 592 407)**	66%
Inventory consumed and bulk purchases	(292 666 000)	30 397 000	**(262 269 000)**	(254 081 543)	**8 187 457**	-3%
Transfers and subsidies	-	-	**-**	2 000	**2 000**	100%
Other expenditure	(163 211 000)	11 127 000	**(152 084 000)**	(251 105 440)	**(99 021 440)**	65%
Total expenditure	**(700 543 801)**	**36 522 339**	**(664 021 462)**	**(849 040 010)**	**(185 014 548)**	
Deficit before taxation	**55 909 152**	**36 422 339**	**92 331 491**	**(118 519 462)**	**(210 850 953)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	
Statement of Financial Position						
Total current assets	329 015 000	161 138 000	**490 153 000**	195 184 675	**(294 968 325)**	-60%
Total non current assets	1 357 608 000	(2 930 000)	**1 354 678 000**	1 300 108 229	**(54 569 771)**	-4%
Total current liabilities	(157 225 000)	(129 924 000)	**(287 149 000)**	(217 135 108)	**70 013 892**	24%
Total non current liabilities	(50 338 000)	-	**(50 338 000)**	(99 322 614)	**(48 984 614)**	97%
Community wealth/Equity	**1 479 060 000**	**28 284 000**	**1 507 344 000**	**1 178 835 182**	**(328 508 818)**	
Cash Flow Statement						
Cash flows from operating activities						
Net cash flows from operating activities	113 023 000	-	**113 023 000**	49 305 876	**(63 717 124)**	56%
Cash flows from investing activities						
Net cash flows from investing activities	(69 512 000)	-	**(69 512 000)**	(5 782 643)	**63 729 357**	92%
Cash flows from financing activities						
Net cash flows from financing activities	-	-	**-**	(7 444 024)	**(7 444 024)**	100%
Cash and cash equivalents at the beginning of the year	19 644 000	52 894 000	**72 538 000**	29 031 313	**(43 506 687)**	60%

Refer to note 51 for discussions about variances between budgeted and actual.

Accounting Policies

Figures in Rand	Note(s)	2023	2022

1. Presentation of Annual Financial Statements

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

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

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

Standards approved and effective for the year ending 30 June 2023

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non -Cash Generating Assets
GRAP 23	Revenue from Non- Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-Generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests of Other Entities
GRAP 100	Discounted Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control
GRAP 107	Mergers
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-Living resources

Accounting Policies

These accounting policies are consistent with the previous period.

Standards approved and not yet effective for the year ending 30 June 2023

GRAP 01	Presentation of Financial Statements
GRAP 25	Employee Benefits
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

Interpretations of Standards of GRAP approved and effective for the year ending 30 June 2023

IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an arrangement contains a lease
IGRAP 4	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
IGRAP 5	Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18	Recognition and Derecognition of Land
IGRAP 19	Liabilities to Pay Levies
IGRAP 20	Accounting for Adjustments to Revenue
IGRAP 21	The Effect of Past Decisions on Materiality

The impact of the proposed amendments as per the Standards and Interpretations have been considered by the municipality and has been determined to be not material.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

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

Revenue Recognition

Accounting policy 1.18 & 1.19 on Revenue from Exchange Transactions and Revenue from Non-Exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Impairment testing

Accounting policy 1.7 Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

Useful lives of Property Plant & Equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Impairment

Write down of property plant and equipment, intangible assets and inventories. 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.
The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Post-retirement benefits

As described in accounting policy 1.14 Employee Benefits, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-Retirement Health Benefit Obligations and Long Service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25 Employee Benefits.

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land.

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 based on the nature of the agreement and the roles and responsibilities as defined in the agreements.

Impairment of statutory receivables

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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

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

Accounting for adjustments to revenue

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

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

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

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or
(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

Offsetting

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is required or permitted by a standard of GRAP

Provisions

Provisions have been raised by the municipality for rehabilitation of the landfill site in accordance with IGRAP2. Additional disclosure of these estimates of provisions are included in note to the Financial Statements.

1.5 Investment property

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

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

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

Accounting Policies

1.5 Investment property (continued)

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

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

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

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

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.

Investment property is derecognised 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.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal

Accounting Policies

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Infrastructure		
• Roads and Stormwater	Straight-line	05-80 years
• Electricity	Straight-line	03-50 years
• Sanitation	Straight line	15-100 years
• Water	Straight line	05-80 years

1.6 Property, plant and equipment (continued)

• Landfill Sites	Straight-line	15-50 years
Community		
• Sport and recreational facilities	Straight-line	05-50 years
• Cemeteries	Straight-line	05-50 years
• Halls	Straight-line	05-50 years
• Libraries	Straight-line	05-50 years
• Parks	Straight-line	05-50 years
• Fire Station	Straight-line	05-50 years
• Clinics	Straight-line	05-50 years
• Sports Fields	Straight-line	15-30 years
• Stadium	Straight-line	05-30 years
Plant and Machinery	Straight-line	02-15 years
• Motor Vehicles	Straight-line	05-15 years
• Office Equipment	Straight-line	03-10 years
• IT Equipment	Straight-line	03-07 years

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note no.36).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note no.8).

1.7 Intangible assets

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

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	05-10 years

The municipality does not have any intangible assets under construction or development to disclose in the notes to the financial statements.

Accounting Policies

1.8 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note no.36).

The municipality does not have any heritage assets under construction or development to disclose in the notes to the financial statements.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

1.8 Heritage assets (continued)

Subsequent measurement

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

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

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

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

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.

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).

1.9 Financial instruments (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.

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.

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;

1.9 Financial instruments (continued)

- 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.

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash & cash equivalents	Financial asset measured at amortised cost

The entity 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
Payables from exchange transactions	Financial liability measured at amortised cost

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. The VAT portion due to - From SARS is considered a statutory receivable and is recognised and measured per below.

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

1.10 Statutory receivables (continued)

The municipality initially measures statutory receivables at their transaction amount.

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.

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 .

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

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

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

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

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

1.12 Inventories (continued)

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

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

The municipality's inventory consists of water, consumables, stores, materials and finished goods.

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.

Non-Living Resources
The Municipality has non-living resources in the form of water dams. there are no liabilities, nor contingent liabilities that are associated with these resources. There is no amount of compensation from third parties for these non living resources.

1.13 Impairment of 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

(continued)

Designation

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

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

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

Identification

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

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

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

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.

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.

Accounting Policies

(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.

1.14 Compound instruments

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

1.15 Employee benefits

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

GRAP 25 on employee benefits is to provide accounting principles for amounts or benefits due to employees, their spouses or third parties when employees have rendered services to the municipality, and the rendering of those services entitles employees to certain benefits.

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

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

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

Post-employment benefits

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

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

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.

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

1.15 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.15 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.16 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.16 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 41.

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

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

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

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

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

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

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

1.16 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:

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 .

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.

1.17 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.

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

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

1.18 Revenue from exchange transactions (continued)

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 .

Interest, service fees

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.

1.19 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.

1.19 Revenue from non-exchange transactions (continued)

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.

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.

1.19 Revenue from non-exchange transactions (continued)

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.

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

1.20 Borrowing costs

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

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

1.21 Accounting by principals and agents

Identification

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

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

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

Accounting Policies

1.21 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.22 Comparative figures

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly

1.23 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as follows:
"unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—
(a) overspending of the total amount appropriated in the municipality's approved budget;
(b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
(f) a grant by the municipality otherwise than in accordance with this Act.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.25 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).

1.26 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.27 Budget information

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

Accounting Policies

1.27 Budget information (continued)

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

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

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

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

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

1.28 Related parties

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

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

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

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

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

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

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

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

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

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Accounting Policies

1.30 Cash & Cash Equivalents

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised Finance charges on bank overdrafts are expensed as incurred.

1.31 Changes in accounting policies, estimates, errors

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balance. The provisions of IGRAP 1 have been applied retrospectively in line with IGRAP1.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

2. Inventories

Water for distribution	65 503	39 859
Stores, materials and fuels	24 967 258	19 109 991
Land inventory	19 209 625	17 084 625
	44 242 386	36 234 475
	44 242 386	**36 234 474**

Inventory written off during the year amounted to R560 180 (2022: R1 629 670)

* Prior year inventory balances have been restated. The restatments performed have been disclosed in Note 42

3. Receivables from exchange transactions

Consumer debtors - Electricity	29 544 197	18 898 239
Consumer debtors - Water	14 532 758	19 623 993
Consumer debtors - Waste water	11 170 896	10 032 371
Consumer debtors - Waste Management	7 638 295	7 512 642
Consumer debtors - Other	18 711 285	11 508 344
VAT Receivable	17 394 815	2 601 982
	98 992 246	**70 177 571**

Breakdown Net Consumer Debtors - Other		
Abeyance	180 923	62 005
Market Agency	361	796
Property Rental Debtors	4 947 016	4 985 488
Merchandising and jobbing	13 431 916	6 309 369
Service charges	151 069	150 676
	18 711 285	**11 508 334**

Reconciliation of provision for impairment of Receivables from exchange transactions		
Opening balance	160 076 555	156 176 603
Provision for impairment	(35 313 910)	3 900 940
	124 762 645	**160 077 543**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Receivables from exchange transactions (continued)

Gross receivables from exchange transactions		
Consumer Debtors - Electricity	31 894 664	32 162 262
Consumer Debtors - Water	47 186 199	61 221 851
Consumer Debtors - Waste Water	52 758 862	57 938 947
Consumer Debtors - Waste Management	38 233 373	45 218 557
Consumer Debtors - Other	36 286 978	31 111 514
VAT Receivable	17 394 815	2 601 982
	223 754 891	**230 255 113**

Gross consumer debtors - other includes the following:		
Abeyance	942 844	406 638
Market agency	77 984	108 683
Property rental debtors	8 989 792	8 928 906
Merchandising and jobbing	20 604 739	15 594 002
Service charges	169 300	570 966
Land sale debtors	5 502 319	5 502 319
	36 286 978	**31 111 514**

