



***Ugu District Municipality***

**Ugu District Municipality**  
(Registration number DC21)  
**Annual Financial Statements**  
**for the year ended June 30, 2024**

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## General Information

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### 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 provision of water and sanitation services to communities.

### Mayoral committee

Executive Mayor

Cllr S.I Mqadi

Deputy Mayor

Cllr V Chiya

Speaker

Cllr SR Ngcobo

Other council committee members

Cllr D Nciki

Cllr GD Henderson

Cllr SN Caluza

Cllr SP Mthethwa

Cllr NA Njenga

Councillors

Cllr SE Khawula

Cllr NY Mweshe

Cllr SA Ngcece

Cllr PC Shange

Cllr BN Shoji

Cllr J Schmidt

Cllr MJ Cele Luthuli (Joined 28 March 2024)

Cllr PZ Mzindle

Cllr ND Ndovela

Cllr SD Mdluli

Cllr JS Ngwane

Cllr MP Tenza

Cllr SEH Mngoma

Cllr SP Fica

Cllr TT Hlophe

Cllr MZ Luthuli

Cllr MV Vezi

Cllr LS Zungu

Cllr ST Khathi (Resigned 23 November 2023)

Cllr BG Nyuswa

Cllr GD Henderson

Cllr TH Msabala

Cllr MP Shoji

Cllr N Ndadane

Cllr MA Manyoni

Cllr LM Ngcobo

Cllr X Nkasa

Cllr P Breedt

Cllr FM Ngwane

Cllr NO Mazubane

Traditional leaders

Inkosi MP Ngcobo

Inkosi MBW Xolo

Inkosi EZ Jali

### Grading of local authority

Grade 6

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## General Information

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<b>Chief Finance Officer (CFO)</b>	K. Audan
<b>Accounting Officer</b>	V.O Mazibuko (Acting from 1 January 2023)
<b>Registered office</b>	28 Connor Street Port Shepstone KwaZulu Natal 4240
<b>Business address</b>	28 Connor Street Port Shepstone KwaZulu Natal 4240
<b>Postal address</b>	PO BOX 33 Port Shepstone KwaZulu Natal 4240
<b>Bankers</b>	Primary Banker: Standard Bank Limited Secondary Bankers: Nedbank Limited, ABSA Limited, First National Bank Limited and Investec Limited.
<b>Auditors</b>	Auditor General of South Africa (AGSA)
<b>Website</b>	<a href="http://www.ugu.gov.za">www.ugu.gov.za</a>

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Index

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### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
AWIP	Accelerated Water Improvement Program
MEs'	Municipal Entities
VAT	Value Added Tax

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Accounting Officer's Responsibilities and Approval

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

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

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

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

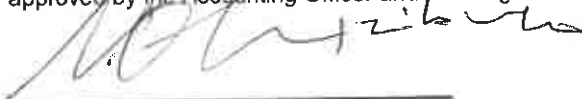
The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to June 30, 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue its operational existence for the foreseeable future.

The municipality is predominantly dependent on the government grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in the financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of the Public Office Bearers Act, Act 20 of 1998.

The annual financial statements set out on pages 6 -106, which have been prepared on the going concern basis, were approved by the Accounting Officer and were signed on its behalf by:



**V.O Mazibuko**  
**Acting Municipal Manager**

**Date :**

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Accounting Officer's Report

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The Accounting Officer submits his report for the year ended June 30, 2024.

### 1. Review of activities

#### Main business and operations

The municipality is engaged in local government activities, which include the planning and promotion of integrated development plan and the provision of water and sanitation services to communities.

### 2. Going concern

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

### 3. Subsequent events

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

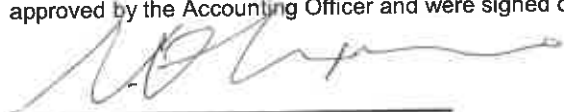
### 4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 5. Accounting Officer

The Accounting Officer of the municipality during the year and to the date of this report is Mr. V.O Mazibuko.

The annual financial statements set out on page 6 to 106, which have been prepared on the going concern basis, were approved by the Accounting Officer and were signed on its behalf by:



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**V.O Mazibuko**  
**Acting Municipal Manager**

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Statement of Financial Position as at June 30, 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	14,066,756	14,745,381
Current portion of long term receivables	4	57,025	54,701
Other receivables from exchange transactions	5	3,071,055	3,659,740
Receivables from non-exchange transactions	6	10,754,273	9,022,257
Receivables from exchange transactions	7	150,855,282	151,598,395
Cash and cash equivalents	8	13,538,460	13,086,458
		<b>192,342,851</b>	<b>192,166,932</b>
<b>Non-Current Assets</b>			
Investment property	9	30,400,000	28,000,000
Property, plant and equipment	10	3,662,045,295	3,615,152,397
Intangible assets	11	4,367,660	6,782,750
Investments in controlled entities	12	200	200
Non-current portion of long term receivables	4	5,588,366	5,580,929
		<b>3,702,401,521</b>	<b>3,655,516,276</b>
<b>Total Assets</b>		<b>3,894,744,372</b>	<b>3,847,683,208</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current portion of long term liabilities	13	4,118,702	6,270,224
Operating lease liability	14	10,607,600	9,632,431
Payables from exchange transactions	15	1,017,622,133	813,402,977
Consumer deposits	16	22,698,183	22,237,236
VAT payable	17	108,521,588	66,726,901
Post employment benefits	18	1,306,441	1,394,000
Unspent conditional grants and receipts	19	11,487,401	1,373,065
Long service awards	20	2,675,070	5,570,000
		<b>1,179,037,118</b>	<b>926,606,834</b>
<b>Non-Current Liabilities</b>			
Non-current payables from exchange transactions	21	61,346,284	118,005,099
Non-current portion of long term liabilities	13	20,753,224	24,638,311
Post employment benefits	18	18,312,917	18,566,000
Long service awards	20	32,508,741	26,809,000
		<b>132,921,166</b>	<b>188,018,410</b>
<b>Total Liabilities</b>		<b>1,311,958,284</b>	<b>1,114,625,244</b>
<b>Net Assets</b>		<b>2,582,786,088</b>	<b>2,733,057,964</b>
Accumulated surplus		2,582,786,088	2,733,057,964
<b>Total Net Assets</b>		<b>2,582,786,088</b>	<b>2,733,057,964</b>

\* See Note 50

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	491,798,599	452,329,052
Rental of facilities and premises	23	2,754,976	2,433,595
Other income	24	7,990,761	19,301,699
Interest income	25	78,151,542	61,969,536
<b>Total revenue from exchange transactions</b>		<b>580,695,878</b>	<b>536,033,882</b>
<b>Revenue from non-exchange transactions</b>			
Government grants & subsidies	26	1,055,391,665	1,106,203,812
Public contributions and donations	10&27	4,048,500	2,821,483
Interest on water availability	25	2,928,740	2,919,638
Water availability	28	15,863,378	15,024,694
Gain on waiver of liability	41	23,313,071	-
<b>Total revenue from non-exchange transactions</b>		<b>1,101,545,354</b>	<b>1,126,969,627</b>
<b>Total revenue</b>		<b>1,682,241,232</b>	<b>1,663,003,509</b>
<b>Expenditure</b>			
Employee related costs	29	(542,782,849)	(514,923,177)
Remuneration of councillors	30	(13,098,280)	(11,794,938)
Depreciation and amortisation	31	(227,968,398)	(221,386,707)
Finance costs	32	(45,188,352)	(29,634,925)
Lease rentals on operating lease	33	(8,268,075)	(8,043,589)
Debt Impairment	34	(271,165,282)	(126,197,397)
Bad debts written off	35	(4,532,795)	(4,997,466)
Bulk purchases	36	(158,766,652)	(148,018,085)
Contracted services	37	(305,194,681)	(352,757,719)
Transfers and Subsidies	38	(23,313,071)	(21,650,402)
Operational costs	39	(213,914,316)	(196,072,734)
<b>Total expenditure</b>		<b>(1,814,192,751)</b>	<b>(1,635,477,139)</b>
<b>Operating (deficit) surplus</b>		<b>(131,951,519)</b>	<b>27,526,370</b>
Loss on disposal of assets	40	(193,991)	(5,456,277)
Fair value adjustments	42	2,400,000	1,600,000
Actuarial gains / (loss)	18&20	241,246	(2,993,000)
Impairment of property, plant and equipment	43	(20,767,608)	(6,834,686)
		<b>(18,320,353)</b>	<b>(13,683,963)</b>
<b>(Deficit) / surplus for the year</b>		<b>(150,271,872)</b>	<b>13,842,407</b>

\* See Note 50



# Ugu District Municipality

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	2,764,506,058	2,764,506,058
Adjustments		
Prior year adjustments - Note 50	(45,290,501)	(45,290,501)
<b>Balance at July 1, 2022 as restated*</b>	<b>2,719,215,557</b>	<b>2,719,215,557</b>
Changes in net assets		
Surplus for the year	13,842,407	13,842,407
Total changes	13,842,407	13,842,407
<b>Restated* Balance at July 1, 2023</b>	<b>2,733,057,960</b>	<b>2,733,057,960</b>
Changes in net assets		
Deficit for the year	(150,271,872)	(150,271,872)
Total changes	(150,271,872)	(150,271,872)
<b>Balance at June 30, 2024</b>	<b>2,582,786,088</b>	<b>2,582,786,088</b>

Note(s)

\* See Note 50

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		303,193,755	281,770,477
Government grants & subsidies		1,065,506,000	1,099,737,000
Rental of facilities and premises		2,754,976	2,433,595
Other income		7,981,000	19,372,851
Water availability		943,902	3,173,073
Interest income		8,946,303	9,170,560
		<u>1,389,325,936</u>	<u>1,415,657,556</u>
<b>Payments</b>			
Employee costs		(559,041,340)	(498,912,257)
Suppliers		(492,876,326)	(499,618,215)
Finance costs		(39,560,352)	(24,750,925)
Transfers and Subsidies paid to entity		(2,000,000)	(2,873,357)
		<u>(1,093,478,018)</u>	<u>(1,026,154,754)</u>
<b>Net cash flows from operating activities</b>	44	<b>295,847,918</b>	<b>389,502,802</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(291,751,327)	(397,545,147)
Proceeds from sale of property, plant and equipment	10 & 40	2,932,733	2,280,564
Purchase of other intangible assets	11	(540,713)	(6,584,854)
<b>Net cash flows from investing activities</b>		<b>(289,359,307)</b>	<b>(401,849,437)</b>
<b>Cash flows from financing activities</b>			
Repayment of long term liability		(6,036,609)	(6,295,139)
<b>Net cash flows from financing activities</b>		<b>(6,036,609)</b>	<b>(6,295,139)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>452,002</b>	<b>(18,641,774)</b>
Cash and cash equivalents at the beginning of the year		13,086,458	31,728,232
<b>Cash and cash equivalents at the end of the year</b>	8	<b>13,538,460</b>	<b>13,086,458</b>

\* See Note 50

# Ugu District Municipality

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Annual Financial Statements for the year ended June 30, 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	473,915,241	32,941,729	<b>506,856,970</b>	491,798,599	<b>(15,058,371)</b>	52.1
Rental of facilities and equipment	2,263,541	(526,947)	<b>1,736,594</b>	2,754,976	<b>1,018,382</b>	52.2
Other income	8,453,382	(3,245,578)	<b>5,207,804</b>	7,990,761	<b>2,782,957</b>	52.3
Interest income	49,373,269	29,954,179	<b>79,327,448</b>	78,151,542	<b>(1,175,906)</b>	52.4
<b>Total revenue from exchange transactions</b>	<b>534,005,433</b>	<b>59,123,383</b>	<b>593,128,816</b>	<b>580,695,878</b>	<b>(12,432,938)</b>	

##### Revenue from non-exchange transactions

##### Transfer revenue

Government grants & subsidies	1,208,901,000	(49,596,936)	<b>1,159,304,064</b>	1,055,391,665	<b>(103,912,399)</b>	52.5
Public contributions and donations	-	-	-	4,048,500	<b>4,048,500</b>	52.6
Interest on water availability	-	-	-	2,928,740	<b>2,928,740</b>	52.4
Water availability	-	-	-	15,863,378	<b>15,863,378</b>	52.7
Gain on waiver of liability	-	-	-	23,313,071	<b>23,313,071</b>	
<b>Total revenue from non-exchange transactions</b>	<b>1,208,901,000</b>	<b>(49,596,936)</b>	<b>1,159,304,064</b>	<b>1,101,545,354</b>	<b>(57,758,710)</b>	
<b>Total revenue</b>	<b>1,742,906,433</b>	<b>9,526,447</b>	<b>1,752,432,880</b>	<b>1,682,241,232</b>	<b>(70,191,648)</b>	

#### Expenditure

Employee related costs	(409,846,440)	129,382,022	<b>(280,464,418)</b>	(542,782,849)	<b>(262,318,431)</b>	52.8
Remuneration of councillors	(11,408,845)	(2,284,241)	<b>(13,693,086)</b>	(13,098,280)	<b>594,806</b>	52.9
Depreciation and amortisation	(220,000,000)	-	<b>(220,000,000)</b>	(227,968,398)	<b>(7,968,398)</b>	52.10
Finance costs	(7,221,746)	2,601,746	<b>(4,620,000)</b>	(45,188,352)	<b>(40,568,352)</b>	52.12
Lease rentals on operating lease	-	-	-	(8,268,075)	<b>(8,268,075)</b>	52.13
Debt Impairment	(74,452,500)	47,226,250	<b>(27,226,250)</b>	(271,165,282)	<b>(243,939,032)</b>	52.14
Bad debts written off	-	-	-	(4,532,795)	<b>(4,532,795)</b>	52.15
Bulk purchases	(128,408,430)	66,782,584	<b>(61,625,846)</b>	(158,766,652)	<b>(97,140,806)</b>	52.16
Contracted Services	(138,442,691)	21,248,050	<b>(117,194,641)</b>	(305,194,681)	<b>(188,000,040)</b>	52.17
Transfers and Subsidies	(8,000,000)	8,000,000	-	(23,313,071)	<b>(23,313,071)</b>	52.18
Operational costs	(111,976,181)	17,482,126	<b>(94,494,055)</b>	(213,914,316)	<b>(119,420,261)</b>	52.19
<b>Total expenditure</b>	<b>(1,109,756,833)</b>	<b>290,438,537</b>	<b>(819,318,296)</b>	<b>(1,814,192,751)</b>	<b>(994,874,455)</b>	
<b>Operating deficit</b>	<b>633,149,600</b>	<b>299,964,984</b>	<b>933,114,584</b>	<b>(131,951,519)</b>	<b>(1,065,066,103)</b>	
Loss on disposal of assets	-	-	-	(193,991)	<b>(193,991)</b>	52.20
Fair value adjustments	-	-	-	2,400,000	<b>2,400,000</b>	52.22
Actuarial gains/(loss)	-	-	-	241,246	<b>241,246</b>	52.23
Impairment of property, plant and equipment	-	-	-	(20,767,608)	<b>(20,767,608)</b>	
	-	-	-	<b>(18,320,353)</b>	<b>(18,320,353)</b>	
<b>Deficit before taxation</b>	<b>633,149,600</b>	<b>299,964,984</b>	<b>933,114,584</b>	<b>(150,271,872)</b>	<b>(1,083,386,456)</b>	

# Ugu District Municipality

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Annual Financial Statements for the year ended June 30, 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>633,149,600</b>	<b>299,964,984</b>	<b>933,114,584</b>	<b>(150,271,872)</b>	<b>(1,083,386,456)</b>	

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	14,067,711	738,957	<b>14,806,668</b>	14,066,756	<b>(739,912)</b>	52.24
Current portion of long term receivables	65,818	-	<b>65,818</b>	57,025	<b>(8,793)</b>	52.25
Other receivables from exchange transactions	-	-	-	3,071,055	<b>3,071,055</b>	52.26
Receivables from non-exchange transactions	13,553,574	(4,084,002)	<b>9,469,572</b>	10,754,273	<b>1,284,701</b>	52.27
VAT receivable	5,349,917	(16,468,986)	<b>(11,119,069)</b>	104,445,913	<b>115,564,982</b>	52.28
Receivables from exchange transactions	307,309,402	(14,743,674)	<b>292,565,728</b>	150,855,282	<b>(141,710,446)</b>	52.29
Cash and cash equivalents	676,102,186	80,349,959	<b>756,452,145</b>	13,538,460	<b>(742,913,685)</b>	52.30
	<b>1,016,448,608</b>	<b>45,792,254</b>	<b>1,062,240,862</b>	<b>296,788,764</b>	<b>(765,452,098)</b>	

##### Non-Current Assets

Investment property	34,244,000	(6,244,000)	<b>28,000,000</b>	30,400,000	<b>2,400,000</b>	52.31
Property, plant and equipment	3,699,329,265	56,234,291	<b>3,755,563,556</b>	3,662,045,295	<b>(93,518,261)</b>	52.32
Intangible assets	2,559,160	4,123,590	<b>6,682,750</b>	4,367,660	<b>(2,315,090)</b>	52.33
Investments in controlled entities	-	-	-	200	<b>200</b>	
Long term receivables	5,507,964	72,965	<b>5,580,929</b>	5,588,366	<b>7,437</b>	52.34
	<b>3,741,640,389</b>	<b>54,186,846</b>	<b>3,795,827,235</b>	<b>3,702,401,521</b>	<b>(93,425,714)</b>	

#### Total Assets

	<b>4,758,088,997</b>	<b>99,979,100</b>	<b>4,858,068,097</b>	<b>3,999,190,285</b>	<b>(858,877,812)</b>	
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#### Liabilities

##### Current Liabilities

Current portion of long term liabilities	-	6,270,224	<b>6,270,224</b>	4,118,702	<b>(2,151,522)</b>	52.35
Operating lease liability	-	-	-	10,607,600	<b>10,607,600</b>	52.36
Payables from exchange transactions	779,897,381	(407,654,717)	<b>372,242,664</b>	1,017,622,133	<b>645,379,469</b>	52.37
Payables from non exchange transactions	2,500,000	44,116,203	<b>46,616,203</b>	-	<b>(46,616,203)</b>	52.38
Consumer deposits	21,966,695	(21,966,695)	-	22,698,183	<b>22,698,183</b>	52.39
VAT payable	71,327,570	21,518,017	<b>92,845,587</b>	212,967,501	<b>120,121,914</b>	52.40
Post employment benefits	4,740,000	2,214,000	<b>6,954,000</b>	1,306,441	<b>(5,647,559)</b>	52.41
Unspent conditional grants and receipts	-	-	-	11,487,401	<b>11,487,401</b>	52.42
Long service awards	-	-	-	2,675,070	<b>2,675,070</b>	52.43
	<b>880,431,646</b>	<b>(355,502,968)</b>	<b>524,928,678</b>	<b>1,283,483,031</b>	<b>758,554,353</b>	

##### Non-Current Liabilities

Non-current payables from exchange transactions	-	-	-	61,346,284	<b>61,346,284</b>	52.38
Non current portion of long term liabilities	201,590,971	(52,574,991)	<b>149,015,980</b>	20,753,224	<b>(128,262,756)</b>	52.35
Post employment benefits	16,744,000	28,631,000	<b>45,375,000</b>	18,312,917	<b>(27,062,083)</b>	52.41

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Long service awards	24,514,000	(24,514,000)	-	32,508,741	<b>32,508,741</b>	52.43
	<b>242,848,971</b>	<b>(48,457,991)</b>	<b>194,390,980</b>	<b>132,921,166</b>	<b>(61,469,814)</b>	
<b>Total Liabilities</b>	<b>1,123,280,617</b>	<b>(403,960,959)</b>	<b>719,319,658</b>	<b>1,416,404,197</b>	<b>697,084,539</b>	
<b>Net Assets</b>	<b>3,634,808,380</b>	<b>503,940,059</b>	<b>4,138,748,439</b>	<b>2,582,786,088</b>	<b>(1,555,962,351)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	3,634,808,380	503,940,059	<b>4,138,748,439</b>	2,582,786,088	<b>(1,555,962,351)</b>	

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Sale of goods and services	315,135,454	209,546,032	<b>524,681,486</b>	303,193,755	<b>(221,487,731)</b>	52.1
Government grants and subsidies	1,211,401,000	(5,480,733)	<b>1,205,920,267</b>	1,065,506,000	<b>(140,414,267)</b>	52.5
Interest income	11,605,294	819,032	<b>12,424,326</b>	8,946,303	<b>(3,478,023)</b>	52.4
Rental of facilities and equipment	-	-	-	2,754,976	<b>2,754,976</b>	52.2
Other income	122,603,072	(9,786,549)	<b>112,816,523</b>	7,981,000	<b>(104,835,523)</b>	52.3
Water availability	-	-	-	943,902	<b>943,902</b>	52.4
	<b>1,660,744,820</b>	<b>195,097,782</b>	<b>1,855,842,602</b>	<b>1,389,325,936</b>	<b>(466,516,666)</b>	

##### Payments

Suppliers and Employees	(753,335,819)	81,424,000	<b>(671,911,819)</b>	(1,051,917,666)	<b>(380,005,847)</b>	52.6 & 52.36
Finance costs	(7,221,746)	(353,254)	<b>(7,575,000)</b>	(39,560,352)	<b>(31,985,352)</b>	52.10
Grants paid	(8,000,000)	8,000,000	-	(2,000,000)	<b>(2,000,000)</b>	52.33
	<b>(768,557,565)</b>	<b>89,070,746</b>	<b>(679,486,819)</b>	<b>(1,093,478,018)</b>	<b>(413,991,199)</b>	

**Net cash flows from operating activities** **892,187,255** **284,168,528** **1,176,355,783** **295,847,918** **(880,507,865)**

#### Cash flows from investing activities

Purchase of property, plant and equipment	(521,068,960)	88,169,000	<b>(432,899,960)</b>	(291,751,327)	<b>141,148,633</b>	52.28
Proceeds from sale of property, plant and equipment	-	-	-	2,932,733	<b>2,932,733</b>	5.18
Decrease in non current receivables	1,145,663	(1,218,628)	<b>(72,965)</b>	-	<b>72,965</b>	
Purchase of other intangible assets	-	-	-	(540,713)	<b>(540,713)</b>	

**Net cash flows from investing activities** **(519,923,297)** **86,950,372** **(432,972,925)** **(289,359,307)** **143,613,618**

#### Cash flows from financing activities

Repayment of current portion of long term liabilities	-	-	-	(6,036,609)	<b>(6,036,609)</b>	52.29
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**Net cash flows from financing activities** **-** **-** **-** **(6,036,609)** **(6,036,609)**

Net increase/(decrease) in cash and cash equivalents 372,263,958 371,118,900 **743,382,858** 452,002 **(742,930,856)**

Cash and cash equivalents at the beginning of the year 41,728,000 (28,642,000) **13,086,000** 13,086,458 **458**

**Cash and cash equivalents at the end of the year** **413,991,958** **342,476,900** **756,468,858** **13,538,460** **(742,930,398)**

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

Figures in Rand	Note(s)	2024	2023
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### 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.

#### Offsetting

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

#### Applicable Accounting Standards

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

These accounting policies are consistent with the previous period.

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 5 Borrowing Costs
- GRAP 9 Revenue from Exchange Transactions
- 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
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 31 Intangible Assets
- GRAP 32 Service Concession Arrangements: Grantor
- GRAP 35 Consolidated Financial Statements
- GRAP 104 Financial Instruments
- GRAP 108 Statutory Receivables
- GRAP 105 Transfer of functions between entities under common control
- GRAP 109 Accounting by Principals and Agents

#### Accounting Standards not applicable

- GRAP 4 The Effects of Changes in Foreign Exchange Rates
- GRAP 10 Financial Reporting in Hyperinflationary Economies
- GRAP 11 Construction Contracts
- GRAP 26 Impairment of Cash- generating Assets
- GRAP 27 Agriculture
- GRAP 36 Investments in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interests in Other Entities
- GRAP 100 Discontinued Operations
- GRAP 103 Heritage Assets
- GRAP 106 Transfer of Functions Between Entities Not Under Common Control
- GRAP 107 Mergers
- GRAP 110 Living and Non- living Resources



# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 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 Interests in other entities

#### Consolidated financial statements

Consolidated annual financial statements are the annual financial statements of an economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

A controlled entity is an entity that is controlled by another entity. A controlling entity is an entity that controls one or more entities.

An economic entity is a controlling entity and its controlled entities.

#### Control

The entity determines whether it is a controlling entity by assessing whether it controls the other entity. The entity controls another entity when it is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature and amount of those benefits through its power over the other entity.

The entity controls another entity if the entity has all three of the following elements of control:

- power over the other entity;
- exposure, or rights, to variable benefits from its involvement with the other entity; and
- the ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity. See note 12.

### 1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. The use of available information and the application of judgement is inherent in the formation of estimates.

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.5 Significant judgements and sources of estimation uncertainty (continued)

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

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated by present valuing the cash-flows taking into account the past trends. The discount rate is the current prime lending rate to a risk factor is added and ensure that the time value of money for the principal debt is well covered. Impairment is calculated individually for each customer and major credit risk is already factored into the timing of each customer's payments.

#### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the note.

#### Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

#### Effective interest rate

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

#### Allowance for doubtful debts

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

### 1.6 Investment property

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

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

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.6 Investment property (continued)

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

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

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

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 the net surplus or deficit for the period in which it arises.

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

### 1.7 Property, plant and equipment

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

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.

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.7 Property, plant and equipment (continued)

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, its 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:

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Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	5 to 50 years
Infrastructure - Security measures	Straight-line	7 to 25 years
Infrastructure - Sewerage	Straight-line	7 to 60 years
Infrastructure - Water	Straight-line	5 to 100 years
IT equipment	Straight-line	3 to 10 years
Furniture and fixtures	Straight-line	3 to 15 years
Office equipment	Straight-line	3 to 15 years
Motor vehicles	Straight-line	4 to 15 years
Specialised vehicles	Straight-line	10 to 15 years
Other assets	Straight-line	5 to 30 years
Sport facilities	Straight-line	5 to 30 years
Other property, plant and equipment	Straight-line	2 to 15 years
Other facilities	Straight-line	5 to 30 years

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

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

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

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.7 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any 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 sells 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 10).

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

### 1.8 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.

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.8 Intangible assets (continued)

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	2 to 5 years
Servitudes	Infinite	Infinite

Intangible assets are derecognised:

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

### 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.

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.9 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

A financial 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.

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### 1.9 Financial instruments (continued)

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

### 1.10 Tax

#### Value Added Tax

The Municipality accounts for value added tax on an accrual basis but claimed / paid over to SARS on a cash basis in accordance with Section 15 (2) of the Value Added Tax (Act No. 89 of 1991).

### 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 rate implicit in the lease contract.

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 the remaining balance of the liability.

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



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### 1.11 Leases (continued)

#### 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 the 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 costs where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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### 1.12 Inventories (continued)

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

#### Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in dams, that are filled by natural resources and that has not been treated, therefore are not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at on the statement of financial position date comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water purified effluent are valued by using the weighted average cost formula, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at the year-end.

Redundant and slow-moving inventories are identified and written down from cost to the net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### 1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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### 1.13 Impairment of non-cash-generating assets (continued)

#### Identification

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

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

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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### 1.13 Impairment of non-cash-generating assets (continued)

#### Redesignation

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

### 1.14 Employee benefits

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

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

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

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

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

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

Vested employee benefits are employee benefits that are not conditional on future employment.

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

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

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### 1.14 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.

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### 1.14 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.

#### 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) 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 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.

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### 1.14 Employee benefits (continued)

#### 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.

#### 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.

### 1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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### 1.15 Provisions and contingencies (continued)

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

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;



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### 1.15 Provisions and contingencies (continued)

- 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, the 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 Capital commitments

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

Capital commitments are not recognised but are required to be disclosed in the financial statements.

Capital 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.

The Municipality considers capital commitments that are approved but not yet contracted for to be those projects that have received various approvals including a firm commitment. The municipality considers a firm commitment as a letter of intention to award.

### 1.17 Revenue from exchange transactions

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

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

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

### 1.18 Revenue from non-exchange transactions

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

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

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

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

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### 1.18 Revenue from non-exchange transactions (continued)

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.

### 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.

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.18 Revenue from non-exchange transactions (continued)

#### Transfers

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

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

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

#### Fines

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

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

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

#### Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

### 1.19 Investment income

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

### 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 Comparative figures

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

### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.23 Fruitless and wasteful expenditure

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

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

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

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

### 1.25 Segment information

A segment is an activity of an entity:

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

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

#### 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.

### 1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2023 to 30/06/2024.

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.

### 1.27 Related parties

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

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

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Accounting Policies

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### 1.27 Related parties (continued)

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.