Provision for doubtful debts		
Consumer Debtors - Electricity	(2 350 466)	(13 264 023)
Consumer Debtors - Water	(32 653 442)	(41 597 858)
Consumer Debtors - Waste Water	(41 587 966)	(47 906 576)
Consumer Debtors - Waste Management	(30 595 078)	(37 705 916)
Consumer Debtors - Other	(17 575 693)	(19 603 180)
	(124 762 645)	**(160 077 553)**

3. Receivables from exchange transactions (continued)

Consumer Debtors - Other includes the following:

Abeyance	(761 921)	(344 633)
Market agency	(77 623)	(107 886)
Property rental debtors	(4 042 775)	(3 943 418)
Merchandising and jobbing	(7 172 823)	(9 284 634)
Service charges	(18 232)	(420 290)
Land sale debtors	(5 502 319)	(5 502 319)
	(17 575 693)	**(19 603 180)**

Aging of Trade and other receivables from exchange transactions

Electricity

Current (0-30 days)	10 300 769	10 347 651
31-60 days	2 905 111	2 467 342
61-90 days	996 870	1 400 475
91-120 days	1 544 480	1 069 479
121-365 days	7 867 189	4 775 868
> 365 days	8 280 244	12 101 447
	31 894 663	**32 162 262**

Water

Current (0-30 days)	4 219 456	5 697 231
31-60 days	2 847 708	4 250 310
61-90 days	1 476 083	4 148 610
91-120 days	1 312 089	1 666 279
121-365 days	9 814 375	8 101 519
> 365 days	27 516 487	37 357 911
	47 186 198	**61 221 860**

Waste Water

Current (0-30 days)	3 059 522	2 976 804
31-60 days	7 263 508	2 017 315
61-90 days	1 616 245	1 723 720
91-120 days	1 511 460	1 604 389
121-365 days	9 354 210	8 590 001
> 365 days	29 953 917	41 026 745
	52 758 862	**57 938 974**

Waste Management

Current (0-30 days)	2 538 712	2 459 630
31-60 days	1 668 737	1 629 028
61-90 days	1 500 379	1 473 101
91-120 days	1 425 399	1 411 676
121-365 days	8 330 807	7 780 825
> 365 days	22 769 339	30 464 297
	38 233 373	**45 218 557**

Consumer Debtors - Other

Current (0-30 days)	3 225 893	1 050 448
31-60 days	2 047 283	630 999
61-90 days	457 989	841 867
91-120 days	394 260	353 086
121-365 days	8 126 588	2 854 026
> 365 days	22 034 966	25 381 088

Figures in Rand	2023	2022

3. Receivables from exchange transactions (continued)

	36 286 979	**31 111 514**

Aging of debtors past due but not impaired		
Consumer Debtors - Water (31 - 121 days)	5 635 880	13 926 762
Consumer Debtors - Waste Water (31 - 121 days)	10 391 213	7 059 020
Consumer Debtors - Waste Management (31 - 121 days)	4 594 515	5 054 429
Consumer Debtors - Other (31 - 365 days)	2 899 532	5 345 012
	23 521 140	**31 385 223**

Factors considered in assessing impairment losse

The municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired. The last day of each financial year is the reporting date for the municipality, being 30 June.

Impairment exclusions
The following accounts are specifically excluded from the assessment for impairment:
- Receivable accounts with a total credit balance at reporting date;
- Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due.

Calculation and recognition of impairment loss
Receivables from Exchange Transactions:
The municipality assesses all receivables from exchange transactions, with the exception of traffic fine receivables, for both individual receivable impairment as well as collective group impairment.

Individual receivable impairment
Individual receivable impairment identifies individual receivable accounts that meet any one of the following criteria:
- Debtors where a formal arrangement has been made, however the last payment date by the customer was before 31 March of the current financial year;
- Accounts handed over to debt collectors and/or power of attorney;
- Debtors where the last payment date by the customer was before 01 July 2021;
- All accounts indicated as in-active accounts on the system;
- When accounts have been formally presented to the CFO for consideration for write off; and
- Indigent debtors where accounts are outstanding for more than 90 days

The individual debtors that meet the above mentioned criteria, will be considered for an impairment value of 100% of the outstanding debt due as at the reporting date.

Group receivable impairment

A group assessment of receivables is further conducted on the remaining receivables balance. This impairment is calculated based on the average collection rate for the previous three financial years for each group category and sub-category of receivables.
Additional text

VAT Receivable

The Municipality submits VAT 201 returns on a cash basis, whilst the amount disclosed in the Annual Financial Statements reflects VAT not yet paid or received from SARS. A reconciliation of the payable accrual, receivable accrual and statutory receivable is as follows:

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
3. Receivables from exchange transactions (continued)		
Vat Input accrual (recievable from SARS)	17 394 815	14 299 685
Vat Output accrual (payable to SARS)	(26 916 532)	(29 693 887)
Input VAT accrual impairment on debtors provision	6 930 497	17 425 911
VAT payable to SARS (statutory payable)	(1 919 491)	570 273
Net VAT Receivable	**(4 510 711)**	**2 601 982**

4. Receivables from non-exchange transactions

Fines	8 195 137	8 180 978
Other Debtors	217 409	217 409
Sundry Debtors	262 448	274 414
Property Rates	23 164 527	34 492 681
	31 839 521	**43 165 482**

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Property Rates Taxes	23 164 527	34 492 681
Municipal Traffic Fines	8 195 137	7 334 226
	31 359 664	**41 826 907**

Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:

Insurance Debtor	217 409	217 409
Overpayment to Creditor	203 995	203 995
Cashier Shortages	58 453	70 419
	479 857	**491 823**
Financial asset receivables included in receivables from non-exchange transactions above	**(1)**	**-**
Total receivables from non-exchange transactions	31 839 520	42 318 730

Figures in Rand	2023	2022

4. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property Rates Taxes are imposed in accordance with the Municipal Property Rates Act 6 of 2004. The Act gives the Municipality to levied Property Rates taxes on all properties within the Municipal jurisdiction.

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Determination of transaction amount

Municipal Property Rates taxes is determined by using the municipal property valuation roll and is imposed on a Property that is within the Municipal Jurisdiction on usage.

Municipal Traffic fines are determined based on the tariffs for offences in accordance with the National Road Traffic Act.

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

Assessing impairment is an event that takes place subsequent to the initial recognition of revenue charged. The Municipality assesses the probability of collecting revenue for traffic fines that are in arrears. Traffic fines will be impaired when the possibility of collecting the fines cannot be ascertained and where the prospects of a successful prosecution of an offender are not certain. The municipality also considers that offenders may make legal representation to have the fines reduced or voided. Therefore, the collection rate average over a 3-year period is used to determine future cashflows against outstanding fines, and the difference between future cash flows and outstanding fines will be considered as impaired.

Reconciliation of provision for impairment for statutory receivablesReconciliation of provision for impairment for statutory receivables

Opening balance	138 388 832	129 814 445
Provision for impairment	14 337 739	8 872 621
	152 726 571	**138 687 066**

Ageing of Trade and Other Receivables from Non-Exchange Transactions

Figures in Rand	2023	2022

4. Receivables from non-exchange transactions (continued)

Traffic Fines		
Current (0 - 30 days)	823 900	29 100
61 - 90 days	627 850	63 100
61 - 90 days	727 300	439 552
91 - 120 days	754 900	844 200
121 - 365 days	676 600	5 440 953
> 365 days	74 897 505	57 360 950
	78 508 055	**64 177 855**

Breakdown of net traffic fines 2022:	
Gross Debtor	69,410,253
	7,334,226

Statutory receivables past due and impaired	62 076 027	61 777 793
Statutory receivables past due not impaired	7 334 226	7 334 226
	69 410 253	**69 112 019**

Rates		
Current (0 - 30 days)	6 124 185	6 288 220
31 - 60 days	2 849 465	3 509 553
61 - 90 days	2 542 250	3 128 735
91 - 120 days	2 257 584	2 423 500
121 - 365 days	15 091 345	13 938 022
> 365 days	85 248 476	81 815 691
	114 113 305	**111 103 721**

Statutory receivables past due and impaired	90 948 778	76 611 038
Statutory receivables past due not impaired	17 040 342	34 492 683
	107 989 120	**111 103 721**

4. Receivables from non-exchange transactions (continued)

Factors considered in assessing impairment losses

The municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired. The last day of each financial year is the reporting date for the municipality, being 30 June.

Impairment exclusions

The following accounts are specifically excluded from the assessment for impairment:
- Receivable accounts with a total credit balance at reporting date;
- Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due.

Calculation and recognition of impairment loss

Receivables from Non-Exchange Transactions, excluding traffic fine receivables:

The municipality assesses all receivables from non-exchange transactions, with the exception of traffic fine receivables, for both individual receivable impairment as well as collective group impairment.

Individual receivable impairment

Individual receivable impairment identifies individual receivable accounts that meet any one of the following criteria:

- Debtors where a formal arrangement has been made, however the last payment date by the customer was before 31 March of the current financial year;
- Accounts handed over to debt collectors and/or power of attorney;
- Debtors where the last payment date by the customer was before 01 July 2021;
- All accounts indicated as in-active accounts on the system;
- When accounts have been formally presented to the CFO for consideration for write off; and
- Indigent debtors where accounts are outstanding for more than 90 days

The individual debtors that meet the above mentioned criteria, will be considered for an impairment value of 100% of the outstanding debt due as at the reporting date.

Group receivable impairment

A group assessment of receivables is further conducted on the remaining receivables balance. This impairment is calculated based on the average collection rate for the previous three financial years for each group category and sub-category of receivables.