### 1.28 Events after reporting date

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

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

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

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

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements	April 1, 2023	Unlikely there will be a material impact
• GRAP 25: Employee Benefits	April 1, 2023	Unlikely there will be a material impact
• GRAP 104 : Financial Instruments	April 1, 2023	Unlikely there will be a material impact

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements	April 1, 2025	Not yet adopted
• GRAP 104 : Financial Instruments	April 1, 2024	Not yet adopted

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>3. Inventories</b>		
Consumable stores	12,595,132	13,059,878
Water for distribution	1,471,624	1,685,503
	<b>14,066,756</b>	<b>14,745,381</b>
<b>Consumables</b>		
Opening	13,059,878	9,659,680
Purchases (See Note 39)	16,795,730	16,383,892
Utilised	(17,260,476)	(12,983,694)
	<b>12,595,132</b>	<b>13,059,878</b>
<b>Inventory pledged as security</b>		
None of the inventories have been pledged as security for the municipality's financial liabilities.		
<b>Water for distribution</b>		
Opening balance	1,685,503	1,973,657
System input volume	249,617,714	369,638,432
Billed authorised consumption	(161,687,681)	(238,912,608)
Unbilled authorised consumption: Metered	36 (49,324,554)	(52,982,141)
Unbilled authorised consumption: Unmetered	36 (40,425,840)	(2,640)
Commercial losses	36 (6,058,907)	(22,140,157)
Physical losses	36 (28,708,589)	(55,593,872)
Valuation adjustment	36,373,978	(287,430)
Other	-	(7,738)
<b>Closing balance</b>	<b>1,471,624</b>	<b>1,685,503</b>
<b>Water inventory production costs</b>		
Employee costs	33,200,211	99,206,443
Depreciation	27,893,973	113,581,819
Electricity	15,074,151	9,195,118
Materials - chemicals	10,622,652	11,775,335
	<b>86,790,987</b>	<b>233,758,715</b>

# Ugu District Municipality

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Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>4. Long term receivables</b>		
<b>Sundry recoveries</b>	2,287,298	2,277,537
Sundry recoveries are made of recoveries that are receivable from employees as results of damages to municipality belongings, employee study loans and employees have acknowledged the liability. The sundry recoveries are not secured and are interest free. The average term of these balances is 1 to 5 years.		
<b>Sundry deposits</b>	3,358,093	3,358,093
Sundry deposits relates to a deposit held by Eskom. The municipality does not hold deposits or other security for its receivables. None of the receivables have been pledged as security for the municipality's financial liabilities. The management of the municipality is of the opinion that the carrying value of receivables approximate their fair values.		
	<b>5,645,391</b>	<b>5,635,630</b>
<b>Non-current assets</b>		
At amortised cost	5,588,366	5,580,929
<b>Current assets</b>		
At amortised cost	57,025	54,701



# Ugu District Municipality

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Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>5. Other receivables from exchange transactions</b>		
Intermunicipal debtors	138,821	131,305
Rental of premises and facilities	8,368,765	7,871,779
Sundry debtors	917,088	474,004
Provision for doubtful debts	(6,353,619)	(4,817,348)
	<b>3,071,055</b>	<b>3,659,740</b>
<b>Intermunicipal debtors</b>		
Umzumbe Local Municipality	986	933
Consolidated interest on inter municipal debt	41,872	40,947
Ray Nkonyeni Municipality	66,413	61,685
Umdoni Municipality	29,550	27,739
Provision for doubtful debt	(130,492)	(122,962)
	<b>8,329</b>	<b>8,342</b>
<b>Rental of premises and facilities</b>		
Cyassound Trading	545,434	527,212
Greenleaf Trading	401,485	401,485
Cellphone Networks	5,815,296	5,381,263
Superswift	140,000	140,000
Consolidated interest on rental of facilities accounts	1,466,550	1,421,819
Provision for doubtful debts	(6,223,127)	(4,694,386)
	<b>2,145,638</b>	<b>3,177,393</b>
<b>Intermunicipal debtors aging (Gross)</b>		
0 - 30 days	1,978	2,199
31 - 60 days	-	392
61 - 90 days	2,863	392
91 - 120 days	-	392
120 +days	133,980	127,830
	<b>138,821</b>	<b>131,205</b>
<b>Rental of premises and facilities aging (Gross)</b>		
0 - 30 days	-	123,004
31- 60 days	2,997,708	962,126
61 - 90 days	5,330	5,079
91 - 120 days	197,750	220,234
120 + days	5,167,977	6,561,336
	<b>8,368,765</b>	<b>7,871,779</b>
<b>Sundry debtors aging (Gross)</b>		
0 - 30 days	679,338	41,943
120 + days	237,750	432,061
	<b>917,088</b>	<b>474,004</b>

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>6. Receivables from non-exchange transactions</b>		
Payments made in advance	863,319	499,713
Water availability charges	121,907,428	111,884,353
Provision for doubtful debts	(112,016,474)	(103,361,809)
	<b>10,754,273</b>	<b>9,022,257</b>
<b>Payments made in advance aging</b>		
0-30 days	363,606	499,713
120-360 days +	499,713	-
	<b>863,319</b>	<b>499,713</b>
<b>Water availability aging</b>		
0-30 days	3,606,387	1,434,463
31-60 days	1,579,024	1,577,718
61-90 days	1,609,209	1,598,438
91-120 days	2,015,401	1,502,529
120-360 days +	113,097,407	105,771,205
	<b>121,907,428</b>	<b>111,884,353</b>
The municipality does not hold deposits or other security for its receivables.		
None of the receivables have been pledged as security for the municipality's financial liabilities.		
The management of the municipality is of the opinion that the carrying value of receivables approximate their fair values.		
<b>7. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Water	1,130,115,006	893,512,418
Sewerage	165,894,399	142,265,753
	<b>1,296,009,405</b>	<b>1,035,778,171</b>
<b>Less: Allowance for impairment</b>		
Water	(1,006,169,694)	(770,970,293)
Sewerage	(138,984,429)	(113,209,483)
	<b>(1,145,154,123)</b>	<b>(884,179,776)</b>
<b>Net balance</b>		
Water	123,945,312	122,542,125
Sewerage	26,909,970	29,056,270
	<b>150,855,282</b>	<b>151,598,395</b>
<b>Water (Gross)</b>		
Current (0 -30 days)	114,110,124	83,164,472
31 - 60 days	31,733,075	28,253,284
61 - 90 days	32,354,412	30,450,734
91 - 120 days	29,118,660	25,154,112
121 - 365 days	922,798,735	726,489,816
	<b>1,130,115,006</b>	<b>893,512,418</b>

# Ugu District Municipality

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Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>7. Receivables from exchange transactions (continued)</b>		
<b>Sewerage (Gross)</b>		
Current (0 -30 days)	14,845,246	11,266,065
31 - 60 days	5,366,796	4,733,932
61 - 90 days	4,701,999	4,412,851
91 - 120 days	4,128,809	3,946,542
121 - 365 days	136,851,549	117,906,363
	<b>165,894,399</b>	<b>142,265,753</b>
<b>Age analysis per customer type (Includes water availability charge)</b>		
<b>Residential</b>		
Current (0 -30 days)	97,391,370	73,489,023
31 - 60 days	31,004,372	26,197,634
61 - 90 days	28,272,594	28,533,568
91 - 120 days	28,392,923	24,323,975
121 - 365 days	994,433,799	832,268,265
	<b>1,179,495,058</b>	<b>984,812,465</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	23,850,089	28,991,326
31 - 60 days	8,971,375	6,975,076
61 - 90 days	7,596,494	6,210,015
91 - 120 days	5,351,479	5,020,757
121 - 365 days	162,832,985	131,555,397
	<b>208,602,422</b>	<b>178,752,571</b>
<b>National and provincial government</b>		
Current (0 -30 days)	10,899,960	11,192,137
31 - 60 days	1,703,718	2,354,741
61 - 90 days	2,801,861	1,723,912
91 - 120 days	1,716,217	1,479,077
121 - 365 days	21,202,182	11,954,695
	<b>38,323,938</b>	<b>28,704,562</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(884,179,777)	(774,167,031)
Contributions to allowance	(260,974,346)	(110,012,745)
	<b>(1,145,154,123)</b>	<b>(884,179,776)</b>
<b>8. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	626	626
Bank balances	9,463,791	7,135,247
Short-term deposits	3,178,884	4,038,876
Minor Beneficiary Funds in Bank	895,159	1,911,709
	<b>13,538,460</b>	<b>13,086,458</b>
Current assets	13,479,105	12,777,136
Non-current asset (Minor Beneficiary funds in Bank)	59,355	309,322

# Ugu District Municipality

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Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

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### 8. Cash and cash equivalents (continued)

Cash and cash equivalents include cash-on-hand, cash in banks and investments in money market instruments.

Included in Cash and cash equivalents is restricted cash to the value of R 895 159 (30 June 2023: R1 911 709 ) which relates to funds held for minor beneficiaries.

Minor beneficiary funds in the bank relates to the funds held by the municipality from the deceased estates of former employees for their beneficiaries who have not reached the maturity age.

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2024	June 30, 2023	June 30, 2022
ABSA- Primary Bank Account - 406 668 6529	67,333	44,484	4,847	67,333	44,484	4,847
ABSA - General Bank Account - 406 668 6472	3,578,652	1,206,991	2,156,051	3,578,652	1,206,991	2,156,051
ABSA - Collection account - 406 668 6294	-	-	117,738	-	-	117,738
ABSA- Consumer Deposits - 406 671 0647	568,782	319,089	945,769	568,782	319,089	945,769
ABSA - Salaries account - 406 660 3763	-	693	37,711	-	693	37,711
ABSA - SANLAM Group life account - 406 757 0977	-	-	2,022,399	-	-	2,022,399
ABSA - MIG Project Account - 406 668 6367	-	-	500	-	-	500
ABSA - MIG Call Account - 406 895 1879	-	-	1,316,172	-	-	1,316,172
ABSA - Conditional Grants - 407 757 1917	-	-	6,226,812	-	-	6,226,812
ABSA - Call Account - 406 757 0008	-	-	720,755	-	-	720,755
FNB - Call Account- 622 282 66335	158,952	140,816	18,178,852	158,952	140,816	18,178,852
Nedbank - Fixed Deposit Account - 764 855 2728	-	-	-	-	-	-
Absa Investment- 9067803323	-	-	-	-	-	-
Absa Investment Tracker account-9383886857	238,465	-	-	238,465	-	-
Standard Bank - Ugu Primary Account - 053299760	50,969	7,232	-	50,969	7,232	-
Standard Bank - Ugu General Account - 053299787	478,523	2,955,377	-	489,755	3,008,198	-
Standard Bank - Ugu Consumer Deposit - 053299833	352,160	664,738	-	352,160	664,738	-
Standard Bank - Ugu Salaries Account - 053299906	31,949	4,664	-	31,949	4,664	-
Standard Bank - Ugu ACB Account - 053299914	95,204	43,623	-	95,204	43,623	-
Standard Bank - Ugu Conditional Grant - 053299922	4,122,475	1,836,246	-	4,122,475	1,836,246	-
Standard Bank - Ugu MIG Account - 053300033	47,157	6,522	-	47,157	6,522	-
Standard Bank - Ugu Group Life account - 053300076	954,514	1,911,709	-	954,514	1,911,709	-
Standard Bank - Ugu Call Account - 058905324041	10,448	3,880,000	-	10,448	3,880,000	-
Standard Bank - Ugu Call account - 058905324-042	2,771,019	10,827	-	2,771,019	10,827	-

# Ugu District Municipality

(Registration number DC21)

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024				2023	
<b>8. Cash and cash equivalents (continued)</b>						
Standard Bank - Account Number 058905324-022 (Investment account)	-	-	-	-	-	-
Standard Bank -Account Number 058905324-045 (Investment account)	-	-	-	-	-	-
Standard Bank -Account Number 058905324-046 (Investment account)	-	-	-	-	-	-
Standard Bank - Account Number 058905324-047 (Investment account)	-	-	-	-	-	-
Standard Bank -Account Number 058905324-048 (Investment account)	-	-	-	-	-	-
Standard Bank - Account Number 058905324-049 (Investment account)	-	-	-	-	-	-
Standard Bank - Account Number 058905324-050 (Investment account)	-	-	-	-	-	-
Absa Investment- 2081187889 (Investment account)	-	-	-	-	-	-
Absa Investment- 2081188843- Investment Account	-	-	-	-	-	-
FNB Investment-76203532926 - Investment Account	-	-	-	-	-	-
FNB Investment-76204779212 - Investment account	-	-	-	-	-	-
FNB Investment-76205681185 - Investment Account	-	-	-	-	-	-
Cash on hand	-	-	-	626	626	626
<b>Total</b>	<b>13,526,602</b>	<b>13,033,011</b>	<b>31,727,606</b>	<b>13,538,460</b>	<b>13,086,458</b>	<b>31,728,232</b>

# Ugu District Municipality

(Registration number DC21)  
Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Investment property

		30 June 2024	30 June 2023	
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Accumulated depreciation and accumulated impairment	Carrying value
30,400,000	-	30,400,000	-	28,000,000

Ugu Sports and Leisure Centre

### Reconciliation of investment property - 30 June 2024

Opening balance	Fair value adjustments	Total
28,000,000	2,400,000	30,400,000

Ugu Sports and Leisure Centre

### Reconciliation of investment property - 30 June 2023

Opening balance	Disposals	Fair value adjustments	Total
6,644,000	(6,644,000)	-	-
26,400,000	-	1,600,000	28,000,000
<b>33,044,000</b>	<b>(6,644,000)</b>	<b>1,600,000</b>	<b>28,000,000</b>

Ugu Fresh Produce Market  
Ugu Sports and Leisure Centre

### Pledged as security

No investment property pledged as security.

# Ugu District Municipality

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### 9. Investment property (continued)

#### Details of property

##### Stand 3249 Bhobhoyi

The property is being used as a fresh market produce operation, and improved with three warehouses, the one equipped with ripening rooms in order to support the fresh produce production.

During the year, Ugu Fresh Produce building was physically verified and post the July 2021 unrest, the property has rapidly dilapidated, therefore, hence the municipality took a decision to dispose the buildings as there are no structures that can continue to yield any economic benefit to the municipality.

Opening balance	-	6,644,000
Disposal	-	(6,644,000)
	-	-

##### Farm Lot Ra 5100 ET portion 7, Shelly beach

The property comprises offices, indoor sporting facilities, boardrooms and storage.

Opening balance	28,000,000	26,400,000
Fair value adjustment	2,400,000	1,600,000
	<b>30,400,000</b>	<b>28,000,000</b>

#### Determination of Market Valuation

The fair value of the investment property was determined based on market evidence, which includes recent transactions involving comparable properties in similar locations and conditions. This approach ensures that the valuation reflects current market conditions and provides a reliable basis for the fair value measurement in compliance with GRAP 16.91(d).

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.

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property (Note 23)	643,960	268,223
<b>From Investment property that generated rental revenue</b>		
Direct operating expenses (excluding repairs and maintenance)	753,955	637,030
Repairs and maintenance	185,695	343,142
	<b>939,650</b>	<b>980,172</b>

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



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**10. Property, plant and equipment**

	30 June 2024		30 June 2023			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	26,805,466	-	26,805,466	26,805,466	-	26,805,466
Buildings	139,204,946	(21,291,996)	117,912,950	128,052,693	(17,512,785)	110,539,908
Infrastructure	9,476,238,625	(6,016,928,263)	3,459,310,362	9,248,456,155	(5,821,950,984)	3,426,505,171
Other property, plant and equipment	161,582,729	(103,566,212)	58,016,517	153,395,431	(102,093,579)	51,301,852
<b>Total</b>	<b>9,803,831,766</b>	<b>(6,141,786,471)</b>	<b>3,662,045,295</b>	<b>9,556,709,745</b>	<b>(5,941,557,348)</b>	<b>3,615,152,397</b>

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### Notes to the Annual Financial Statements

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

##### Reconciliation of property, plant and equipment - 30 June 2024

	Opening balance	Additions	Disposals	Donations	Depreciation	Impairment loss	Total
Land	26,805,466	-	-	-	-	-	26,805,466
Buildings	110,539,908	11,152,254	-	-	(2,956,996)	(822,216)	117,912,950
Infrastructure	3,426,505,171	267,479,731	(2,880,224)	-	(211,848,923)	(19,945,393)	3,459,310,362
Other property, plant and equipment	51,301,852	13,119,342	(246,501)	4,048,500	(10,206,676)	-	58,016,517
	<b>3,615,152,397</b>	<b>291,751,327</b>	<b>(3,126,725)</b>	<b>4,048,500</b>	<b>(225,012,595)</b>	<b>(20,767,609)</b>	<b>3,662,045,295</b>

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### Notes to the Annual Financial Statements

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

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

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	26,805,466	-	-	-	-	-	26,805,466
Buildings	89,469,209	23,902,658	-	-	(2,831,959)	-	110,539,908
Infrastructure	3,282,089,874	356,939,219	(1,008,010)	2,821,483	(207,502,709)	(6,834,686)	3,426,505,171
Other property, plant and equipment	43,274,188	16,703,270	(84,831)	-	(8,590,775)	-	51,301,852
	<b>3,441,638,737</b>	<b>397,545,147</b>	<b>(1,092,841)</b>	<b>2,821,483</b>	<b>(218,925,443)</b>	<b>(6,834,686)</b>	<b>3,615,152,397</b>

#### Pledged as security

No assets were pledged as security.