*Prior year Receivables from non-exchange transactions balances have been restated. The restatments performed have been disclosed in Note 42

Figures in Rand	2023	2022

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 660	4 844
Bank balances	4 772 967	5 651 394
Short-term deposits	15 330 895	23 375 075
	20 110 522	**29 031 313**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA Bank - Cheque Account - 1005001109	3 472 643	3 198 843	3 275 016	3 472 643	3 198 843	3 432 449
Nedbank Bank - Current Account - 106 737 9770	1 300 324	2 452 551	2 131 838	1 300 324	2 452 551	2 124 951
Standard Bank 32 Day Account - Account Number 06846 176 3-003	4 800	4 584	4 501	4 800	4 584	4 501
Standard Bank Money Market Account Number 068461763-011	74 828	70 473	68 270	74 828	70 473	68 270
ABSA Call Deposit Account Number - 9195460586	243	243	240	243	243	243
ABSA Call Deposit Account Number - 9122861337	2 349	2 269	2 251	2 349	2 269	2 251
ABSA Liquidity Account Number - 9363389794	2 867 759	11 187 249	6 235 914	2 867 759	11 187 249	6 235 915
Nedbank Call Deposit Account Number - 03/7165020780/000030	3 673 474	3 962 657	4 011 632	3 673 474	3 962 657	4 011 632
Nedbank Call Deposit Account Number - 03/7165020780/000039	4 084	3 837	3 711	4 084	3 837	3 711
Nedbank Call Deposit Account Number - 03/7165020780/000040	4 441	4 172	4 036	4 441	4 172	4 036
Nedbank Call Deposit Account Number - 03/7165020780/000042/44	796 984	748 628	724 294	796 984	748 628	724 294
Nedbank Call Deposit Account Number - 03/7165020780/000043	7 820 339	7 345 849	7 107 067	7 820 339	7 345 849	7 107 067
Interest accrued	81 378	45 114	-	81 378	45 114	-
Petty cash	6 877	-	-	6 877	-	-
Total	**20 110 523**	**29 026 469**	**23 568 770**	**20 110 523**	**29 026 469**	**23 719 320**

The following bank accounts are pledged by the Municipality

Name of bank	Bank account number	Amount (R)
Nedbank Limited	03/7165020780/000042/44	796 984
	03/7165020780/000043	7 820 339

6. Investment property

	2023			2022		
	Cost / Valuation	Fair Value Adjustments	Carrying value	Cost / Valuation	Fair value adjustments	Carrying value
Investment property	90 951 500	5 072 000	96 023 500	91 754 155	847 000	92 601 155

Reconciliation of investment property - 2023

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	92 601 155	(210 000)	3 632 345	96 023 500

Reconciliation of investment property - 2022

	Opening balance	Transfers in from PPE	Transfers Out to PPE	Fair value adjustments	Total
Investment property	111 266 970	4 002 000	(23 514 815)	847 000	92 601 155

Pledged as security

No investment property was pledge as security against any liability:

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

The effective date of valuation was 30 June 2022. Revaluations were performed by an Independent Valuer Umhlaba Geomatics Incorporated, who has experience in location and category of the Investment property being valued. The Valuation was based on open market value for existing use of Investment Property which are used for Rentals and Capital Appreciation. The Municipality has Investment Properties in the Towns of Vryheid, Bhekuzulu, Mondlo A, Mondlo B and Louwsburg.

Figures in Rand	2023	2022

6. Investment property (continued)

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1 124 298	936 598

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.

*Prior year Investment property balances have been restated. The restatments performed have been disclosed in Note 42

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	330 777 450	-	330 777 450	330 777 450	-	330 777 450
Plant and machinery	3 394 232	(2 479 060)	915 172	2 844 878	(2 403 576)	441 302
Furniture and fixtures	2 763 477	(2 409 600)	353 877	2 609 742	(2 371 609)	238 133
Motor vehicles	23 403 829	(8 839 522)	14 564 307	16 715 619	(6 803 863)	9 911 756
IT equipment	3 789 261	(2 968 626)	820 635	3 528 276	(2 871 820)	656 456
Infrastructure	2 532 365 528	(1 887 457 562)	644 907 966	2 463 022 146	(1 739 838 279)	723 183 867
Community	266 285 880	(152 852 300)	113 433 580	268 412 362	(148 714 123)	119 698 239
Buildings	150 028 169	(80 271 135)	69 757 034	150 006 984	(75 984 650)	74 022 334
Solid Waste Infrastructure	67 445 640	(42 984 975)	24 460 665	67 445 640	(41 687 707)	25 757 933
Total	**3 380 253 466**	**(2 180 262 780)**	**1 199 990 686**	**3 305 363 097**	**(2 020 675 627)**	**1 284 687 470**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss	Total
Land	330 777 450	-	-	-	-	-	-	330 777 450
Plant and machinery	441 304	573 304	(910)	-	-	(98 525)	-	915 173
Furniture and fixtures	238 132	172 144	(746)	-	-	(55 654)	-	353 876
Motor vehicles	9 911 656	7 791 382	(177 259)	-	-	(2 679 228)	(282 243)	14 564 308
IT equipment	656 454	344 943	(3 537)	-	-	(177 226)	-	820 634
Infrastructure	723 135 980	40 352 452	(2 197 967)	18 937 794	(18 937 794)	(115 799 469)	(583 032)	644 907 964
Community	119 698 239	1 479 344	-	-	-	(7 446 638)	(297 365)	113 433 580
Buildings	74 022 335	21 185	-	-	-	(4 284 211)	(2 274)	69 757 035
Solid Waste Infrastructure	25 757 934	-	-	-	-	(1 297 268)	-	24 460 666
	1 284 639 484	**50 734 754**	**(2 380 419)**	**18 937 794**	**(18 937 794)**	**(131 838 219)**	**(1 164 914)**	**1 199 990 687**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers in	Transfers made	Depreciation	Impairment loss	Total
Land	328 694 260	22 473 190	(20 390 000)	-	-	-	-	330 777 450
Plant and machinery	955 283	-	(205 342)	-	-	(229 061)	(79 577)	441 303
Furniture and fixtures	345 788	20 250	(26 852)	-	-	(96 878)	(4 176)	238 132
Motor vehicles	8 161 854	3 935 837	(52 283)	-	-	(1 741 042)	(392 611)	9 911 755
IT equipment	494 420	433 892	(7 630)	-	-	(262 164)	(2 064)	656 454
Infrastructure	809 877 908	26 287 673	(13 328 345)	10 691 252	(10 691 252)	(96 277 808)	(3 423 448)	723 135 980
Community	134 671 928	9 175 093	(13 194 738)	11 687 415	(11 687 415)	(6 834 794)	(4 119 250)	119 698 239
Buildings	75 155 506	3 892 058	-	-	-	(3 376 662)	(1 648 567)	74 022 335
Solid Waste Infrastructure	25 572 344	1 912 269	(653 915)	-	-	(1 072 764)	-	25 757 934
	1 383 929 291	**68 130 262**	**(47 859 105)**	**22 378 667**	**(22 378 667)**	**(109 891 173)**	**(9 669 693)**	**1 284 639 582**

Assets subject to finance lease (Motor Vehicles)

Additions	7 791 382	-
Depreciation	(596 048)	-
	7 195 334	**-**

Reconciliation of work in progress - 2023

	Included within Infrastructure	Included within Community	Included within Other Electricity	Total
Opening balance	23 135 312	1 682 834	1 750 756	26 568 902
Additions/capital expenditure	37 720 332	1 479 344	2 632 120	41 831 796
Transferred to completed items	(18 937 794)	-	-	(18 937 794)
	41 917 850	**3 162 178**	**4 382 876**	**49 462 904**

7. Property, plant and equipment (continued)

Reconciliation of work in progress - 2022

	Included within Infrastructure	Included within Community	Included within Electricity	Total
Opening balance	15 522 065	17 377 134	7 095 925	39 995 124
Additions/capital expenditure	24 537 117	9 175 093	1 750 557	35 462 767
Disposals	(6 232 617)	(13 181 977)	(7 095 726)	(26 510 320)
Transferred to completed items	(10 691 252)	(11 687 415)	-	(22 378 667)
	23 135 313	**1 682 835**	**1 750 756**	**26 568 904**

	2023	2022
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Paid from contracted services	4 200 760	4 200 760
Paid from materials and supplies	6 297 489	6 297 489
	10 498 249	**10 498 249**

*Prior year Property, Plant and Equipment balances have been restated. The restatments performed have been disclosed in Note 42

Notes to the Annual Financial Statements

Figures in Rand

8. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 484 741	(2 245 270)	239 471	2 484 741	(2 163 163)	321 578

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	321 578	(82 107)	239 471

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	467 391	(145 813)	321 578

9. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	3 854 571	-	3 854 571	3 854 571	-	3 854 571

Reconciliation of heritage assets 2023

	Opening balance	Total
Historical buildings	3 854 571	3 854 571

Reconciliation of heritage assets - 2022

	Opening balance	Total
Historical buildings	3 854 571	3 854 571

10. Payables from exchange transactions

Trade payables and accruals	119 084 493	101 441 310
Retentions	13 591 625	9 326 342
Accrued leave pay	12 817 648	13 331 913
Unallocated deposits	6 032 617	7 029 470
Advanced payments	5 798 738	4 680 091
VAT Output Accrual	19 986 035	-
Payroll related - third parties payable	5 022 089	2 322 360
Overtime payable	1 369 294	1 636 797
	183 702 539	**139 768 283**

10. Payables from exchange transactions (continued)

*Prior year Payables from exchange transactions balances have been restated. The restatments performed have been disclosed in Note 42

11. Consumer deposits

	2023	2022
Electricity	15 379 659	15 109 421
Water	1 605 637	1 525 683
Housing rental	1 092 551	1 040 860
	18 077 847	**17 675 964**

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2023	2022
Unspent conditional grants and receipts		
Integrated National Electrification Programme Grant	258	-
LED Market stalls grant	1 617 546	-
Provincial Housing Grant	167 393	167 393
Provincial Library Grant	-	1 578 306
Sports and recreation	26 242	2 064 741
Provincial Housing Deeds Restoration Programme	3 630 438	3 713 557
	5 441 876	**7 523 997**

Movement during the year

	2023	2022
Balance at the beginning of the year	7 523 997	6 170 687
Additions during the year	73 703 729	63 191 916
Income recognition during the year	(75 785 849)	(61 838 606)
	5 441 876	**7 523 997**

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The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See note for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilised.

Figures in Rand	2023	2022

12. Unspent conditional grants and receipts (continued)

Equitable Share		
Current year receipts	187 494 000	167 581 000
Conditions met transferred to revenue	(187 494 000)	(167 581 000)
	-	-

Integrated National Electrification Programme Grant		
Current year receipts	18 485 000	3 396 000
Conditions met transferred to revenue	(18 484 742)	(3 396 000)
	258	**-**

Provincial Housing Grant		
Balance unspent at beginning of year	167 393	167 393

Provincial Housing Deeds Restoration Programme		
Balance unspent at beginning of year	3 713 557	3 569 832
Current year receipts	535 216	143 724
Conditions met - transferred to revenue	(618 336)	-
	3 630 437	**3 713 556**

Bhekumthetho rural Housing Project		
Current year receipts	1 940 892	-
Conditions met - transferred to revenue	(1 940 892)	-
	-	-

Provision Library Grant		
Balance unspent at beginning of year	1 587 306	2 159 047
Current year receipts	-	4 538 000
Conditions met - transferred to revenue	(1 587 306)	(5 118 741)
Terms and conditions		
	-	**1 578 306**

Municipal Infrastructure Grant		
Current year receipts	42 083 000	39 107 000
Conditions met - transferred to revenue	(42 083 000)	(39 107 000)
	-	-

Financial Management Grant		
Current year receipts	3 000 000	2 650 000
Conditions met - transferred to revenue	(3 000 000)	(2 650 000)
	-	-

Museum Grant		
Current year receipts	235 000	225 000

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

12. Unspent conditional grants and receipts (continued)

Conditions met - transferred to revenue	(235 000)	(225 000)
	-	-

Expanded Public Works Grant

Balance unspent at beginning of year	2 773 000	2 515 000
Current year receipts	(2 773 000)	(2 515 000)
	-	-

Sports and Recreation Grant

Balance unspent at beginning of year	2 064 741	3 999 999
Conditions met - transferred to revenue	(2 038 499)	(1 935 258)
	26 242	**2 064 741**

Human Settlements Glukstad

Current year receipts	2 651 620	3 726 281
Conditions met - transferred to revenue	(2 651 620)	(3 726 281)
	-	-

LED Market Stalls Grant

Current year receipts	2 000 000	-
Conditions met - transferred to revenue	(382 454)	-
	1 617 546	-

13. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds with which the municipality is associated a member (who is on the current condition of service) on retirement is entitled to remain a continued member of such medical aid fund in which case the municipality is liable for a certain portion of the medical aid membership fee.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

13. Employee benefit obligations (continued)

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded - Post retirement medical aid liability	(45 128 001)	(45 458 001)
Present value of the defined benefit obligation-partly or wholly funded - Long service award liability	(11 310 000)	(11 038 000)
	(56 438 001)	**(56 496 001)**

Non-current assets	2 136 000	3 725 000
Non-current liabilities	(54 383 001)	(56 492 001)
Current liabilities	(4 191 000)	(3 729 000)
	(56 438 001)	**(56 496 001)**

The Provision for Post Employment Medical Aid Subsidy was determine in accordance with GRAP 25 Accounting Standard which requires the liability to be measure using the Projected Unit Credit Method at valuation date as at 30 June 2023.
:

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

Opening balance	56 496 000	53 483 000
Net expense recognised in the statement of financial performance	(58 000)	3 013 000
	56 438 000	**56 496 000**

Net expense recognised in the statement of financial performance

Current service cost	2 736 000	2 619 000
Interest cost	6 352 000	5 034 000
Actuarial (gains) losses	(9 146 000)	(6 131 000)
Policy amendment	-	1 491 000
	(58 000)	**3 013 000**

Figures in Rand	2023	2022

13. Employee benefit obligations (continued)

Key assumptions used

The following assumptions were used at the reporting date for Post Employment Medical Aid Subsidy:

Discount rate	12,42 %	11,79 %
Health care cost inflation rate	8,03 %	8,41 %
Net-of-health-care-cost-inflation discount rate	4,06 %	3,12 %
Maximum subsidy inflation rate	5,65 %	5,93 %
Net of maximum subsidy inflation discount rate	6,41 %	5,53 %

Key Assumption used in the valuation of Post Employee Medical Aid Benefits for the period end 30 June 2023, was on the Yield and Norminal Curves, and therefore comparison between the assumption used at the current and previous valuation dates is detailed below. The table is intended to provided the user with a comparable basis since rates was not clearly defined in the 30 June 2023 valuationst

Discount rate	12.42	11.79
Health care cost inflation rate	8.03	8.41
Net-of-health-care-cost-inflation discount rate	4.06	3.12
Maximum subsidy inflation rate	5.65	5.93
Net-of-maximum-subsidy-inflation rate	6.41	5.53

The table below summaries the eligible employees:

	Female	Male	Total
Number of in service members	113	145	258
Number of in service non members	50	132	182
Total employees	**163**	**277**	**440**
Average age	42.7	46.7	45.2
Average past service	10.1	13.3	12.1
Proportion with a spouse dependent (members)	24%	49%	38%

Key Demographic Assumption	Value
Average retirement age	63
Continuation of membership at retirement	75%
Proportion with a spouse dependant at retirement	60%
Proprtion of in service non members joining a scheme by retirement and continuing with the subsidy at retirement	15%
Mortality during employment	SA 85-90
Mortality post-employment	PA (90) - 1 with a 1% mortality improvement p.a from 2010

13. Employee benefit obligations (continued)

Withdrawal from service (sample annual rate)	See Table A.4.2

Withdrawal Rates

Age	Females	Males
20 - 24	9%	9%
25 - 29	8%	8%
30 - 34	6%	6%
35 - 39	5%	5%
40 - 44	5%	5%
45 - 49	4%	4%
50 - 54	3%	3%
55+	0%	0%

Long Service Award Liability

It is the policy of the municipality to provide Long Service Awards to eligible employees. The municipality makes a provision for Long Service Awards in accordance with GRAP 25. The municipality offers employees Long Service Awards for every five years of service completed, from five years of service to 45 years of service, inclusive.

The Long Service Award is an unfunded arrangement and the municipality has not set aside separate assets to meet this liability. The table below describes the benefits awards:

Completed Service (In Years)	Long Service Award (1% of Annual Earnings)	Description
5	4.0%	10 / 250 x annual earnings
10	8.0%	20 / 250 x annual earnings
15, 20, 25, 30, 35, 40, 45	12.0%	30 / 250 x annual earnings

In addition, employees receive a cash award of R 10,000 at their 25 year service anniversaries. This value is fixed and no planned future increases are taken into during the valuation of the Liability. Below are the key assumptions that was used to calculate the Financial Liability.

Key Financial Assumption	Value p.a
Discount rate	11.15%
General earnings inflation rate (long-term)	6.5%
Net effective discount rate	4.36%

Eligible Employees

	Female	Male	Total
Number of eligible employees	164	277	441
Average annual earnings	R234,832	R242,832	R239,857
Earnings-weighted average age	42.8	46.7	45.3
Earnings-weighted average past service	10.3	13.3	12.2

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Contribution to provisions	Reversed during the year	Total
Environmental rehabilitation	40 185 333	2 282 854	-	42 468 187
Bonus	1 021 505	-	(55 390)	966 115
	41 206 838	**2 282 854**	**(55 390)**	**43 434 302**

Reconciliation of provisions - 2022

	Opening Balance	Contribution to provision	Reversed during the year	Total
Environmental rehabilitation	38 273 064	1 912 269	-	40 185 333
Bonus	1 343 518	-	(322 013)	1 021 505
	39 616 582	**1 912 269**	**(322 013)**	**41 206 838**

	2023	2022
Current liabilities	966 115	1 021 505
Non-current liabilities	42 468 187	40 185 333
	43 434 302	**41 206 838**

The determination of the cost required for the rehabilitation of the Vryheid and Coronation was done as at 30 June 2023. The cost estimate is based on 25% Preliminary and general (P&G) and a 10% contingency of the construction amount for unforseen items.

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022

15. Finance lease obligation

Minimum lease payments due		
- within one year	2 836 599	-
- in second to fifth year inclusive	4 607 425	-
	7 444 024	-
less: future finance charges	(2 199 460)	-
Present value of minimum lease payments	**5 244 564**	**-**

Present value of minimum lease payments due		
- within one year	1 801 144	-
- in second to fifth year inclusive	3 443 420	-
	5 244 564	**-**

Non-current liabilities	4 607 425	-
Current liabilities	2 836 599	-
	7 444 024	**-**

The Municipality leases motor vehicles and these are classified as finance leases. The lease term of these assets is three years.

The Municipality has used the borrowing rate of 13%-16% (2022:0%) to amortise these finance leases.The carrying values of the leased assets are included under property plant and equipment.

The leasing arrangement has no terms of renewal or purchase options and escalation clauses.

There are no restrictions imposed by lease arrangement..