#### Donation

Refer to note 27 for donated asset.

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## Notes to the Annual Financial Statements

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

#### Property, plant and equipment in the process of being constructed or developed

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

PPE under construction taking significantly longer to complete than expected	-	11,855,934
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There are assets under construction that are taking significantly longer to complete than expected due to various challenges faced by the municipality. These challenges include but not limited to, delays in environmental approvals; delays in the approval of the application for power supply; delayed registration of servitudes due to prolonged negotiations; community protests and business forums; delays caused by contractors on site; delays in approvals for application of additional funding and lack of funding.

-	11,855,934
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##### Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Bhobhoyi/ Mkholumbe sanitation	-	7,809,390
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Planning Studies and design are in progress.

Chenge - Kwa Latshoda Water and Sanitation	-	4,046,544
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Planning Studies are on Progress.

-	11,855,934
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#### Reconciliation of Work-in-Progress 30 June 2024

	Included within Infrastructure	Included within Buildings	Total
Opening balance	531,076,163	49,172,178	580,248,341
Additions/capital expenditure	258,403,560	11,152,254	269,555,814
Impairment	(11,855,933)	-	(11,855,933)
Items expensed during unbundling of projects	16,892,663	-	16,892,663
Transferred to completed items	(305,167,719)	(60,324,432)	(365,492,151)
	<b>489,348,734</b>	<b>-</b>	<b>489,348,734</b>

#### Reconciliation of Work-in-Progress 30 June 2023

	Included within Infrastructure	Included within Buildings	Total
Opening balance	363,346,504	25,269,521	388,616,025
Additions/capital expenditure	359,226,081	23,902,657	383,128,738
Transferred to completed items	(191,496,422)	-	(191,496,422)
	<b>531,076,163</b>	<b>49,172,178</b>	<b>580,248,341</b>

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

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

Maintenance of building and facilities	3,854,112	1,814,278
Maintenance of equipment	97,617,515	80,731,700
Maintenance of other assets	26,334,641	29,157,988
	<b>127,806,268</b>	<b>111,703,966</b>

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

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

**Notes to the Annual Financial Statements**

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**11. Intangible assets**

	30 June 2024		30 June 2023		
Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
2,659,160	-	2,659,160	2,659,160	-	2,659,160
25,263,199	(23,554,699)	1,708,500	24,722,485	(20,598,895)	4,123,590
<b>27,922,359</b>	<b>(23,554,699)</b>	<b>4,367,660</b>	<b>27,381,645</b>	<b>(20,598,895)</b>	<b>6,782,750</b>

**Reconciliation of intangible assets - 30 June 2024**

	Opening balance	Additions	Amortisation	Total
Servitudes	2,659,160	-	-	2,659,160
Computer software	4,123,590	540,713	(2,955,803)	1,708,500
	<b>6,782,750</b>	<b>540,713</b>	<b>(2,955,803)</b>	<b>4,367,660</b>

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

	Opening balance	Additions	Amortisation	Total
Servitudes	2,659,160	-	-	2,659,160
Computer software	-	6,584,854	(2,461,264)	4,123,590
	<b>2,659,160</b>	<b>6,584,854</b>	<b>(2,461,264)</b>	<b>6,782,750</b>

**Pledged as security**

No intangible assets have been pledged as security for any liabilities of municipality.

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## Notes to the Annual Financial Statements

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### 11. Intangible assets (continued)

#### Restrictions

The following restrictions apply to Intangible Assets:

- Financial Software

- (i) The system is non-assignable, non-transferable, and the municipality has no exclusive rights to use the system.
- (ii) The system may be used on only one database at any one time.
- (iii) The municipality, as the licensee, shall not grant usage of, or distribute, the system in its original or modified form, to a third party for the third party's benefit.
- (iv) The municipality has no intellectual property rights to the system.

#### Other information

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

# Ugu District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand		2024	2023
<b>12. Interests in other entities</b>			
<b>Investments in controlled entities</b>			
Name	Percentage of ownership	Carrying amount 30 June 2024	Carrying amount 30 June 2023
South Coast Tourism & Investment Enterprise SOC (Former name : Ugu South Coast Development Agency SOC)	100.00 %	200	200
		200	200

## 13. Long term liabilities

### At amortised cost

Loans	24,871,926	30,908,535
The average loans period varying from 1 to 20 (2024: 1 to 20) years and at interest rates varying from 5.00% to 11,51% per annum. Loans are not secured.		

### DBSA (Phase 1 - Sanitation Refurbishment):

Structured unsecured 15 year loan. Original loan capital of R25 000 000 is repayable semi-annually in 26 fixed instalments of capital and interest, the first payment commencing on the last day of the 5th half-year after the half-year during which the first disbursement was advanced to the borrower.

### DBSA (Phase 2 - Sanitation Refurbishment):

Structured unsecured 15 year loan. Original loan capital of R25 000 000 is repayable semi-annually in 26 fixed instalments of capital and interest, the first payment commencing on the last day of the 5th half-year after the half-year during which the first disbursement was advanced to the borrower.

### DBSA (Ex Hibiscus, Umdoni and Umuziwabantu):

Structured unsecured loans taken over from the local municipalities as a result of a change of powers and functions. Original capital amount of the loan is R18 573 441. These loans are repaid semi-annually at various interest rates.]

### DBSA (Phase 1 - Umzimkulu Water Augmentation):

Structured unsecured 20 year loan. Original loan capital of R62 000 000 is repayable monthly in 216 fixed instalments of capital and interest, the first payment commencing on the last day of the 25th month after the month during which the first disbursement was advanced to the borrower.

This loan carries additional terms and conditions, as contained in the loan agreement (Bullet 12), amongst which the following are included:

- (i) The Borrower shall obtain a prior written consent from the DBSA to raise additional debt funding from other sources.
- (ii) The Borrower shall continue to shorten its debt collection period. The DBSA project team, in collaboration with DBSA Credit Risk, will report to the DBSA Management on the management of debtor book.
- (iii) The Borrower shall ensure that the liquidity and leverage ratios do not fall below the norm, as reflected in the table below:

Current Ratio	1.5:1
Cash and Investments: Current Liabilities	0.3
Total Debt / Total Assets	<50%
Total Debt / Total Income	<50%
Long Term Debt / Total Income	100%
Debt Serving: Total Income	20%



# Ugu District Municipality

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Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 13. Long term liabilities (continued)

The Municipality manages its liquidity and leverage ratios closely through Financial turnaround strategy, which includes revenue strategy, which seeks to improve collection within the required norm, as well as improvement of cash flow plan, which seeks to ensure within the norm liquidity ratios.

Stringent measures in line with the MFMA are put in place, for application of any new loan, and consistency of repayment of loans is adhered to, in reduction of debt and managing healthy leverage ratios. No new loans were taken by the Municipality in the current and previous financial years.

#### Non-current liabilities

At amortised cost	20,753,224	24,638,311
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#### Current liabilities

At amortised cost	4,118,702	6,270,224
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### 14. Operating lease liability

Current liabilities	10,607,600	9,632,431
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Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of noncancellable operating leases the current assets and current liabilities (accrual) have been recognised as above.

The impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has resulted in an increase in the current year expenditure of R 975 169 (30 June 2023: R 998 783).

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

Balance at beginning of year	9,632,431	8,633,648
Lease smoothing impact	975,169	998,783
	<b>10,607,600</b>	<b>9,632,431</b>

At the reporting date the following minimum lease payments were payable under operating leases for property, plant and equipment, which are payable as follows:

Within 1 year	290,499	264,090
2 to 5 years	1,950,879	1,348,207
More than 5 years	45,543,997	46,437,168
	<b>47,785,375</b>	<b>48,049,465</b>

# Ugu District Municipality

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Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 15. Payables from exchange transactions

Trade payables	792,451,049	597,368,756
Other payables	14,987,688	13,782,908
Payroll accrued expenses	35,797,799	44,006,442
Accrued expenses	8,223,072	6,394,342
Debtors with credit balances	35,344,216	35,365,166
Staff bonuses	20,350,867	18,653,643
Retentions	66,480,322	60,118,393
Leave accrual	43,987,120	37,713,327
	<b>1,017,622,133</b>	<b>813,402,977</b>

### 16. Consumer deposits

Water	22,698,183	22,237,236
Guarantees held in lieu of water deposits	495,780	495,780

Consumers upon application for water meter connections pay consumer deposits. The deposit is refunded when the connection is terminated. Consumer deposits are refunded when the house is sold after the municipality has issued a clearance certificate.

### 17. VAT payable

VAT payable	108,521,588	66,726,901
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#### The VAT payable balance comprises of:

VAT receivable	(1,366,221)	(17,849,098)
Undeclared VAT output	214,920,676	174,092,771
Undeclared VAT input	(105,032,867)	(89,516,772)
	<b>108,521,588</b>	<b>66,726,901</b>

The Municipality accounts for value added tax on an accrual basis but claimed / paid over to SARS on a cash basis in accordance with Section 15 (2) of the Value Added Tax (Act No. 89 of 1991).

# Ugu District Municipality

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## Notes to the Annual Financial Statements

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<b>18. Post employment benefits</b>		
<b>Defined benefit plan</b>		
<b>Post retirement benefit plan</b>		
<b>Post-retirement health care</b>		
Balance at beginning of year	19,960,000	18,058,000
Net expense recognised in income statement	1,053,358	3,216,000
Contributions to provision	(1,394,000)	(1,314,000)
Balance at end of year	19,619,358	19,960,000
Transfer to current portion	(1,306,441)	(1,394,000)
	<b>18,312,917</b>	<b>18,566,000</b>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member is entitled to continue as a member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by One Pangaea Expertise and Solutions, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The members of the post-employment health care benefit plan are made up as follows:

In-service members (employees)	551	551
Continuation members	71	72
	<b>622</b>	<b>623</b>

The unfunded liability in respect of past service has been estimated as follows:

In-service members (employees)	9,581,840	9,192,000
In-service non-members	1,566,627	890,000
Continuation members	8,470,891	9,878,000
	<b>19,619,358</b>	<b>19,960,000</b>

The current-service cost for the year ending 30 June 2024 is estimated to be R597 000, whereas the cost for the ensuing year is estimated to be R866 224.

### Key assumptions used

The principal assumptions used for the purposes of the actuarial valuations was as follows:

# Ugu District Municipality

(Registration number DC21)

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## Notes to the Annual Financial Statements

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### 18. Post employment benefits (continued)

Discount rates	11.74%	11.86%
Health care cost inflation	7.79%	7.53%
Maximum subsidy inflation rate	0.00%	0.00%
Consumer price inflation	6.29%	6.03%
Net of maximum subsidy inflation discount rate	11.86%	11.74%
Expected retirement age - females	62	62
Expected retirement age - males	62	62

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of the year	19,960,000	18,058,000
Current services costs	597,000	544,000
Interest cost	2,287,000	1,974,000
Benefits paid	(1,394,000)	(1,314,000)
	<u>21,450,000</u>	<u>19,262,000</u>
Actuarial (gains) / losses	(1,830,642)	698,000
	<u><b>19,619,358</b></u>	<u><b>19,960,000</b></u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	597,000	544,000
Interest cost	2,287,000	1,974,000
Actuarial (gains) / losses	(1,830,642)	698,000
Benefits paid	(1,394,000)	(1,314,000)
	<u><b>(340,642)</b></u>	<u><b>1,902,000</b></u>

The history of experienced adjustments is as follows:

	2024	2023	2022	2021	2020
Present value of defined benefit obligation	19,619,358	19,960,000	18,058,000	20,678,000	19,374,000
Net amount	19,619,358	19,960,000	18,058,000	20,678,000	19,374,000
Experienced adjustments on plan liabilities	-	-	(1,040,000)	(1,653,000)	(537,000)
	<u><b>19,619,358</b></u>	<u><b>19,960,000</b></u>	<u><b>17,018,000</b></u>	<u><b>19,025,000</b></u>	<u><b>18,837,000</b></u>

Municipality's Accrued Liability as at the Valuation Date:

	Total liability	Expected non-current portion of liability	Expected non-current portion of liability
<b>30 June 2024</b>			
Total liability	19,619,358	1,306,441	18,312,917
	-	-	-
<b>30 June 2023</b>			
Total liability	19,960,000	1,394,000	18,566,000

# Ugu District Municipality

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## Notes to the Annual Financial Statements

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### 18. Post employment benefits (continued)

- - -

The municipality expects to make contribution of R1,306 million (2024: R1,394 million) to the defined benefit plans during the next financial year.

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(18,312,917)	(18,566,000)
Present value of the defined benefit obligation-partly or wholly funded	(1,306,441)	(1,394,000)
	<b>(19,619,358)</b>	<b>(19,960,000)</b>

Non-current liabilities	(18,312,917)	(18,566,000)
Current liabilities	(1,306,441)	(1,394,000)
	<b>(19,619,358)</b>	<b>(19,960,000)</b>

The effect of a 1% movement in the assumed rate of Post Employment Medical Aid Benefit cost inflation is as follows:

	1% decrease R's	30 June 2024 Valuation basis R's	1% increase R's
<b>Discount Rate</b>			
Employer's accrued liability	21,693,434	19,619,358	17,856,483
Employer's service cost (year following)	980,508	866,224	770,661
Employer's interest cost (year following)	2,260,430	2,227,266	2,192,277

A 1% increase in the discount rate results in an 8.99% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 10.57% increase in the accrued liability.

Below is an illustration of the effect of a change in the discount rate on Current and interest Costs as at 30 June 2024:

	Percentage change	1% decrease R's	30 June 2024 R's	1% increase R's	Percentage change
<b>Discount Rate</b>					
service cost	13.19%	980,508	866,224	770,661	-11.03%
interest cost	1.49%	2,260,430	2,227,266	2,192,277	-1.57%

#### Retirement age

The table below shows the impact of a change in the average retirement assumption from 62 to 60 years and 64 years.

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### 18. Post employment benefits (continued)

	2-year decrease R's	30 June 2024 Valuation basis R's	2-year increase R's
<b>Retirement Age</b>			
Employer's accrued liability	20,384,366	19,619,358	18,813,251
Employer's service cost (year following)	931,603	866,224	803,089
Employer's interest cost (year following)	2,317,104	2,227,266	2,132,602

The decrease in the average retirement age from 62 years to 60 years would result in a 3.90% increase in the accrued liability whilst an increase in the average retirement age from 62 to 64 years would result in 4.11% decrease in the accrued liability.

Below is an illustration of the effect of a change in the retirement age on Current and interest Costs as of 30 June 2024:

	Percentage change	2-year decrease R's	30 June 2024 R's	2-year increase R's	Percentage change
<b>Retirement Age</b>					
service cost	7.55%	931,603	866,224	803,089	-7.29%
interest cost	4.03%	2,317,104	2,227,266	2,132,602	-4.25%

### Mortality

The table below shows the impact of a change in the mortality assumption from PA(90) to PA(90) with a two-year adjustment.

	30 June 2024 Valuation basis R's	PA (90) - 2 <sup>1</sup>  R's
Employer's accrued liability	19,619,358	19,898,401
Employer's service cost (year following)	866,224	887,721
Employer's interest cost (year following)	2,227,266	2,260,035

1. PA (90)-2 (PA(90) with a two-year age adjustment) means that, to each beneficiary, we assigned a mortality rate of an individual two years younger than that beneficiary, ie lighter mortality implying that the individual lives longer than expected in the valuation basis.