16. Revenue

Rendering of services	591 310	592 327
Service charges	302 846 599	296 936 731
Rental of facilities and equipment	1 124 298	936 598
Interest on receivables from exchange transactions	11 174 753	10 970 652
Agency services	5 762 966	5 804 579
Licences and permits	33 553	15 405
Operational Income	853 582	434 767
Interest received - investment	1 703 914	1 264 564
Property rates	99 002 165	102 067 106
Property rates - penalties imposed	9 134 158	10 814 766
Government grants & subsidies	261 248 364	219 571 155
Actuarial gains	9 146 000	6 131 000
Gain on dosposal of assets	2 519 121	-
Fines, Penalties and Forfeits	9 909 602	7 368 391
Fair value adjustments	5 072 000	9 618 470
Electricity availability charges	12 868 608	12 460 700
	732 990 993	**684 987 211**

Figures in Rand	2023	2022

16. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	302 846 599	296 936 731
Rendering of services	591 310	592 327
Rental of facilities and equipment	1 124 298	936 598
Interest on receivables from exchange transactions	11 174 753	10 970 652
Agency services	5 762 966	5 804 579
Licences and permits	33 553	15 405
Gain on disposal of assets	2 519 121	-
Other income	853 582	434 767
Acturial gains	9 146 000	6 131 000
Interest received - investment	1 703 914	1 264 564
	335 756 096	**323 086 623**

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	99 002 166	102 067 106
Property rates - penalties imposed	9 134 158	10 814 766
Electricity availability charges	12 868 608	12 460 700
Government grants & subsidies	261 248 364	219 571 155
Fines, Penalties and Forfeits	8 881 412	7 368 691
Fair value adjustments	5 072 000	9 618 470
	396 206 708	**361 900 888**

17. Service charges

Sale of electricity	201 093 278	195 046 515
Sale of water	43 330 808	46 121 871
Solid waste	22 127 134	22 963 822
Sewerage and sanitation charges	36 295 379	32 804 523
	302 846 599	**296 936 731**

18. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	1 124 298	936 598

19. Licences and permits

Trading	33 553	15 405

20. Agency services

Drivers Licence	2 881 939	2 539 175
Motor Vehicle Licence	2 881 027	3 265 404
	5 762 966	**5 804 579**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

21. Operational income

Incidental cash surpluses	9 605	10 044
Staff Recoveries	16 926	38 798
Insurance Refund	135 000	-
Request for Information	7 180	-
Merchandising and jobbing	-	74 317
Skills Development Levy refund	684 871	311 608
	853 582	**434 767**

22. Interest on Investments

Interest revenue

Interest on investments	1 701 314	1 264 564

23. Interest on receivables from exchange transactions

Property rental debtors	176 030	212 720
Service charges	10 998 723	10 757 932
	11 174 753	**10 970 652**

24. Property rates

Rates received

Property rates	99 002 165	102 067 106
	99 002 165	102 067 106
Property rates - penalties imposed	9 134 158	10 814 766
	108 136 323	**112 881 872**

25. Fines, Penalties and Forfeits

Illegal Connections Fines	296 192	226 087
Overdue Books Fines	900	3 449
Municipal Traffic Fines	8 584 320	7 139 155
	8 881 412	**7 368 691**

26. Sale of Goods and Rendering of Services

Consumables	-	11 082
Library Fees	10 483	8 126
Publications	-	590
Advertisements	27 938	11 602
Application fees for land usage	10 400	2 191
Building plan approval	71 473	66 845
Cemetry and burial	253 971	308 679
Clearance certificates	67 675	58 119
Encroachment Fees	91 377	108 022
Photocopies faxes and telephone charges	7 120	12 661
Removal of Restrictions	5 928	189
Valuation Services	2 878	4 222
Building Plan Clause Levy	27 391	-
Sale of goods	10 776	-
Streets/Street Markets (Informal Traders)	3 900	-
	591 310	**592 328**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Government grants & subsidies

Operating grants		
Equitable share	187 494 000	167 581 000
Museum Grant	235 000	225 000
Expanded Public Works Programme	2 773 000	2 515 000
Financial Management Grant	3 000 000	2 650 000
Provincial Library Grant	1 578 306	5 118 741
Cyber Cadet	-	499 415
LED Market Stalls	382 454	-
Housing grant	2 559 228	-
	198 021 988	**178 589 156**
Capital grants and donations		
Integrated National Electrification Programme	18 484 517	5 496 000
Sports and Recreation	2 038 499	-
Donations received from Departments	620 360	-
Municipal Infrastructure Grant	42 083 000	39 106 999
	63 226 376	**44 602 999**
	261 248 364	**223 192 155**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	73 754 364	55 611 156
Unconditional grants received	187 494 000	167 580 999
	261 248 364	**223 192 155**

28. Employee related costs

Allowances: Housing Benefits	347 340	532 882
Allowances: Service related	19 073 508	19 606 715
Allowances:Accommodation; Travel and Incidental	-	20 960
Allowances:Cellular and Telephone	1 297 054	1 265 193
Allowances:Travel or Motor Vehicle	5 128 991	9 835 384
Bargaining Council	54 119	52 241
Basic salary and wages	106 102 603	94 308 684
Bonuses	6 892 964	7 309 871
Medical	11 060 069	14 930 622
Other Benefits: Leave Gratuity	317 592	(448 605)
Other Benefits: Long Term Service Awards	3 593 522	1 994 237
Pension	26 037 734	19 881 931
Salaries and Allowances: Basic Salary	6 941 667	5 634 460
Salaries and Allowances: Cellular and Telephone	183 259	159 000
Salaries and Allowances: Travel or Motor Vehicle	1 399 931	1 358 227
Social Contributions	177	1 595
Unemployment insurance	760 814	913 161
	189 191 344	**177 356 558**

The remuneration of senior management is included in Note 52

Figures in Rand	2023	2022

29. Remuneration of councillors

Mayor	827 254	573 366
Deputy Mayor	738 854	723 724
Speaker	630 220	723 724
Executive Committee Members	3 476 669	4 114 594
Other Councillors	11 591 681	11 729 445
	17 264 678	**17 864 853**

The detail of the councillors remuneration is included in Note 52

30. Depreciation and amortisation

Property, plant and equipment	131 837 990	109 851 769
Intangible assets	82 107	145 812
	131 920 097	**109 997 581**

31. Finance costs

Interest on landfill site rehabilitation	2 282 854	-
Interest on unpaid creditors	3 192 053	255 372
	5 474 907	**255 372**

32. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	3 830 807	3 944 794
Equipment		
Contractual amounts	347 361	49 672
Plant and equipment		
Contractual amounts	969 125	725 981
	5 147 293	**4 720 447**

33. Debt impairment

Revenue from exchange transactions	14 337 744	3 392 130
Revenue from non-exchange transactions	(19 028 689)	8 872 621
	(4 690 945)	**12 264 751**

34. Bad debts written off

Bad debts written off	73 664 232	17 718 588

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35. Bulk purchases

Electricity - Eskom	215 217 611	215 063 544

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

36. Contracted services

Outsourced Services		
Business and Advisory	3 172 938	2 967 843
Catering Services	176 189	-
Call Centre	-	31 928
Hygiene Services	5 451	-
Internal Auditors	-	56 213
Meter Management	4 899 890	5 039 125
Refuse Removal	10 512 612	12 654 956
Security Services	19 034 470	19 078 391
Traffic Fines Management	482 868	70 653
Water Tankers	4 950 944	8 485 260
Consultants and Professional Services		
Business and Advisory	2 923 476	7 642 067
Infrastructure and Planning	24 348 333	26 286 943
Laboratory Services	127 873	1 163 592
Legal Cost	1 997 636	4 976 537
Contractors		
Catering Services	60 999	38 566
Electrical	1 122 807	644 230
Gardening Services	9 140 322	11 007 150
Maintenance of Buildings and Facilities	7 144 646	1 048 706
Maintenance of Equipment	28 057	-
Maintenance of Unspecified Assets	21 168 687	22 594 079
Tracing Agents and Debt Collectors	4 827 730	2 824 929
Traffic and Street Lights	-	373 841
Sewerage Services	-	967 500
	116 125 928	**127 952 509**

*Prior year Contracted services balances have been restated. The restatments performed have been disclosed in Note 4

37. Auditors' remuneration

Fees	4 315 211	4 042 064

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

38. Operational Expenditure

Advertising; Publicity and Marketing	571 963	803 428
External audit fees	4 315 211	4 042 064
Bank charges, facilities and card fees	1 645 640	1 677 266
Commission paid	2 531 981	2 331 686
Insurance underwriting	2 450 273	2 158 254
External computer service	9 658 926	6 672 968
Skills Development Fund Levy	1 574 416	1 578 288
Wet Fuel	4 519 935	3 658 874
Uniform and Protective Clothing	-	70 676
Professional bodies membership and subscription	2 297 841	2 253 487
Communication	40 735	693 868
Skills Development and Training	-	32 782
Travel and subsistence	1 696 003	1 405 815
Registration fees	1 051 025	505 000
Repayment of forfeited deposits	-	62 539
Signage	-	72 043
Ward Committees	4 080 000	4 492 938
Workmens compensation fund	1 151 592	706 188
Municipal services	10 177 856	4 117 301
Learnerships and internships	695 583	3 479 991
Seating Allowance for Traditional Leaders	13 500	-
Bursaries (employees)	130 762	-
	48 603 242	**40 815 456**

39. Cash generated from operations

Deficit	(118 519 462)	(126 293 624)
Adjustments for:		
Depreciation and amortisation	131 920 097	108 970 555
Gain on sale of assets	(2 519 121)	26 197 665
Fair value adjustments	(3 632 345)	46 381 282
Debt impairment	(4 690 945)	19 132 572
Impairment loss	1 164 914	9 707 205
Bad debts written off	73 664 232	17 718 588
Inventory write downs	560 180	-
Movements in retirement benefit assets and liabilities	-	3 013 000
Movements in provisions	-	(322 013)
Inventory losses or write-downs	-	1 629 670
Actuarial Gains/Losses	(9 146 000)	(6 131 000)
Water Losses	10 532 598	6 629 771
Changes in working capital:		
Inventories	(8 007 911)	(6 203 602)
Receivables from exchange transactions	28 814 685	(11 781 348)
Other receivables from non-exchange transactions	(11 325 961)	(13 381 138)
Payables from exchange transactions	(42 899 544)	(28 546 521)
VAT	-	803 275
Unspent conditional grants and receipts	(2 082 121)	(1 681 314)
Consumer deposits	401 883	836 224
Statutory payable	1 919 232	-
Employee benefit obligation	924 000	-
Provisions	2 227 465	-
	49 305 876	**46 679 247**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	16 252 955	38 786 560
Total capital commitments		
Already contracted for but not provided for	16 252 955	38 786 560

Total commitments

Total commitments		
Authorised capital expenditure	16 252 955	38 786 560

This committed expenditure relates to plant and equipment and will be financed by government grants and subsidies and contracted services will be financed from equitable share, property rates and service charges. All commitments are disclosed inclusive of vat.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	52 717	520 952
- in second to fifth year inclusive	-	217 063
	52 717	**738 015**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for a term of three years and rentals are fixed for three years.

41. Contingencies

Contingent Liabilities		
Entity A (Pty) Ltd - Claim for unpaid services rendered to the municipality	-	839 411
Individual A and Incividual B - Claim for damages on behalf of a child who was allegedly electrocuted and sustained injuries	3 100 000	3 100 000
Individual C - Claim for pothole damages to motor vehicle	-	97 990
Individual D - Claim for personal injury sustained due to damaged sidewalk which should be maintained by the municipality	865 090	865 090
Entity B (Pty) Ltd - Claim for unpaid services relating to refuse removal services	14 543 700	14 543 700
Entity C (Pty) Ltd - Claim for compensation for alleged land expropriation by a community in the jurisdiction of the municipality	18 500 000	18 500 000
Individual E - damages in respect seizure of goods by municipal law enforcement	-	30 000
Individual F - The plaintiff is claiming R200 000 as compensation for alleged unlawful arrest instigated by the municipality's traffic officers	-	300 000
AbaQulusi Municipality - This matter concerns a dispute with KZN- Department A on various issues emanating from the section 139 intervention	1 500 000	1 500 000
AbaQulusi Municipality - The Municipality made a review application to challenge two (2) conflicting section 106 investigation reports	2 000 000	2 000 000
Non-governmental organisation A - This is a challenge to the municipality's decision to appoint Mr Mbatha to manage and operate its farm	150 000	150 000
	40 658 790	**41 926 191**

.**Contingent Assets**

The Municipality wants to attach and to recover money from Mrs GSD Khumalo who defrauded the Municipality, civil proceedings have commenced against the former employee concerned to recover an amount of R932 341 (2022: R350 000). According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

42. Prior period errors

Trade and other payables from exchange transactions

The trade and other payables balance was restated due to the following corrections effected by the Municipality

	Balance	Total
Balance previously reported	139 466 885	139 466 885
Transactions errounesly not captured	301 398	301 398
Restated Balance	**139 768 283**	**139 768 283**

Receivables from non exchange transactions

The Traffic fines gross debtor in the prior financial year was mistated as it did not take into account traffic fines previously cancelled, withdrawn or paid. The impact of the restatement is as follows
:

	Balance	Total
Balance previously reported	42 318 730	42 318 730
Add: impact of traffic fines previously cancelled, withdrawn or paid - 2019/2020 and prior	846 752	846 752
Restated Balance	**43 165 482**	**43 165 482**

Government grants and subsidies

During the current year, the ASB issued communication for the suggested treatment of certain conditional grants. The asb allowed Municipalities to recognise grant revenue when consitions were met

	Balance	Total
Balance previously reported	219 571 155	219 571 155
Less: Impact of ASB recommendation - INEP grant	3 621 000	3 621 000
Restated Balance	**223 192 155**	**223 192 155**

Operational income

SDL refunds uncorrectly allocated to unallocated deposits

	Balance	Total
Balance previously reported	123 159	123 159
Add: Impact of reallocation	311 608	311 608
Restated Balance	**434 767**	**434 767**

Fair value adjustment

The prior year investment property incorrectly excluded asset not yet fairly valued

Figures in Rand	2023	2022

42. Prior period errors (continued)

Balance previously reported	8 771 470	8 771 470
Add: Revaluation of investment property not taken into account - 2022	847 000	847 000
Restated Balance	**9 618 470**	**9 618 470**

Voluntary change in accounting policy

The Municipality has changed the recognition of raw water acquisitions from fair value (based on Umgeni water rates), to Rnil. This change was effected because raw water from the earth cannot be fairly valued and is obtained for free by the Municipality Only costs relating to cleaning the water and making it ready for consumption can be reliably estimated

The impact of the change in account policy is as follows:

Water inventory gains

	Balance	Total
Balance previously reported	4 317 749	4 317 749
Less: Impact on change in accounting policy	(4 317 749)	(4 317 749)
Restated Balance	**-**	**-**

Water Losses

	Balance	Total
Balance previously reported	10 947 520	10 947 520
Less: Impact on change in accounting policy	(2 149 084)	(2 149 084)
Restated Balance	**8 798 436**	**8 798 436**

Inventory consumed

	Balance	Total
Balance previously reported	48 391 498	48 391 498
Less: Impact on change in accounting policy	(2 158 897)	(2 158 897)
Restated Balance	**46 232 601**	**46 232 601**

Investment Property

Investment property was restated with the nature, timing and amounts as indicated below:

	Balance	Total
Balance previously reported	99 932 970	99 932 970
Less: Investment property reclassified to land	(21 373 190)	(21 373 190)
Add: Land reclassified to Investment Properties	4 002 000	4 002 000
Add: Revaluation of investment property not taken into account - 2021	11 399 000	11 399 000
Add: Revaluation of investment property not taken into account - 2022	847 000	847 000
Less: Investment property reclassified to inventory	(2 141 625)	(2 141 625)
Less: Investment property disposed of in prior periods - 2021	(65 000)	(65 000)
Restated Balance	**92 601 155**	**92 601 155**

Property, Plant and equipment

Property, plant and equipment was restated with the nature, timing and amounts as indicated below:

	Balance	Total

Figures in Rand	2023	2022

42. Prior period errors (continued)

Balance previously reported	1 267 487 243	1 267 487 243
Add: Net book value of motor vehicles not previously included in the fixed asset register - 2021	2 441 830	2 441 830
Less: Disposal of rehebilitaion cost for closed landfill sites - 2021	(653 916)	(653 916)
Add/(Less): Reclassification of land to/from Investment property	17 371 190	17 371 190
Add/(Less): Reclassification of land to/from inventory	(14 943 000)	(14 943 000)
Add/(Less): Impact of reversal on Halted projects written off	12 936 234	12 936 234
Restated Balance	**1 284 639 581**	**1 284 639 581**

Inventories

The below reclassifications between property, plant and equipment and investment propeties
and accounting policy change with water inventory resulted in a retatement to inventory indicated below:

	Balance	Total
Balance previously reported	19 159 620	19 159 620
Add: Land previously classified as property plant and equipment	14 943 000	14 943 000
Add: Land previously held as investment property	2 141 625	2 141 625
Less: Impact of Change in accounting policy on raw water acquisition	(9 770)	(9 770)
Restated Balance	**36 234 475**	**36 234 475**

Impact on depreciation

	Column heading	Total
Balance previously reported	108 970 555	108 970 555
Depreciation adjustment on PPE errors	1 027 025	1 027 025
	109 997 580	**109 997 580**

Impact on contracted services

	Column heading	Total
Balance previously reported	113 919 465	113 919 465
Halted projects adjustments	14 033 044	14 033 044
	127 952 509	**127 952 509**

Impact on loss on disposal

	Column heading	Total
Balance previously reported	26 197 665	26 197 665
Halted projects adjustments	(25 171 809)	(25 171 809)
	1 025 856	**1 025 856**

Consumer deposits

The Municipality identified deposits paid in the current year relating to prior year deposits but not in prior year registers

Notes to the Annual Financial Statements

	Balance	Total
Balance previously reported	16 927 817	16 927 817
Add: Deposits not accrued for	748 147	748 147
Restated Balance	**17 675 964**	**17 675 964**

Reclassification of Electricity availability charges

The Municipality has presented Electricity availability charges as a separate line item on the face of the income statement

	Balance	Total
Balance previously reported	309 397 431	309 397 431
Less: Seperately presented	(12 460 700)	(12 460 700)
Restated Balance	**296 936 731**	**296 936 731**

VAT Reclassification

During the year, VAT accrual asset was disclosed as part of receivables from exchange transactions as per ASB recommendations

Change in estimate impacting PPE

The municipality has reassessed the remaining useful lives of certain Property Plant and Equipment assets in the current year and corrected asset useful lives to be in line with Asset management policy. The effect of change in the accounting estimate has resulted in an increase in the depreciation charge and future periods by R 461,830.35 and R15,860.96 for amortisation. The change in estimate has been corrected prospectively.

43. Risk management

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The liquidity ratio is outlined below.

The municipality has no significant interest bearing assets, and the income and operating cash flows are substantially independent of changes in market interest rates. As at 30 June 2023 financial instruments exposed to interest rate risk were call and notice deposits.

Financial Instruments		
Current Assets	195 184 675	178 608 841
Current Liabilities	217 135 108	169 718 749
Liquidity Ratio	**0,9**	**1.00**

Figures in Rand	2023	2022

43. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis in terms of council policy. Sales to consumers are settled in cash. The municipality's exposure to credit risk is indicated below.

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

Financial instrument	2023	2022
Cash & cash equivalents	20 110 522	29 031 312
Receivables from non-exchange transactions	31 839 521	42 165 482
Receivables from exchange transactions	98 992 246	70 177 571

44. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 1 178 835 182 and that the municipality's total liabilities exceed its assets by R 1 178 835 182.

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

The municipality used the following ratio to determine the going concern assessment. The ratios can be interpreted as follows:

The acid test ratio is used to determine the to whic the municipality is able to settle current obligations. A ratio of 1:1 is used as norm, therefore any ratio above 1, is favourable.

A current asset ratio is used to determine the extent current and short term assets can be disposed to liquidate current or short-term liabilities. A ratio of 1:1 is used as norm, therefore any ratio above 1, is favourable.

The debt ratio is used to determine how much the municipality relies on debt to finance assets.

44. Going concern (continued)

Acid Test Ratio	Current Assets	Current Liabilities	Ratio
2018/2019	167 530 618	169 827 569	0.98
2019/2020	216 536 478	176 019 602	1.23
2020/2021	124 025 544	115 421 838	1.09
2021/2022	178 608 841	169 718 749	1.00
2022/2023	195 184 675	217 135 108	0,9
	881 886 156	**848 122 866**	

Current Asset Ratio	Current Asset	Current Liabilities	Ratio
2018/2019	167 530 618	169 827 569	0.98
2019/2020	216 536 478	176 019 602	1.23
2020/2021	124 025 544	115 421 838	1.09
2021/2022	178 608 841	169 718 749	1.00
2022/2023	195 184 675	217 135 108	0,9
	881 886 156	**848 122 866**	

Debt Ratio	Total Liabilities	Total Assets	
2018/2019	251 448 129	1 653 850 119	15 %
2019/2020	266 204 438	1 575 503 823	17 %
2020/2021	203 793 903	1 411 157 154	14 %
2021/2022	262 671 083	1 560 025 727	17 %
2022/2023	316 457 722	1 495 292 904	21 %
	1 300 575 275	**7 695 829 727**	**84 %**

45. Events after the reporting date

There were no adjusting or non-adjusting events after the reporting period.