Therefore, the above change in the mortality assumption would result in a 1.42% increase in the accrued liability.

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### 18. Post employment benefits (continued)

Below is an illustration of the effect of a change in the post-employment mortality on Current and interest Costs as of 30 June 2024:

	30 June 2024 R's	PA (90) - 2 R's	Percentage change
Service cost	866,224	887,721	2.5%
Interest cost	2,227,266	2,260,035	1.5%

### 19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Rural Transport Services Grant	1,197,036	-
Municipal Infrastructure Grant	7,500,000	-
Shared Legal Services Grant	1,000,000	1,000,000
Water Acceleration - Water Refurbishment Umtamvuna System	-	302,177
Ugu Transformative River Management Programme	598,266	70,888
Implementation of Green and Smart Municipality	1,192,099	-
	<b>11,487,401</b>	<b>1,373,065</b>

#### Movement during the year

Balance at the beginning of the year	1,373,064	7,839,877
Additions during the year	1,065,505,999	514,591,000
Income recognition during the year	(1,055,391,662)	(521,057,812)
	<b>11,487,401</b>	<b>1,373,065</b>

The nature and extent of government grants recognised in the annual financial statements is 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.

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

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### 20. Long service awards

Provision for long service awards	35,183,811	32,379,000
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The movement in non-current provisions are reconciled as follows:

#### Long-term service

Balance at beginning of year	32,379,000	27,940,000
Contributions to provision	2,804,811	4,439,000
Total liability	35,183,811	32,379,000
Transfer to current portion	(2,675,070)	(5,570,000)
<b>Balance at end of year</b>	<b>32,508,741</b>	<b>26,809,000</b>

A long-service award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by One Pangaea Expertise and Solutions, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. At year-end, 927 (2023: 886) employees were eligible for long-service awards.

The current service costs for the period ending 30 June 2024 is estimated to be R 2 798 000, whereas the cost for the ensuing year is estimated to be R 2 957 659.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	11.28%	11.26%
CPI	4.77%	5.54%
Cost inflation rate	5.77%	6.54%
Net effective discount rate	4.26%	4.43%
Expected retirement age - females	62	62
Expected retirement age - males	62	62

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of the year	32,379,000	27,940,000
Current service costs	2,798,000	2,660,000
Interest cost	3,341,000	2,910,000
Benefits paid	(4,923,585)	(3,426,000)
Actuarial losses/(gains)	1,589,396	2,295,000
	<b>35,183,811</b>	<b>32,379,000</b>

The history of experienced adjustments is as follows:

	2024	2023	2022	2021	2020	2019
Present value of long service	35,183,811	32,379,000	27,940,000	27,338,000	20,350,000	20,703,724
Net amount	35,183,811	32,379,000	27,940,000	27,338,000	20,350,000	20,703,724
Experienced adjustments on plan liabilities	-	-	-	-	(1,506,520)	(786,085)
	<b>35,183,811</b>	<b>32,379,000</b>	<b>27,940,000</b>	<b>27,338,000</b>	<b>18,843,480</b>	<b>19,917,639</b>



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### 20. Long service awards (continued)

The effect of a 1% movement in the assumed rate of long-service cost inflation is as follows:

	1% decrease R's	30 June 2024 R's	1% increase R's
<b>Salary Increase Rate</b>			
Employer's accrued liability	32,994,210	35,183,811	37,595,594
Employer's current service cost	2,746,042	2,957,659	3,194,693
Employer's interest cost	3,564,542	3,478,647	3,726,525
<b>Discount Rate</b>			
Employer's accrued liability	37,514,530	35,183,811	33,097,688
Employer's current service cost	3,186,660	2,957,659	2,755,965
Employer's interest cost	3,356,009	3,478,647	3,582,337

As per the table above, a 1% increase in the salary increase rate results in a 6.85% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 6.22% decrease in the accrued liability.

Inversely, a 1% increase in the discount rate results in a 5.93% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 6.62% increase in the accrued liability.

Below is an illustration of the effect of a change in the salary increase inflation on Current and interest Costs as at 30 June 2024:

	Percentage change	1% decrease R's	30 June 2024 R's	1% increase R's	Percentage change
<b>Salary Increase Rate</b>					
service cost	-7.15%	2,746,042	2,957,659	3,194,693	8.01%
interest cost	2.47%	3,564,542	3,478,647	3,726,525	7.31%

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### 20. Long service awards (continued)

Below is an illustration of the effect of a change in the discount rate on Current and Interest Costs as at 30 June 2024:

	Percentage change	1% decrease R's	30 June 2024 R's	1% increase R's	Percentage change
<b>Discount Rate</b>					
service cost	7.74%	3,186,660	2,957,659	2,755,965	-6.82%
interest cost	-3.53%	3,356,009	3,478,647	3,582,337	2.98%

### Withdrawal decrements

The table that follows shows the impact of a change in the withdrawal assumption as detailed in Assumptions Section 4.2. The effect is illustrated by assuming that withdrawals are 50% lower than assumed.

	200% Withdrawal R's	30 June 2024 R's	50% Withdrawal R's
Employer's accrued liability	31,247,519	35,183,811	37,598,708
Employer's service cost	2,474,244	2,957,659	3,275,605
Employer's expense cost	3,075,318	3,478,647	3,726,228

The above table highlights the effects of a 200% and 50% multiple of the withdrawal rates as of 30 June 2024. The adjustment would result in a 11.19% decrease and a 6.86% increase in accrued liability, respectively.

Below is an illustration of the effect of a change in the discount rate on Current and Interest Costs as of 30 June 2024:

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### 20. Long service awards (continued)

	Percentage change	50% Withdrawal R's	30 June 2024 R's	200% Withdrawal R's	Percentage change
<b>Discount Rate</b>					
service cost	10.75%	3,275,605	2,957,659	2,474,244	-16.34%
interest cost	7.12%	3,726,228	3,478,647	3,075,318	-11.59%

Mortality decrement

The table that follows shows the impact of a change in the mortality assumption from SA85-90 to SA85-90 with a two-year adjustment.

	30 June 2024 Valuation basis SA85-90 R's	SA85-90 -2 R's
Employer's accrued liability	35,183,811	35,484,531
Employer's current service cost	2,957,659	2,980,597
Employer's expense cost	3,478,647	3,015,180

\* SA85-90 -2 (with a two-year age adjustment) means that, to each beneficiary, we assigned a mortality rate of an individual two years younger than that beneficiary. The resulting mortality implies that the individual lives longer than expected on the valuation basis.

The above table highlights the effects of a two-year adjustment to the mortality assumption as at 30 June 2024. The adjustment would result in a 0.85% increase in the accrued liability.

Below is an illustration of the effect of a change in the mortality on Current and interest Costs as at 30 June 2024:

	30 June 2024 R's	2-year decrease R's	Percentage change
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### 20. Long service awards (continued)

service cost	2,957,659	2,980,597	0.8%
interest cost	3,478,647	3,015,180	-13.3%

### 21. Non-current payables from exchange transactions - non current

Umgeni water	61,346,284	118,005,099
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The municipality entered into a payment arrangement with Umgeni Water which meant that a significant portion of the debt is not payable within 12 months after the financial year end. The amount that is payable in periods in excess of the 12 months after year end has been reclassified as non-current. The agreement was entered into on the 13<sup>th</sup> of May 2022 its effective date was the 1<sup>st</sup> of July 2022.

#### 30 June 2024

Minimum payments	Capital	Interest	Total
Within one year	66,356,904	6,846,441	73,203,344
In second to fifth year	61,346,284	2,000,173	63,346,457
	<b>127,703,188</b>	<b>8,846,614</b>	<b>136,549,801</b>

#### 30 June 2023

Minimum payments	Capital	Interest	Total
Within one year	60,732,327	11,318,441	72,050,767
In second to fifth year	118,005,099	8,846,613	126,851,712
	<b>178,737,426</b>	<b>20,165,054</b>	<b>198,902,479</b>

### 22. Service charges

Sale of water	371,536,365	341,389,863
Sewerage and sanitation charges	120,262,234	110,939,189
	<b>491,798,599</b>	<b>452,329,052</b>

### 23. Rental of facilities and premises

#### Premises

Premises	2,111,016	2,165,372
Rental of facilities	643,960	268,223
	<b>2,754,976</b>	<b>2,433,595</b>

#### Rental of premises:

The municipality rents out its land to the cellphone service providers for erection of their Base Telecommunication Stations. There are four service providers with different sites namely: Vodacom; IHS; ATC and Transnet.

#### Rental of facilities:

The municipality has a multipurpose centre referred to as Ugu Sports and Leisure Centre. The municipality generates rental income by renting out the Hall, Sports fields, Gymnasium, lounges and conference rooms.

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Figures in Rand	2024	2023
<b>24. Other income</b>		
LG SETA	916,156	749,722
Connection fees	388,293	589,272
Atmospheric emission licenses	43,363	5,750
Tender documents sales	29,351	60,317
Water rates certificates	1,583,242	1,670,042
Sundry income	5,030,356	16,226,596
	<b>7,990,761</b>	<b>19,301,699</b>

Connections fees relate to new applications for water meters. Atmospheric emission licences are also issued at a cost to industries that pollute the air in their production processes, this is levied once in a five year cycle. Tender documents are also sold to bidders when tenders are advertised by the municipality. Water clearance certificate fees are collected when customers are in a process of selling their properties. These certificates are issued to confirm that the properties have no outstanding debt at the time of the sale. Sundry income relates to plan approval fees, plan admin fees, insurance proceeds from providers, housing subsidy recovery, pension refunds.

## 25. Interest income

### Interest revenue from non-exchange transactions

Interest on over due accounts: Water availability	2,928,740	2,919,638
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### Interest revenue from exchange transactions

Bank	8,946,303	9,170,560
Interest on overdue accounts: Services charges	69,205,239	52,798,976
	<b>78,151,542</b>	<b>61,969,536</b>
	<b>81,080,282</b>	<b>64,889,174</b>

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<b>26. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	630,083,000	585,146,000
National: FMG Grant	1,950,000	1,950,000
AWIP - St Helens	-	4,839,876
AWIP - Mthavuna	302,176	2,297,824
Green and Smart Municipal Program	7,901	-
Expanded Public Works Programme	3,606,000	3,319,000
River Mangement Programme	972,624	2,429,112
Rural-road Asset Management System	1,661,964	2,848,000
	<b>638,583,665</b>	<b>602,829,812</b>
<b>Capital grants</b>		
National: MIG Grant	270,958,000	277,374,000
Water Service Infrastructure Grant	135,900,000	220,000,000
Municipal Disaster Recovery	9,950,000	2,000,000
Water Intervention Buying of Water Tankers	-	4,000,000
	<b>416,808,000</b>	<b>503,374,000</b>
	<b>1,055,391,665</b>	<b>1,106,203,812</b>
<b>National: Equitable share</b>		
Current-year receipts	630,083,000	585,146,000
<b>National: Finance Management Grant (FMG)</b>		
Current-year receipts	1,950,000	1,950,000
Conditions met - transferred to revenue	(1,950,000)	(1,950,000)
	<b>-</b>	<b>-</b>
<p>The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds were withheld.</p>		
<b>National: Municipal Infrastructure Grant (MIG)</b>		
Current-year receipts	278,458,000	277,374,000
Conditions met - transferred to Revenue: Operating Expenses	(71,878,802)	(89,915,640)
Conditions met - transferred to revenue : Capital expenses	(199,079,198)	(187,458,360)
	<b>7,500,000</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 19).

The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure . No funds were withheld.

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### 26. Government grants & subsidies (continued)

#### Water Service Infrastructure Grant

Current-year receipts	135,900,000	220,000,000
Conditions met - transferred to revenue	(135,900,000)	(220,000,000)
	-	-

Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities; provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equipping of borehole; provide on site sanitation solutions; support the existing bucket eradication programme intervention informal residential areas; support drought relief projects in affected municipalities.

#### Municipal Disaster Recovery

Balance unspent at beginning of year	-	2,000,000
Current-year receipts	9,950,000	-
Conditions met - transferred to revenue	(9,950,000)	(2,000,000)
	-	-

To provide for the immediate release of funds for disaster purpose.

#### AWIP - uMthamvuna

Balance unspent at beginning of year	302,176	-
Current-year receipts	-	2,600,000
Conditions met - transferred to revenue	(302,176)	(2,297,824)
	-	302,176

Grants received from CoGTA are aimed at supplementing municipal budgets to assist with the upgrade of electricity power for Umthamvuna pump station which assist water distribution and water delivery services support.

#### AWIP -St Helen's Rock Water

Balance unspent at beginning of year	-	4,839,876
Conditions met - transferred to revenue	-	(4,839,876)
	-	-

Grants received from CoGTA are aimed at supplementing municipal budgets to assist with the water delivery and water services technical support.

#### Legal Services Shared Grant

Balance unspent at beginning of year	1,000,000	1,000,000
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Conditions still to be met - remain liabilities (see note 19).

This is a grant to create a credible, legally compliant and sustainable Growth within the Ugu District Municipality.

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### 26. Government grants & subsidies (continued)

#### Expanded Public Works Programme

Current-year receipts	3,606,000	3,319,000
Conditions met - transferred to revenue	(3,606,000)	(3,319,000)
	-	-

This is an incentive grant from Public Works for the promotion of labour intensive projects within the District. No funds were withheld.

#### Rural-road Asset Management System

Current-year receipts	2,859,000	2,848,000
Conditions met - transferred to revenue	(1,661,964)	(2,848,000)
	<b>1,197,036</b>	-

Conditions still to be met - remain liabilities (see note 19).

This is a grant to assist rural district municipalities to set up rural Roads Asset Management Systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa.

#### Ugu Transformative River Management Programme

Balance unspent at beginning of year	70,888	-
Current-year receipts	1,500,000	2,500,000
Conditions met - transferred to revenue	(972,624)	(2,429,112)
	<b>598,264</b>	<b>70,888</b>

Conditions still to be met - remain liabilities (see note 19).

Grants received from CoGTA aimed at supplementing municipal budgets to assist with implementation of EM climate change strategies; economic development and job creation within the Ugu District Municipality.

#### Water Accelerated Intervention (Buying Of Water Tankers)

Current-year receipts	-	4,000,000
Conditions met - transferred to revenue	-	(4,000,000)
	-	-

Grants received from CoGTA are aimed at supplementing municipal budgets to assist with the water delivery and water services technical support.

#### KZN EDTEA -Implementation of the Green and Smart Municipality Project

Current-year receipts	1,200,000	-
Conditions met - transferred to revenue	(7,901)	-
	<b>1,192,099</b>	-

Conditions still to be met - remain liabilities (see note 19).

Grants received from CoGTA aimed at supplementing municipal budgets to assist with implementation of EM climate change strategies; economic development and job creation within the Ugu District Municipality.



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### 26. Government grants & subsidies (continued)

#### AWIP - Malangeni

Balance unspent at beginning of year	-	75,002
Transfers withheld during the year	-	(75,002)
	-	-

### 27. Public contributions and donations

KZN Department of Human Settlements	-	2,821,483
DBSA	4,048,500	-
	<b>4,048,500</b>	<b>2,821,483</b>

#### 2024

The Development Bank of South Africa donated three water tankers for the Municipality.