46. Unauthorised expenditure

	2023	2022
Opening balance as previously reported	324 589 058	334 464 795
Add: Unauthorised expenditure - current	201 839 142	96 221 881
Less: Amount written off	(212 148 757)	(106 097 618)
Closing balance	**314 279 443**	**324 589 058**

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

	2023	2022
Non-cash	99 225 295	78 568 842
Cash	102 613 847	17 653 039
	201 839 142	**96 221 881**

Analysed as follows: non-cash

	2023	2022
Depreciation and amortisation	99 225 295	66 304 091
Debt impairment	-	12 264 751
	99 225 295	**78 568 842**

Figures in Rand	2023	2022

46. Unauthorised expenditure (continued)

Analysed as follows: cash

Other expenditure	99 021 440	17 398 039
Finance cost - interest paid	3 592 407	255 000
	102 613 847	**17 653 039**

Unauthorised expenditure amounts have been disclosed exclusive of vat.

47. Fruitless and wasteful expenditure

Opening balance as previously reported	1 241 267	7 395 408
Add: Fruitless and wasteful expenditure identified - current	2 387 893	211 842
Less: Amount written off - current	(1 003 715)	-
Less: Amount written off - prior period	-	(6 365 983)
Closing balance	**2 625 445**	**1 241 267**

A comprehensive register is maintained by the municipality in accordance with the municipal finance management act

All fruitless and wasteful expenditure is always calculated inclusive of VAT while the figures disclosed above have been presented in this set of financials exclusive of VAT.

Figures in Rand	2023	2022

47. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Eskom (interest on late payment)	2 357 889	199 921
Telkom (interest late payment)	-	46
SARS (PAYE Assessment Penalty)	-	11 884
Delca Systems (Pty) Ltd (Interest Late payment)	30 004	-
	2 387 893	**211 851**

The municipality maintains a comprehensive register of fruitless and wasteful expenditure as required by the Municipal Finance Management Act.

48. Irregular expenditure

Opening balance as previously reported	309 452 597	251 208 247
Opening balance as restated	**309 452 597**	**251 208 247**
Add: Irregular Expenditure - current	2 316 645	58 244 350
Less: Amount written off - current	(102 770 321)	-
Less: Amount written off - prior period	(58 244 352)	-
Closing balance	**150 754 569**	**309 452 597**

Irregular expenditure is presented inclusive of VAT

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

48. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Additional VIP Security (1 incident)	Pending investigations by management	-	869 728
Extension of scope not valid (1 incident)	Pending investigations by management	-	995 084
Invalid deviation (12 incidents)	Pending investigations by management	-	7 711 169
Invalid disqualification of bid	Pending investigations by management	-	1 518 242
Mandatory sub-contracting not applied to awards above R30 million (2 incidents)	Pending investigations by management	-	6 986 527
MDB 4 forms not submitted by suppliers (9 incidents)	Pending investigations by management	-	328 876
Month to month contracts (22 incidents)	Pending investigations by management	2 316 645	8 065 814
No rotation of suppliers from a panel (12 incidents)	Pending investigations by management	-	28 244 284
No supporting information for competitive bidding (1 incident)	Pending investigations by management	-	525 303
No three quotations obtained (2 incidents)	Pending investigations by management	-	1 295 157
One of the Directors in service of the state (1 incident)	Pending investigations by management	-	6 720
Suppliers whose tax status was not in order or cleared by SARS (2 incidents)	Pending investigations by management	-	1 697 447
		2 316 645	**58 244 351**

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

Disciplinary steps taken/criminal proceedings

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2023	2022
Current year fee	4 315 211	4 042 064
Amount paid - current year	(4 315 211)	(4 042 064)
	-	-

SDL

	2023	2022
Current year fee	1 610 815	1 582 601
Amount paid - current year	(1 610 815)	(1 582 601)
	-	-

Pension and Medical Aid Deductions

	2023	2022
Current year fee	30 271 802	26 807 752
Amount paid - current year	(30 271 802)	(26 807 752)
	-	-

VAT

	2023	2022
VAT receivable	(4 510 711)	2 601 982

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

Councillors' arrear consumer accounts

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

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Mbokazi ST	1 411	41 251	42 662
Councillor Ndlela NP	5 141	2 265	7 406
Councillor Mkhwanazi SB	7 246	32 653	39 899
Councillor Cronje E	21 521	14 616	36 137
	35 319	**90 785**	**126 104**

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Mkhwanazi SB	13 943	22 143	36 086
Councillor Cronje E	22 555	-	22 555
Councillor Mbokazi ST	1 695	33 610	35 305
Councillor Ndlela NP	7 126	6 533	13 659
	45 319	**62 286**	**107 605**

Figures in Rand	2023	2022

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer. The expenses incurred as listed hereunder have been condoned. 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 proccess in certain circumstances, provided that he records the reasons for any deviations and report them to the next meeting of the MPAC and includes a note to the annual financial statements.

The current deviations related to various expenditure due to emergencies COVID 19 and other service delivery emergencies, making it impossible to follow the procurement process. A detailed register of all deviations is maintained by the Municipality.

Supply chain management deviations more than R200 000		
Emergency procurement	70 000	803 250
		-

Distribution Losses		
Electricity losses		
Units purchased	120 852 953	135 630 800
Units sold	(93 943 057)	(102 817 514)
Total Loss	**26 909 896**	**32 813 286**
Percentage Loss:		
Distribution Losses	22%	24%
Total units lost in distribution	26 909 896	32 813 286
Cost of providing the service	215 217 611	215 063 544
Cost per unit	1,78	1.59
Total cost lost through distribution and theft	47 921 737	52 030 524

The technical losses tolerable range prescribed by NERSA is between 5 - 12%. The Distribution losses were as a result of aging infrastructure, illegal connections and meter tampering.

Water Losses		
Opening Balance	21 237	16 700
Units purified	8 710 120	9 386 412
Units bought	(3 393 280)	(4 693 254)
Closing balance	32 985	21 137
Total loss (units)	**5 305 091**	**4 688 621**
Percentage Loss:		
Distribution losses	61%	50%
Total units lost in distribution	5 305 091	4 688 621
Cost of providing the service	17 296 657	17 617 222
Cost per unit	1,99	1,88
Total cost lost through distribution and theft	10 534 912	8 800 005

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

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

The technical losses tolerable range is between 5 - 15%. The distribution losses were as a result of aging infrastructure, illegal connections, and unmetered water supply.

50. Segment information

Segment surplus or deficit, assets and liabilities

Segment information - 2023

	Trading	Community & Public Safety	Economic & Environmental	Other (aggregated)		Total
Revenue						
Non-exchange Revenue	18 780 710	10 398 526	39 818 164	309 268 701	-	378 266 101
Exchange Revenue	315 724 655	6 705 901	214 069	14 312 357	-	336 956 982
Total segment revenue	**334 505 365**	**17 104 427**	**40 032 233**	**323 581 058**	**-**	**715 223 083**
Entity's revenue						

	Trading	Community & Public Safety	Economic & Environmental	Other (aggregated)		Total
Expenditure						
Employee Costs	50 993 568	41 831 920	25 327 243	88 303 292	-	206 456 023
Contracted Services	57 763 727	37 009 395	2 402 199	18 950 605	-	116 125 926
General expenses	424 911 134	10 116 197	32 468 940	41 893 273	-	509 389 544
Inventory consumed	21 803 048	2 031 720	5 184 527	9 844 636	-	38 863 931
Total segment expenditure	**555 471 477**	**90 989 232**	**65 382 909**	**158 991 806**	**-**	**870 835 424**
Total segmental surplus/(deficit)						**(155 612 341)**
Assets						
Segment Assets	827 232 538	91 385 122	404 471 534	377 584 132	-	1 700 673 326
Total assets as per Statement of financial Position						**1 700 673 326**
Liabilities						
Segment liabilities	311 372 053	16 082 340	(4 023 374)	-	198 407 233	521 838 252
Total liabilities as per Statement of financial Position						**521 838 252**

50. Segment information (continued)

Segment information - 2022

	Trading	Community & Public Safety	Economic & Environmental	Other (aggregated)	Eliminations	Total
Revenue						
Exchange Revenue	311 395 446	6 703 880	180 846	14 474 692	-	332 754 864
Non-exchange Revenue	3 398 569	5 583 319	229 850	324 835 187	-	334 046 925
Total segment revenue	**314 794 015**	**12 287 199**	**410 696**	**339 309 879**	**-**	**666 801 789**
Entity's revenue						**666 801 789**
Expenditure						
Employee Costs	59 970 595	39 467 865	22 860 512	79 755 182	-	202 054 154
Contracted Services	63 603 713	28 794 551	11 992 974	38 223 510	-	142 614 748
General expenses	279 301 975	139 873	297 730	14 756 217	-	294 495 795
Inventory consumed	15 881 128	708 128	7 120 406	1 476 321	-	25 185 983
Total segment expenditure	**418 757 411**	**69 110 417**	**42 271 622**	**134 211 230**	**-**	**664 350 680**
Total segmental surplus/(deficit)						**2 451 109**
Assets						
Segment Assets	483 361 947	90 412 161	3 707 968	1 274 970 799	-	1 852 452 875
Total assets as per Statement of financial Position						**1 852 452 875**
Liabilities						
Segment liabilities	94 043 458	22 455 489	7 840 423	-	120 430 687	244 770 057
Total liabilities as per Statement of financial Position						**244 770 057**

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

51. Accounting by principals and agents

51. Accounting by principals and agents (continued)

Details of the arrangement - KZN Provincial Department of Transport

1. The municipality is a party to a principal-agent arrangement in terms of motor vehicle registrations. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Transport being the principal in this arrangement.

The purpose of the principal-agent relationship is to provide service the community and to enhance the municipality's revenue.

The significant conditions of the arrangement are that:

The Provincial Department shall issue the motor vehicle licence renewal form to the respective owners of the motor vehicles, indicating the amount due for the year The municipality provide facilities for owners of motor vehicles to pay their licences. The Provincial Department provide the municipality with access to its IT systems to enable capturing of the amounts received and issuing of the motor vehicle licences on their behalf. The system automatically generates the motor vehicle licence upon capturing the payment of the fees due.

The municipality collect the fees due from motor vehicle owners and simultaneously issue the new licences on behalf of the Department. The municipality is required to pay over any revenue (cash) collected to the Department in respect of motor vehicle licences. The municipality is entitled to retain 8,55% of the cash collected for undertaking this activity on behalf of the Department

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal KZN Provincial Department of Transport is R5 804 579 (2022: R2 791 006).

Details of the arrangement - ESKOM

The purpose of the principal-agent relationship is to provide a service to the community in the form of electrification projects whereby a portion of the Integrated National Electrification Grant is utilised to fund projects in ESKOM licenced areas.

The significant conditions of the arrangement are that:

The municipality makes payments to contractors appointed by ESKOM for the electrification of households within the ESKOM Licence areas.

Expenditure incurred on behalf of principal

The aggregate amount of expenditure that the entity incurred is R3 204 640 (2022: R2 969 009).

Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities were incurred on behalf of the principal during the financial year, and hence no outstanding payments were recorded at year end. No corresponding rights of reimbursement that have been recognised at year

Resources (including assets and liabilities) of the entity under the custodianship of the agent

No resources have been recognised by the agent in its financial statements. The municipality is required to return the equipment supplied by the department should the agreement is terminated.

Details of arrangement with Department of Human Settlement

The municipality is party to the principle-agent agreement in municipality and Department of Human Settlements where the municipality is appointed as project manager, meets the definition of a principal-agent arrangement, and is within the scope of Grap 109.

Figures in Rand	2023	2022

51. Accounting by principals and agents (continued)

The purpose of the principal-agent relationship is to provide service the community members in ensuring that the municipality issues title deeds to beneficiaries through the title deeds restoration programme.

Expenditure incurred on behalf of the principal for 2023 RNil (2022- R3,034,635).

The significant conditions of the arrangement are that:

The municipality being a “developer”, based on the nature of the arrangement the between DHS and the municipality relating to the national commitment of issuing title deeds to beneficiaries through the “Title Deeds Restoration Programme”, the municipality is therefore acting as a project manager

Detail of arrangement between AbaQulusi (principal) and Contour Technology

The municipality is party to the principle-agent agreement in municipality and Contour Systems where the municipality is the Principal, meets the definition of a principal-agent arrangement, and is within the scope of GRAP 109.

The purpose if the principal agent is to ensure that the community can be provided with prepaid electricity.

The agent Contour Technology transacts with third party vendors who sell electricity on behalf of AbaQulusi Municipality.

The purpose of the principal-agent relationship is to provide and maintain the software for the Pre-paid electricty voucher service to the community.

The significant conditions of the arrangement are that:

The municipality is the principal and Contour Technology acts as the agent who receives a commission of 3.42% on the total sales per month.

The total fees paid is R2,331,685 (2022 R862,429)

The municipality is indemnified against any claims by any third party or personnel of the supplier for any damages and or loss caused by the performance of any duty imposed by the agreement.

In the case of breach of this agreement by the agent, the municipality may elect to terminate this agreement and immediately claim a full repayment of all money paid to the supplier.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

52. Related parties

Related parties	Amount	Total
Councillors	107 604	107 604
Subtotal	107 604	107 604
	107 604	**107 604**

The figures disclosed above are due to the municipality and are for rates, electricity, water, sanitation and solid waste services rendered to related parties.

Management class: councillors	Councillor upper limit	Total
Mayoral committee members	5 672 997	5 672 997
Councillors	11 787 088	11 787 088
	17 460 085	**17 460 085**

Refer to note "Remuneration of councillors"

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

Management class: senior management

Name	Basic salary	Other benefits	Total
ZG DHLAMINI (Municipal Manager)	1 359 947	93 892	1 453 839
MPE MTHEMBU (CFO)	1 116 587	420 403	1 536 990
NW MBONGWA (Director Technical Services)	1 116 587	379 159	1 495 746
S P DLAMINI (Director Corporate Services)	1 116 587	375 922	1 492 509
T XABA (Director Community Services)	1 090 159	344 389	1 434 548
J S LANDMAN (Director Development Planning)	1 116 587	380 181	1 496 768
	6 916 454	**1 993 946**	**8 910 400**

Figures in Rand	2023	2022

52. Related parties (continued)

Remuneration of municipal manager - ZG Dlamini

Annual Remuneration	1 359 947	74 696
Gratuity	2 185	-
Travel & Subsistence	29 182	64 117
Contributions	14 226	-
Backpay	12 299	-
Cellphone Allowance	36 000	9 000
UIF and SALGA	-	385
	1 453 839	**148 198**

Remuneration of chief finance officer - MPE Mthembu

Annual Remuneration	1 116 587	993 314
Gratuity	18 645	-
Travel & Subsistence	334 173	207 802
Contributions	14 372	-
Backpay	23 212	-
Cellphone Allowance	30 000	27 500
Acting Allowance	-	13 617
	1 536 989	**1 242 233**

Remuneration of Director Technical Services - NW Mbongwa

Annual Remuneration	1 116 587	1 006 059
Gratuity	20 340	-
Travel & Subsistence	291 220	266 106
Contributions	14 197	-
Backpay	23 403	-
Cellphone Allowance	30 000	30 000
	1 495 747	**1 302 165**

Figures in Rand	2023	2022

52. Related parties (continued)

Remuneration of Director Corporate Services - SP Dlamini

Annual Remuneration	1 116 587	1 039 008
Gratuity	20 340	-
Travel & Subsistence	287 485	277 069
Contributions	14 199	-
Backpay	23 897	-
Cellphone Allowance	30 000	30 000
	1 492 508	**1 346 077**

Remuneration Director Community Services - T Xaba

Annual Remuneration	1 090 159	1 007 141
Gratuity	20 340	-
Travel & Subsistence	259 522	266 086
Contributions	13 865	-
Backpay	23 403	-
Cellphone Allowance	27 259	30 000
Acting Allowance	-	17 421
	1 434 548	**1 320 648**

Remuneration of Director Planning and Development - JS Landman

Annual Remuneration	1 116 587	1 039 027
Gratuity	20 340	-
Travel & subsistence	291 732	277 069
Contributions	14 212	-
Backpay	23 897	-
Cellphone Allowances	30 000	30 000
Acting Allowance	-	20 110
	1 496 768	**1 366 206**

Figures in Rand	2023	2022

52. Related parties (continued)

Remuneration of councillors

	2023	2022
Mayor	827 253	573 366
Deputy Mayor	738 854	723 724
Executive Committee Members	3 476 669	4 114 594
Speaker	630 220	723 724
Councillors	11 787 088	11 729 445
	17 460 084	**17 864 853**

	Mayor	Deputy Mayor	Speaker	Other councillors	Exco Councillors
Salary	752 315	679 324	583 795	10 080 963	3 094 106
Travel allowance	24 613	8 262	-	24 587	112 412
Cellphone allowance	38 873	40 800	37 400	1 436 840	218 620
Data card	3 300	3 300	3 000	113 400	16 800
Subsistance allowance	304	139	-	595	1 973
Countributions	7 848	7 029	6 025	108 309	32 758
Backpay	-	-	-	22 394	-
	827 253	**738 854**	**630 220**	**11 787 088**	**3 476 669**

53. Budget differences

Material differences between budget and actual amounts

Service charges	The municipality continues to experience historical non-payment from customers. Actual is less than budget due to the water shortages. Electricity loadshedding resulting in consumers converting to alternative means of energy.
Property Rates	The municipality implemented stricter revenue enhancement

53. Budget differences (continued)

Rental of facilities and equipment	Hall rental decreased and other leases revenue did not materialise
Licences and permits, Agency Services	Less vehicle licences were issued by the municipality
Other Income	Less revenue collected from permits, plans, etc
Interest received - investment	Interest on investments is more due to the increase in the investment rates
Gains	This item was not budgeted for
Government Grants	The library grant was not received
Interest earned – Outstanding debtors	Consumers are not paying the interest on their arrear accounts
Fines, penalties and forfeits	The municipality appointed a new service provider to assist with the collection of fines. Included in this revenue is the provision for fines
Personnel	There were vacant positions of a Senior Management and other employees. Reduction in Employment obligations
Remuneration of councillors	The saving is due vacancies of Councillors due to the passing away of 1 EXCO Councillor and the Chief Whip
Depreciation and amortisation	This is due to a recalculation of the depreciation following the conditional assessment of assets. This is a non-cash item and has been disclosed in the note for Unauthorised expenditure
Finance costs	The municipality incurred interest on overdue accounts which was unplanned. These items have been disclosed in the Note for fruitless and wasteful expenditure.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

53. Budget differences (continued)

Lease rentals on operating lease	A new tender for the hire of office equipment was awarded
Debt impairment	The provision for debt impairment was not budgeted for
Bulk purchases	Due to load shedding less electricity was purchased from ESKOM and paying customers are converting to Solar and other alternative energy sources
Contracted services	The Technical Services utilised a panel of service providers to assist with maintenance of the town's infrastructure
Transfers and subsidies	This is for free basic services for indigent consumers. The expenditure for indigent is off-set against the revenue
Sale of goods/inventory	The original budget was reduced during the Adjustment budget period and additional expenditure was incurred at the water works and energy section due to load shedding damaging equipment and the theft of cables
Losses	The provision for losses was not budgeted for
Other expenditure	Upgrade of the Municipal Financial System incorporating the Assets Module. Included in other expenditure is the lease of vehicles and office equipment