#### 2023

The KZN Department of Human Settlements through its Slums Clearance Programme funded the upgrade of the sewer outfall and associated arrangements for the two pump stations. The Municipality did not have funds to fund the project hence Department of Human Settlements funded the project because it is keen to promote positive delivery of sustainable human settlements in KZN (2023).

### 28. Water availability

Basic charge	15,863,378	15,024,694
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### 29. Employee related costs

Basic	326,120,620	321,761,560
Stand by allowance	15,429,615	11,414,480
Bonus	25,924,446	23,999,843
Medical aid - company contributions	20,584,524	20,064,537
Unemployment Insurance Fund	2,027,117	1,909,182
Workman's Compensation Fund	3,123,160	2,493,177
Skills Development Levy	4,710,461	4,166,759
Leave pay provision charge	7,889,909	6,724,579
Pension fund contribution	51,666,670	51,071,198
Overtime payments - non structured	46,171,627	38,233,857
Travel, motor car, accommodation, subsistence and other allowances	12,325,419	10,284,435
Overtime payments	15,786,775	11,859,916
Long-service awards	2,515,376	3,458,665
Acting allowances	3,851,477	2,691,381
Housing benefits and allowances	1,364,436	1,477,445
Bargaining council	122,722	107,546
Cell-phone allowance	3,094,169	3,110,128
Rental subsidy	74,326	94,489
	<b>542,782,849</b>	<b>514,923,177</b>

### Remuneration of the Acting Municipal Manager VO Mazibuko (From 1 January 2023)

Annual Remuneration	1,168,589	435,947
Car Allowance	300,000	125,000
Housing subsidy	-	37,500
Contributions to UIF, Medical and Pension Funds	20,409	9,992
Telephone	33,000	11,125
Performance Bonus	325,587	-
Acting Allowance	159,573	32,611
Backpay	57,576	-
Non-Pensionable	20,340	-
	<b>2,085,074</b>	<b>652,175</b>

### Remuneration of Municipal Manager - Dr EMS Ntombela (Until 31 December 2022)

Annual Remuneration	-	541,215
Car Allowance	-	197,685
Contributions to UIF, Medical and Pension Funds	-	11,880
Telephone	-	17,820
Housing subsidy	-	54,550
Leave Encashed	-	223,106
Backpay	-	51,457
	<b>-</b>	<b>1,097,713</b>

### Remuneration of Chief Financial Officer - K Audan

Annual Remuneration	1,178,589	1,367,429
Car Allowance	290,000	60,000
Performance Bonus	220,611	43,088
Contributions to UIF, Medical and Pension Funds	19,446	16,756
Backpay	53,860	20,931
Non-Pensionable	20,340	-
Telephone	26,701	26,700
	<b>1,809,547</b>	<b>1,534,904</b>

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### 29. Employee related costs (continued)

#### Remuneration of General Manager - Corporate Services: VO Mazibuko

Annual Remuneration	-	514,292
Car Allowance	-	150,000
Performance Bonus	-	45,000
Contributions to UIF, Medical and Pension Funds	-	8,957
Telephone	-	13,350
Leave Encashed	-	275,764
Bonus	-	214,380
Backpay	-	50,410
	-	<b>1,272,153</b>

#### Remuneration of the General Manager - Economic Development and Environmental Services: DJ Rankin

Annual Remuneration	931,997	899,279
Car Allowance	301,617	299,760
Performance Bonus	257,702	108,582
Contributions to UIF, Medical and Pension Funds	17,358	14,239
Telephone	26,700	26,700
Backpay	45,242	45,599
Non-Pensionable	20,340	-
	<b>1,600,956</b>	<b>1,394,159</b>

#### Remuneration of the General Manager - Water Services: SN Mbewu (Until 30 April 2023)

Annual Remuneration	-	656,832
Car Allowance	-	251,850
Housing subsidy	-	89,278
Performance Bonus	96,517	96,517
Contributions to UIF, Medical and Pension Funds	1,791	13,181
Telephone	-	22,250
Backpay	30,162	45,599
Leave Encashed	-	107,875
Non-Pensionable	16,950	-
	<b>145,420</b>	<b>1,283,382</b>

#### Remuneration of the Acting General Manager: Water Services PS Malinga (From 01 May 2023)

Annual Remuneration	755,425	119,454
Car Allowance	144,353	22,826
Performance Bonus	62,952	-
Contributions to UIF, Medical and Pension Funds	197,269	31,131
Acting Allowance	118,973	16,582
Telephone	16,500	2,750
	<b>1,295,472</b>	<b>192,743</b>

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### 29. Employee related costs (continued)

#### Remuneration of the Acting General Manager: Corporate Services MP Gobhozi (From 01 February 2023)

Annual Remuneration	755,425	358,361
Car Allowance	166,592	79,028
Performance Bonus	122,202	50,496
Contributions to UIF, Medical and Pension Funds	149,018	70,613
Long Service Awards	-	57,338
Telephone	16,500	8,250
Acting allowance	129,529	-
	<b>1,339,266</b>	<b>624,086</b>

### 30. Remuneration of councillors

Mayor	844,012	427,175
Deputy Mayor	699,502	664,538
Speaker	699,502	674,396
Councillors	7,058,174	6,371,030
Allowances	3,797,090	3,657,799
	<b>13,098,280</b>	<b>11,794,938</b>

#### In-kind benefits

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker each have bodyguards and the use of separate Council owned vehicles for official duties.

### 31. Depreciation and amortisation

Property, plant and equipment	225,012,595	218,925,443
Intangible assets	2,955,803	2,461,264
	<b>227,968,398</b>	<b>221,386,707</b>

### 32. Finance costs

Employee salaries	1,003,271	1,917,619
Employee benefits obligation and long service awards	5,628,000	4,884,000
Current borrowings	3,594,876	2,689,538
Interest on measurement of Umgeni liability	11,318,441	15,437,472
Interest on late payments	23,474,351	4,534,146
Interest on fuel facility	169,413	172,150
	<b>45,188,352</b>	<b>29,634,925</b>

# Ugu District Municipality

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Figures in Rand	2024	2023
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### 33. Lease rentals on operating lease

Computer equipment	3,753,739	3,980,779
Office Equipment	881,412	783,494
Motor vehicles	200,951	93,044
Buildings	2,192,714	1,947,013
Land (From : Ingonyama Trust Board)	1,239,259	1,239,259
	<b>8,268,075</b>	<b>8,043,589</b>

Refer to Note 14.

### 34. Debt impairment

Water	235,199,401	107,898,909
Sewerage	25,774,945	2,113,837
Water availability	8,654,665	16,233,595
Inter municipal	7,530	20,271
Rental of facilities	1,528,741	(69,215)
	<b>271,165,282</b>	<b>126,197,397</b>

An impairment loss on financial assets has been incurred and the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition) as per GRAP 104.

### 35. Bad debts written off

Services charges and water availability	4,532,795	4,997,466
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### 36. Bulk purchases

Water	158,766,652	148,018,085
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# Ugu District Municipality

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Figures in Rand	2024	2023
<b>36. Bulk purchases (continued)</b>		
<b>Water losses (Rand Value)</b>		
Unbilled Authorised Consumption: Metered	49,324,554	52,982,141
Unbilled Authorised Consumption: Unmetered	40,425,840	2,640
Commercial Losses: Apparent losses: Unauthorised consumption (Illegal Consumption)	287,432	14,189,230
Commercial Losses: Apparent losses: Customer meter inaccuracies	5,771,475	7,950,926
Physical Losses: Real losses: Leakage on transmission and distribution mains	5,704,812	43,357,367
Physical Losses: Real losses: Leakage and overflows at storage tanks/ reservoirs	184,529	273,586
Physical Losses: Real losses: Leakage on service connections up to the point of customer meter	22,819,248	11,962,920
<b>Total</b>	<b>124,517,890</b>	<b>130,718,810</b>
Comprising :		
Commercial/ Apparent losses	6,058,907	22,140,157
Physical/ Real losses	28,708,589	55,593,872
Unbilled authorised	89,750,394	52,984,781
<b>Total</b>	<b>124,517,890</b>	<b>130,718,810</b>
<b>Water Losses (Volumes/ Kiloliters)</b>		
Units purchased	17,857,724	16,701,264
Units produced	26,258,671	24,862,928
Units sold	(29,136,671)	(26,828,184)
<b>Units lost</b>	<b>14,979,724</b>	<b>14,736,008</b>

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<b>37. Contracted services</b>		
<b>Outsourced Services</b>		
Environmental services	28,807	104,547
Burial Services	84,000	221,000
Laboratory testing services	5,558,213	5,214,053
Cleaning Services	938,189	523,171
Hygiene Services	128,670	139,393
Security Services	34,659,159	26,886,444
Water Takers	37,094,723	33,282,923
<b>Consultants and Professional Services</b>		
Business and Advisory	6,606,424	6,710,845
Legal Cost	2,902,630	1,757,992
<b>Contractors</b>		
Catering Services	25,500	-
Electrical	3,143,581	1,002,412
Event Promoters	14,387	121,258
Occupational health	183,301	162,721
Maintenance of Buildings and Facilities	3,854,112	1,814,278
Maintenance of Equipment	97,617,515	80,731,700
Maintenance of Other Assets	26,334,641	29,157,988
Pest Control	113,771	132,699
Printing services	-	145,372
Sewerage Services	85,827,726	164,558,074
Prepaid Water Vendors	79,332	90,849
	<b>305,194,681</b>	<b>352,757,719</b>
<b>38. Transfer and subsidies</b>		
<b>Grants paid to ME's</b>		
South Coast Tourism and Investment Enterprise SOC (Former name : Ugu South Coast Development Agency)	23,313,071	21,650,402
<b>39. Operational costs</b>		
Advertising	343,351	513,735
Auditors remuneration	5,306,918	6,417,487
Bank charges	1,387,595	1,422,203
Commission paid	2,011,609	4,322,685
Consumables	16,795,730	16,383,892
Insurance	7,900,768	6,584,349
Fuel and oil	29,654,092	32,558,181
Postage and courier	-	725,704
Printing and stationery	245,291	310,993
Subscriptions and membership fees	5,259,949	5,243,754
Telephone	2,334,694	3,537,217
Training	496,687	280,000
Accommodation, seminars and travelling	1,753,110	675,978
Electricity	114,485,042	89,639,512
Uniforms	2,890,007	1,973,018
Storage of files	205,122	167,051
Licenses	21,017,701	23,034,830
Vehicle tracking	1,826,650	2,282,145
	<b>213,914,316</b>	<b>196,072,734</b>

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<b>40. Loss on disposal of assets</b>		
Proceeds from sale of property, plant and equipment	2,932,733	2,280,564
Carrying value of investment property	-	(6,644,000)
Carrying value of PPE	(3,126,725)	(1,092,841)
	<b>(193,992)</b>	<b>(5,456,277)</b>
<b>41. Gain on waiver of liability</b>		
South Coast Tourism and Investment Enterprise	23,313,071	-
The South Coast Tourism and Investment Enterprise wrote off the debt that it is owed by Ugu District Municipality. This is due to the financial challenges experienced by Ugu District Municipality which led to its inability to discharge its transfers and subsidies obligation towards its entity, the South Coast Tourism and Investment Enterprise.		
<b>42. Fair value adjustments</b>		
Investment property (Refer to note 9)	2,400,000	1,600,000
<b>43. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	20,767,608	6,834,686
There were Halted WIP projects that were impaired. There were assets that were affected during floods and buildings that were vandalised.		
<b>44. Cash generated from operations</b>		
(Deficit) surplus	(150,271,872)	13,842,407
<b>Adjustments for:</b>		
Depreciation and amortisation	227,968,398	221,386,707
Gain on sale of assets and liabilities	193,991	5,456,277
Transfers and Subsidies	23,313,071	-
Gain on waiver of liability	(23,313,071)	-
Fair value adjustments	(2,400,000)	(1,600,000)
Impairment of PPE	20,767,608	6,834,686
Debt impairment	271,165,282	126,197,397
Bad debts written off	4,532,795	4,997,466
Movements in operating lease assets and accruals	975,169	998,783
Movements in retirement benefit assets and liabilities	(340,642)	1,902,000
Donations in kind	(4,048,500)	(2,821,483)
<b>Changes in working capital:</b>		
Inventories	678,625	(3,112,044)
Other receivables from exchange transactions	(947,586)	(235,207)
Receivables from exchange transactions	(264,764,029)	(224,428,383)
Receivables from non-exchange transactions	(10,386,681)	(11,851,621)
Employee receivables	(9,761)	71,152
Long service awards	2,804,811	4,439,000
Payables from exchange transactions	147,560,340	250,521,178
VAT	41,794,687	3,100,758
Consumer deposits	460,947	270,541
Unspent conditional grants and receipts	10,114,336	(6,466,812)
	<b>295,847,918</b>	<b>389,502,802</b>



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### 45. Contingencies

#### Contingent liabilities:

No.	Name of Entity/ Subsidiary	Management's Description of Matter (including amount claimed and legal counsel)	Management's Estimate of the Financial Exposure (Including Costs and Disbursements)	Legal Services/Counsel Remarks	2024	2023
1.	San Lameer Homeowners Association	2016 – The Municipality is the fourth Respondent of six, the Plaintiff alleges that the Municipality has failed to deal with the first respondent's lack of compliance to our By-Laws for public health in respect of offensive smell from Pig Farming activities.  Legal Counsel: Seethal Attorneys	<b>30 June 2024</b> Matter resolved.  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: R±123 000.00	<b>30 June 2023</b>  Awaiting trial date.	Nil	Nil
2.	SAMWU obo S.P. Ndaba	2018 -The Municipality converted car allowances of the employees who had been receiving R10 800 per month to 15% of their annual salary causing Employees lodged an unfair labour practice against the Municipality.  Legal Counsel: AT Mpungose & Dlamini Inc	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: ±R60 000  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: ±R60 000	The applicant had not progressed this matter in over 3 years. An application to dismiss the review application was filed, we await the date.	Nil	Nil
3.	L.N Ngcobo	2021 – Employees instituted arbitration proceedings after not being appointed to the position of Environment Officer.  Claim: Nil  Legal Counsel: AT Mpungose & Dlamini Inc	<b>30 June 2024</b> Matter resolved.  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: ±R26 796.16	<b>30 June 2023</b> The matter is awaiting sat down for arbitration.	Nil	Nil

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### 45. Contingencies (continued)

4.	Shembe	<p>2017 - Attorneys allege that the Municipality constructed a pipeline on property belonging to Shembe without consultation and compensation</p> <p>Claim: The property was valued at</p> <p>Legal Counsel: N/A - Internal representation</p>	<p><b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±100 000.00</p> <p><b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: R±100 000.00</p>	<p>This is not a litigation but a claim for land used without consent. The matter has not been progressed by the claimant in over three years.</p>	R274 000	R274 000
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### 45. Contingencies (continued)

5.	Charl Wilcocks	<p>On the 27th March 2024, a meeting was held between Ugu, ATMD, Mr Wilcocks as well as the other side. It was agreed that Ugu would revert with revised figures in relation to the interest calculations and to the question as to whether Mr Wilcocks was entitled to claim in terms of the Group life benefit Fund. All these were to be provided by Client. A further meeting was held between ATMD and Ugu on the same day. The purpose of the was to ensure that all the matters relating to Mr Wilcocks were to be dealt with in their entirety and thus client had to revert to us with:</p> <ol style="list-style-type: none"> <li>1. Revised interest calculations.</li> <li>2. Information as to whether Mr Wilcocks was entitled to claim in terms of Group life benefit fund.</li> </ol> <p>The issue of settlement was also canvassed, the Municipality discussed the possibility of a settlement offer to Mr Wilcocks which would be an amount in full and final settlement of all the issues that Ugu has that are related to Mr Wilcocks. Once all of this information is obtained, the Municipality will then be in a position to draft a settlement proposal, to be sent back to client for feedback and then to Mr Wilcocks.</p> <p>The Municipality drafted settlement agreement and sent it to the client for input and comments Received notice of set down from the other side. The Municipality is still waiting for the client to confirm the settlement agreement so the it can be sent to the other side.</p> <p>Legal Counsel: AT Mpungose &amp; Dlamini Inc</p>	<p><b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±50 000</p> <p><b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: R±50 000.</p>	Matter at settlement stage.	R4 471 915.00	R4 471 915.00
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### 45. Contingencies (continued)

6.	Yvonne Draai	2018 - Contract employee alleges unfair dismissal after termination of contract employment. Arbitrator found in favour of the municipality however the former employee has referred the arbitrator's decision to the Labour Court for review.  Legal Counsel: Shepstone & Wylie	<b>30 June 2024</b> Matter resolved.  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: R±60 000.00	<b>30 June 2023</b> Awaiting trial date.	Nil	Nil
7.	Mzansi LDK	2020 - Letter of Demand issued  Demand for payment for emergency services in Harding rendered by the service provider in 2019.  Claim: R1 670 989.65  Legal Counsel: N/A – Internal Representation	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±60 000  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: R±60 000	The matter is at settlement stage for payment.	R1 670 990	R1 670 990
8.	Department of Transport	2020 - KZNDOT alleged that on or about 20/05/2020 the road was damaged by Ugu workers, at Betani, Nsimbini Tribal Authority  Claim: R200 000.00  Legal Counsel: N/A – Internal Representation	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±100 000.00  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: R±100 000.00	Awaiting further instructions on this matter however the claimant has also not progressed this matter in over three years.	R200 000	R200 000
9.	Town and Around Civics	2021 – Respondent demands for payment  Demand for payment of services rendered for the following contracts: UGU-07-1181-2012 and UGU-07-1183-2012.  Legal Counsel: N/A – Internal Representation	<b>30 June 2024</b> Matter resolved.  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: ±R100 000.00	<b>30 June 2023</b> Awaiting further instruction on this matter.	Nil	R710 486

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### 45. Contingencies (continued)

10.	Adventure Travel	2020 – Notice in Terms of Section 3 of the Institution of Legal Proceedings Against Certain Organs of State Act in respect to a demand for the alleged outstanding payments  Legal Counsel: N/A – Internal Representation	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: ±R50 000.  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: ±R50 000.	Awaiting further instruction on this matter however claimant has not progressed this matter in three years.	R17 297	R17 297.
11.	LNY	2018 - Notice in Terms of Section 3 of the Institution of Legal Proceedings Against Certain Organs of State Act in respect to a demand for the alleged outstanding payments.  Claim: R11 034 455.00  Legal Counsel: N/A – Internal Representation	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: ±R100 000.  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: ±R100 000.	Awaiting further instruction on this matter however claimant has not progressed this matter in four years.	R11 034 455	R11 034 455
12.	Eden Wilds	2020 - Notice in Terms of Section 3 of the Institution of Legal Proceedings Against Certain Organs of State Act in respect to a demand for the alleged outstanding payments  Legal Counsel: N/A – Internal Representation	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: ±R50 000.  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: ±R50 000.	Awaiting further instruction on this matter.	R198 129	R198 129
13.	Premier Attraction 1445 CC	Premier Attraction was appointed by Ugu to provide consultancy in the Harding Weza Bulk Region Supply and have not received payment for their work, summons served on the Municipality.  Claim: R23 071 002.87  Legal Counsel: Seethal Attorneys	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: ± R65 908.  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: ± R65 908.	Plea served awaiting Plaintiff's reply.	R23 071 003	R23 071 003

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### 45. Contingencies (continued)

14.	Ingrid Gramony	Ingrid Gramany wife of the late Ronnie Gramany had fallen into an open ditch/trench and died due to drowning. Plaintiff's attorney Messrs Peter Naicker attorney instituted action against the municipality.  Claim: R1 347 538.  Legal Counsel: Seethal Attorneys	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±350 000.  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: R±350 000.	Plaintiff sued Ugu for unlawfully dug trenches for the laying of pipes without securing the area to prevent people to fall in.	R1 347 538	R1 347 538
15.	PV Conco	2015 - Allegations that the Municipality has built property on land belonging to Umzumbe Municipality without authorisation. They require the Municipality to return undistributed and rehabilitated use of land to them.  Claim: R 600 000.00  Legal Counsel: Seethal Attorneys	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±160 000  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: R±160 000	Awaiting Umzumbe Municipality to provide an update on the settlement of this matter.	R 600 000	R 600 000
16.	Msawenkosi Patrick Sakha	2016 - Claim for damages for pain and suffering. The employee sued the municipality for pain and suffering after not having been appointed on a position that they had acted in and claimed unfair labour practice.  Claim: R194 466.87  Legal Counsel: Seethal Attorneys	<b>30 June 2024</b> Matter resolved.  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: ±R34 310	<b>30 June 2023</b> Awaiting further instruction on this matter.	Nil	R194 467

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### 45. Contingencies (continued)

17.	SAMWU obo Mandla Zwane and Others	2020 – Mass dismissal of SAMWU members who were employees of the Municipality who were dismissed for their participation in an unprotected strike in 2020.  Legal Counsel: N/A Internal Representation  Legal Counsel: Shepstone & Wylie	<b>30 June 2024</b> Matter resolved.  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: ±R270 476	<b>30 June 2023</b> Matter pending finalization of discussions on the way forward for the settlement of pension funds.	Nil	Nil
18.	Sizabonke Civils	Claim against the Municipality for payment for civil engineering services rendered on behalf of the Municipality.  Claim: R46 010 855  Legal Counsel: AT Mpungose & Dlamini Inc	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: ±R300 000.  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: ±R300 000.	Matter was at Discovery stage. We have attended to the amendment of the pleadings and discovered. We are at Pre-trial stage.	R46 010 855	R46 010 855
19.	SAMWU obo X Zuma	The matter was arbitrated in our favour. The review application subsequently lapsed due to the record been filed late. Therefore, the review application was deemed to have been withdrawn. Applicant instituted a reinstatement application has been dealt with the applicant to file a supplementary affidavit to which we will have to respond.  Claim: Nil Legal Counsel: AT Mpungose & Dlamini Inc	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: ±R60 000.  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: ±R50 000.	Awaiting further instruction on the matter.	Nil	Nil

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### 45. Contingencies (continued)

20.	RNP Agencies	2018 - Allegation of amounts paid or deposited by the Municipality to an incorrect account. Legal counsel: AT Mpungose & Dlamini Inc	<b>30 June 2024</b> Total costs of the municipality, pleadings closed, and discovery was done in 2019. Since then the plaintiff has not taken any further steps to prosecute the matter. legal fees or estimated costs: R0.00  <b>30 June 2023</b> Total costs of the municipality, pleadings closed, and discovery was done in 2019. Since then the plaintiff has not taken any further steps to prosecute the matter. legal fees or estimated costs: R±100 000.00	Nil	RNil
21.	Mandla Mkhungo	Labour matter instituted in the SALGBC by Mr Mkhungo. Claim: Nil Legal Counsel: N/A – Internal Representation	<b>30 June 2024</b> Matter resolved.  <b>30 June 2023</b> Total costs of the municipality, pleadings closed, and discovery was done in 2019. Since then the plaintiff has not taken any further steps to prosecute the matter. legal fees or estimated costs: R±24 000	<b>30 June 2023</b> An application to dismiss the review application was filed, we await a date.	Nil
22.	Dr Trevor Steyn	Action brought by Dr Steyn against the Municipality for damages in respect of water leaks.  Claim: R210 280  Legal Counsel: Seethal Attorneys.	<b>30 June 2024</b> Total costs of the municipality, pleadings closed, and discovery was done in 2019. Since then the plaintiff has not taken any further steps to prosecute the matter. legal fees or estimated costs: R±43 455  <b>30 June 2023</b> Total costs of the municipality, pleadings closed, and discovery was done in 2019. Since then the plaintiff has not taken any further steps to prosecute the matter. legal fees or estimated costs: R±11 970	Matter at pre trial stage.	R210 280



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### 45. Contingencies (continued)

23.	Mc Millions Logistics Projects	Money owing for services rendered by the service provider in terms of the agreement. Legal counsel: AT Mpungose & Dlamini Inc	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±50 000.  <b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: R±50 000.	The claimant has not been active on this matter they have not progressed this matter from notice to litigation in over 4 years.	R1 790 556	R1 790 556
24.	Gradio Precast (Pty) v Umdoni LM and Ugu DM	2017- This claim is against the municipality had an agreement to assist Umdoni by paying for this contractor but with Umdoni LM. Ugu paid Umdoni and Umdoni is alleged to have not paid the contractor. Legal counsel: AT Mpungose & Dlamini Inc	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R0.00	Plaintiff has not taken any further steps to prosecute this matter in over five years.	R3 419 263	Nil
25.	Mikieta Construction CC	2023- Letter of demand for alleged unpaid invoices. Claim: R33 149 475  Legal Counsel: Internal	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±47 843.	Awaiting further instruction on this matter.	R33 149 475	Nil
26.	Nicaud Trading 12 CC t/a Drain Away	2023- Letter of demand for alleged unpaid invoices.  Legal counsel: Internal	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±50 000.	Awaiting further instruction on this matter.	R33 125 583	Nil
27.	Mzansi LDK Trading CC	2023- Letter of demand for alleged unpaid invoices. Claim: R34 660 487  Legal counsel: Internal	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±50 000.	Awaiting further instruction on this matter.	R34 660 487	Nil
28.	Fez Building Construction (PTY) LTD	2024- Combined summons received payment of services rendered in emergency work  Legal counsel: Internal	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±50 000.	Awaiting further instruction on this matter.	R19 038 613	Nil

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### 45. Contingencies (continued)

29.	BMW South Africa (PTY) LTD	Combined summons received payment of services rendered in emergency work. Claim: R1 586 264 Legal counsel: Internal	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±50 000.	The matter is being finalised and payment will be made by 31 July 2024.	R1 586 264	Nil
30.	TLK Consultancy	2024- Letter of demand for alleged unpaid invoices Claim: R164 750 Legal counsel: Internal	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±50 000.	The matter is being finalised and payment will be made by 31 July 2024.	R164 750	Nil
31.	Siyabonga Contruction CC	2023- Letter of demand for alleged unpaid invoices Claim: R22 797 739 Legal counsel: Internal	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±50 000.	Awaiting further instruction on this matter.	R22 797 739	Nil
32.	State // Ugu District Municipality	Action brought against the acting Municipal manager Mr. Mazibuko and General manager in his personal capacity Mr. Mbewu pertaining to pollution / degradation to the environment.  Claim: Nil  Legal Counsel: Seethal Attorneys.	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±74 963	The matter is being finalised and payment will be made by 19 July 2024.	Nil	Nil
<b>Total</b>					<b>R238 839 192</b>	<b>R91 801 971</b>

### Contingent assets:

No.	Name of Entity/ Subsidiary	Management's Description of Matter (including amount claimed and legal counsel)	Management's Estimate of the Financial Exposure (Including Costs and Disbursements)	Legal Services/Counsel Remarks	2024	2023

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### 45. Contingencies (continued)

1.	"I G Gilmore"	<p>The customer did not pay their water account and the matter has been handed over to the attorneys. The customer was issued with summons and they are defending the matter.</p> <p>Total value of the claim: R88 058</p> <p>Legal Counsel: Internal</p>	<p><b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: ±R55 000.</p> <p><b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: ±R50 000</p>	<p>A mediation meeting was held, and the customer was clarified about the issue of the tariff that they were billed on. The customer indicated that they would revert with proof that they changed the tariff. The Municipality waits the customer's responses.</p>	R88 058	R88 058
2.	Cyassound Holdings	<p>2019 – Claim by the municipality against Cyassound for arrear rental and unpaid municipal service account.</p> <p>Total value of claim: R1 938 082.38</p> <p>Legal Counsel: AT Mpungose &amp; Dlamini Inc.</p>	<p><b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: ±R50 000.</p> <p><b>30 June 2023</b> Total costs of outstanding legal fees or estimated costs: ±R50 000.</p>	<p>A Summons issued; Default Judgement granted. Execution stage. The defendant cannot be located therefore the Municipality is unable to execute.</p>	R1 938 082	R1 938 082
3.	Super Swift Logistics	<p>2022 - Debt collection matter for the recovery arrear rental owed to the Municipality.</p> <p>Claim: R150 386</p> <p>Legal Counsel: N/A - Internal Representation.</p>	<p><b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: ± R55 000</p>	<p>Letter of Demand was issued, awaiting further instructions.</p>	R150 386	Nil

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### 45. Contingencies (continued)

4.	Market Demand Trading (Rkt) Ltd 773	The Municipality gave notice of their intention to institute legal action against Market Demand (Pty) Ltd who was appointed on 26 April 2018 as an expert in terms of service level agreement compile 2016/2017 and 2017/2018 GRAP Compliant Register, to physically verify infrastructure, movable and immovable assets, work in progress and unbundling of all infrastructure assets for contract value of R 6 162 582 for a period commencing on 23 April 2018 and to be concluded on November 2018. Legal Counsel: Seethal Attorneys.	<b>30 June 2024</b> Total costs of outstanding legal fees or estimated costs: R±130 000	Awaiting further instruction on this matter.	R1 592 857	Nil
<b>Total</b>					<b>R3 769 383</b>	<b>R2 026 140</b>

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### 46. Related parties

Relationships		
Accounting Officer	Refer to note 29	
Councillors	Refer to note 30	
Subsidiary	South Coast Tourism and Investment Enterprise SOC (Former name : Ugu South Coast Development Cooperative Governance and Traditional Affairs	
Provincial Governing Department		

In terms of GRAP 20 paragraph 35 remuneration paid by Ugu District municipality to councillors and Municipal Manager and senior management (section 57 personnel) respectively are related parties. Refer to note 29 and 30.

### Related party balances

<b>Amounts included in Trade Payable regarding related parties</b>		
South Coast Tourism and Investment Enterprise SOC	19,593,602	21,593,602

### Related party transactions

<b>Gain on waiver of liability from related parties</b>		
South Coast Tourism and Investment Enterprise SOC (Former name : Ugu South Coast Development Agency SOC)	(23,313,071)	-

<b>Transfers and subsidies to related parties</b>		
South Coast Tourism and Investment Enterprise SOC (Former name : Ugu South Coast Development Agency SOC)	23,313,071	21,650,402

<b>Services in kind to related parties</b>		
South Coast Tourism and Investment Enterprise SOC (Former name : Ugu South Coast Development Agency SOC)	157,600	272,205

The South Coast Tourism and investment Enterprise wrote off the debt that it is owed by Ugu District Municipality. This is due to the financial challenges experienced by Ugu District Municipality which led to its inability to discharge its transfers and subsidies obligation towards its entity, the South Coast Tourism and Investment Enterprise. Refer to Note 41.

### 47. Unauthorised expenditure

Add: Unauthorised expenditure - current	1,024,539,404	415,578,693
Add: Unauthorised expenditure - prior period	74,862,073	15,978,190
Less: Amount written off	(1,099,401,477)	(431,556,883)
<b>Closing balance</b>	-	-

### Analysed as follows: non-cash

Depreciation and amortisation	7,968,398	-
Depreciation and amortisation adjustment prior year identified in the current year	-	2,252,678
Finance charges	40,568,352	-
Impairment of assets	20,791,420	6,696,952
Impairment of assets adjustment prior year identified in the current year	-	3,370,741
Debt impairment	243,939,032	-
Loss on disposal of assets	193,991	6,993,558
Actuarial loss	-	2,993,000
Bad debts written off	4,532,795	-
Loss on disposal of assets adjustment for prior year identified in the current year	-	100,000
	<b>317,993,988</b>	<b>22,406,929</b>

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<b>47. Unauthorised expenditure (continued)</b>		
<b>Analysed as follows: cash</b>		
Bulk purchases	97,057,137	12,717,814
Bulk purchases - adjustment for prior year identified in the current year	17,494,271	-
Contracted services	188,000,040	168,581,158
Contracted services adjustment for prior year identified in the current year	42,439,707	10,252,401
Finance costs	-	21,187,541
Finance costs - adjustment for prior year identified in the current year	17,013	-
Remuneration of councillors	-	369,770
Employee related costs	262,318,431	100,103,362
Lease rentals on operating lease	8,268,075	7,950,545
Lease rentals on operating lease adjustment for prior year identified in the current year	-	2,370
Operational expenditure	119,420,261	59,615,904
Operational costs- adjustment for prior year identified in the current year	14,911,082	-
Transfers and subsidies	23,313,071	13,650,402
Capital Expenditure	8,168,401	14,718,687
	<b>781,407,489</b>	<b>409,149,954</b>
<b>48. Fruitless and wasteful expenditure</b>		
Interest on overdue accounts	23,474,351	4,518,704
Add: Fruitless and wasteful expenditure identified - prior period	15,442	-
Less : Amount written off	(23,489,793)	(4,518,704)
<b>Closing balance</b>	<b>-</b>	<b>-</b>
<b>49. Irregular expenditure</b>		
Opening balance as previously reported	131,921,784	514,018,199
Add: Irregular Expenditure - current	78,747,350	242,350,998
Add: Irregular Expenditure - prior period	28,395,464	-
Less: Amount written off	(159,109,982)	(624,447,413)
<b>Closing balance</b>	<b>79,954,616</b>	<b>131,921,784</b>

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**49. Irregular expenditure (continued)**

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

		30 June 2024	30 June 2023
	<b>Disciplinary steps taken/criminal proceedings</b>		
Non compliance with regulation 29	No disciplinary steps taken	-	28,172,061
Local content non-compliance - PPPFA 8	No disciplinary steps taken	66,932,521	179,155,725
CIDB Contravention	No disciplinary steps taken	9,589,268	16,707,253
Other	No disciplinary steps taken	2,225,561	3,530,813
Non compliance with regulation 44	No disciplinary steps taken	-	261,401
Audit adjustments	No disciplinary steps taken	-	14,523,745
		<b>78,747,350</b>	<b>242,350,998</b>

As at the end of the reporting period the balance of irregular expenditure was yet to be investigated since an assessment was being made on whether to utilise internal capacity for these investigations or consider the use of a well experienced external investigator. In addition to this, management was in the process of identifying areas where financial resources can be freed to provide for these essential investigations. As at reporting date, the procurement process was underway but not yet finalised.

All irregular expenditure disclosed is inclusive of VAT.

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### 50. Prior-year adjustments

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

#### Statement of financial position

##### 30 June 2023 - Restated \*

	Note	As previously reported	Correction of error	Restated
Inventories (A)	3	15,032,811	(287,430)	14,745,381
Other receivables from exchange transactions (B)	5	5,322,874	(1,663,134)	3,659,740
Receivables from non-exchange transactions (C)	6	9,469,572	(447,315)	9,022,257
Receivables from exchange transactions (D)	7	186,091,935	(34,493,540)	151,598,395
Property, plant and equipment (E)	10	3,599,068,669	16,083,728	3,615,152,397
Payables from exchange transactions (F)	15	(678,632,247)	(134,770,730)	(813,402,977)
VAT payable (G)	17	(84,801,155)	18,074,254	(66,726,901)
Accumulated surplus (H)		(2,870,562,131)	137,504,167	(2,733,057,964)
		<b>180,990,328</b>	<b>-</b>	<b>180,990,328</b>

#### Statement of financial performance

##### 30 June 2023 - Restated \*

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges (I)		466,104,408	(13,775,356)	-	452,329,052
Water availability (I)		15,034,303	(9,609)	-	15,024,694
Rental of facilities and premises (J)		2,285,865	-	147,730	2,433,595
Interest income (K)		66,880,617	(1,843,713)	(147,730)	64,889,174
Employee related costs (L)	29	(514,924,748)	1,571	-	(514,923,177)
Finance costs (M)	32	(29,617,912)	(17,013)	-	(29,634,925)
Depreciation and amortization (N)	31	(219,645,660)	(1,741,047)	-	(221,386,707)
Contracted services (O)	37	(310,318,012)	(42,439,706)	-	(352,757,718)
Operational costs (P)	39	(181,161,652)	(14,911,082)	-	(196,072,734)
Bulk purchases(Q)	36	(130,523,814)	(17,494,271)	-	(148,018,085)
Loss on disposal (R)	10	(5,472,838)	16,561	-	(5,456,277)
		<b>(841,359,443)</b>	<b>(92,213,665)</b>	<b>-</b>	<b>(933,573,108)</b>

### Errors

Nature of the errors identified

A) This is due to changes in water inventory balances.

B) The restated figures are due to the correction of errors that related to prior periods which were processed in the current year. These were reclassified to the correct periods.

C) The restated figures are due to the correction of errors that related to prior periods which were processed in the current year. These were reclassified to the correct periods.



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### 50. Prior-year adjustments (continued)

D) The restated figures are due to the correction of errors that related to prior periods which were processed in the current year. These were reclassified to the correct periods.

E) The restatement is due an incorrect recording of assets disposed in the previous year. During the physical verification there were newly found assets. The were completed projects that were not capitalised in 2023 and prior years which resulted in under statement of infrastructure.

F) Additional invoices received in the current year while expenditure is for prior years.

G This restatement is as a result of prior year in expenses and revenue items.

H) This restatement is due to movement in expenditure and revenue in prior year.

I) The restated figures are due to the correction of errors that related to prior periods which were processed in the current year. These were reclassified to the correct periods.

J) The restated figures are due to the correction of errors that related to prior periods which were processed in the current year. These were reclassified to the correct periods.

K) The restated figures are due to the correction of errors that related to prior periods which were processed in the current year. These were reclassified to the correct periods.

L) This restatemet is due interest on restated employees salaries owed.

M) This restatemet is due interest on restated employees salaries owed and interest on overdue accounts..

N) The restatement is due an incorrect recording of assets disposed in the previous year. During the physical verification there were newly found assets.

O) This is due additional invoices received in the current year while the expenditure has been incurred in the previous year.

P) This due to additional invoices received in the current year while the expenditure has been incurred in the previous year.

Q) Invoice for Harding water schemes received in the current year, while expenditure was incurred in the previous year.

R) There were assets that were incorrectly disposed in the prior year.

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

#### South African Local Government Association

Current year subscription / fee	4,570,229	4,327,011
Amount paid - current year	(4,570,229)	(4,327,011)
	-	-

#### Audit fees

Opening balance	976,193	2,144,359
Current year fee	6,300,626	7,401,336
Amount paid - current year	(4,961,358)	(6,425,143)
Amount paid - previous years	(976,193)	(2,144,359)
	<b>1,339,268</b>	<b>976,193</b>

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

#### PAYE and UIF

Opening balance	5,524,935	5,771,936
Current year subscription / fee	99,995,845	84,631,790
Amount paid - current year	(98,075,612)	(84,878,791)
	<b>7,445,168</b>	<b>5,524,935</b>

The outstanding amount at the end of the financial year was included in the accrual list for the reporting period.

#### Pension and Medical Aid Deductions

Opening balance	9,153,229	4,979,470
Current year subscription / fee	119,340,046	102,961,127
Amount paid - current year	(111,337,698)	(98,787,368)
	<b>17,155,577</b>	<b>9,153,229</b>

The outstanding amount at the end of the period was included in the accrual list for the reporting period.

#### VAT

VAT payable	108,521,588	66,726,901
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All VAT returns were 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 June 30, 2024:

June 30, 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor N Njenga	851	30,574	31,425
Councillor D Nciki	2,995	1,453	4,448
Councillor MA Manyoni	298	9,250	9,548
Councillor V Chiya	477	3,085	3,562
	<b>4,621</b>	<b>44,362</b>	<b>48,983</b>
June 30, 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor N Njenga	899	26,763	27,662
Councillor D Nciki	4,681	7,749	12,430
Councillor MA Manyoni	1,893	4,192	6,085
Councillor V Chiya	338	1,364	1,702
	<b>7,811</b>	<b>40,068</b>	<b>47,879</b>

# Ugu District Municipality

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### 52. Budget differences

#### Statement of Financial Performance

52.1 The variance is favourable since the budget consolidates the value for service charges and water availability combined performed higher than the budgeted value.

52.2 The variance is favourable, this was owing to a rental income yield that was greater than anticipated on the leasing of Ugu Sports and Leisure.

52.3 The variance is favourable, this is due to the nature of other income being recognised on adhoc basis as and when requested by user department.

52.4 The debt book is increasing month by month hence the high value of interest being raised. This is indicative of slow collection.

52.5 The variance is unfavourable, due to the non-receipt of the disaster grant.

52.6 The variance is due to a donation received that was not anticipated.

52.7 The variance is favourable since the budget consolidates the value for service charges and water availability combined performed higher than the budgeted value.

52.8 The variance is as a result of the municipality's back pay of reinstated Staff, Overtime payable to essential services Staff, Acting Allowances as well as vacant positions that are now being filled. Annual increase for Sec57 Managers were paid in October 2023, as the application was recently approved by the Bargaining Council.

52.9 The variance is favorable due to the approval of the upper limit being within what was budgeted for.

52.10 The variance is unfavourable due more projects being completed and ready for use earlier than anticipated.

52.11 The variance due to impairment of assets being higher than anticipated.

52.12 The variance is due to Interest on overdue accounts relating to unpaid invoices within the regulated period of 30 days.

52.13 Lease rentals are budgeted under operating costs, the costs are commensurate to anticipated prior increase from the prior year costs.

52.14 The variance is unfavourable due to slow payment by customers which renders a significant portion of the debt being uncollectable.

52.15 The irrecoverable debt was not budgeted for since it could not be reliably estimated how much the amnesty would generate.

52.16 There has been the introduction of the Harding scheme in the uMgeni billing which will now see the expenditure on inventory consumed increase from anticipated.

52.17 The major contributing factors are responses to unforeseen emergencies that also have an environmental impact such as sewer spillages. Management is intensifying the cost containment measures which will slow down the spending in the later part of the financial year.

52.18 The were no transfer and subsidies as the municipality was facing cashflow challenges.

52.19 This is owing to the increased electricity bill which was not commensurate to the year-to-date projections. The other portion of the variance is because of fuel price increase in the country, it has resulted in a drastic increase in the Municipality's fuel expenditure. The municipality is strictly intensifying cost containment measures.

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### 52. Budget differences (continued)

52.20 The variance is because the municipality did not anticipate any loss on disposal as there were no assets to be disposed.

52.21 The variance is due to the unanticipated write-off the municipal transfers and subsidies being written off by the entity and so necessitating the Municipality to realise the gain.

52.22 The variance is favourable, the fair value of the investment property increased although not anticipated since there was no major investment into the property.

52.23 The variance is unfavourable, these costs are budget for under employee costs, management anticipated a gain as was the case in the prior year. Therefore, the loss was not anticipated and thus not budgeted. These are line items that are budgeted for based on historical trends.

### Statement of Financial Position:

52.24 The variance is favourable, the budget was in line with anticipated actuals.

52.25 The variance is favourable, the budget was in line with anticipated actuals.

52.26 This is budgeted for under receivable from exchange transactions.

52.27 This is budgeted for under receivable from exchange transactions.

52.28 The variance is due to slow collections since the Municipality is registered under payment basis which leads to higher Input VAT than Out put VAT.

52.29 The variance is unfavourable, this due to a lower than anticipated debt collection process, however debt collectors have been appointed and have started with the collection process which should see a cash improvement by year end.

52.30 The variance is unfavourable, due to low collections from receivable and higher expenditure.

52.31 The variance is favourable, the fair value of the investment property increased although not anticipated since there was no major investment into the property.

52.32 The variance is unfavourable, due to the non-receipt of the disaster grant which would have been accounted for as additions.

52.33 The unfavourable due to lower than anticipated acquisition of new software.

52.34 The variance is favourable, the budget was in line with anticipated actuals.

52.35 The loans were taken for Sanitation refurbishment and for uMzimkhulu Augmentation at a very low rate of 5% since DBSA was subsidised by the Government to give the Municipalities loans. The Municipality took that opportunity to speed up their Service Delivery process as it was getting value for money at the lowest possible rates.

52.36 Operating lease liability is budgeted for under payables.

52.37 The municipality is unable to pay its creditors with 30 days due to financial difficulties. There is an existing payment arrangement between uMgeni and the Municipality for the bulk water debt to have the debt settled by 2025/26. This payment arrangement is currently being adhered to.

52.38 Payables from non exchange is reported under payables from exchange transactions.

52.39 The variance is favourable due to an increase in consumer deposits.

52.40 The variance is unfavourable, although management budgets net of VAT, this payable reflects a negative financial position.

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### 52. Budget differences (continued)

52.41 The variance is favourable, the budget was able to cater for the actual balance between both current and non-current liabilities.

52.42 The variance is unfavourable, management did not anticipate any unspent grants and hence there was no budget for grants unspent.

52.43 The variance is favourable, the budget was able to cater for the actual balance between both current and non-current liabilities. Long service awards is budgeted under post employment benefits.

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### 53. Financial instruments disclosure

#### Categories of financial instruments

#### 30 June 2024

##### Financial assets

	At amortised cost	Total
Current portion of long term receivables	57,025	57,025
Other receivables from exchange transactions	3,071,055	3,071,055
Receivables from non-exchange transactions	10,754,273	10,754,273
Receivables from exchange transactions	150,855,282	150,855,282
Cash and cash equivalents	13,538,460	13,538,460
Non current portion of long term receivables	5,588,366	5,588,366
	<b>183,864,461</b>	<b>183,864,461</b>

##### Financial liabilities

	At amortised cost	Total
Current portion of long term liabilities	4,118,702	4,118,702
Payables from exchange transactions - current	1,017,622,133	1,017,622,133
Consumer deposits	22,698,183	22,698,183
Non current portion of long term liabilities	20,753,224	20,753,224
Unspent conditional grants	11,487,401	11,487,401
Payables from exchange transactions - non current	61,346,284	61,346,284
	<b>1,138,025,927</b>	<b>1,138,025,927</b>

#### 30 June 2023 - Restated \*

##### Financial assets

	At amortised cost	Total
Current portion of long term liabilities	54,701	54,701
Other receivables from exchange transactions	3,659,740	3,659,740
Receivables from non-exchange transactions	9,022,257	9,022,257
Receivables from exchange transactions	151,598,394	151,598,394
Cash and cash equivalents	13,086,458	13,086,458
Non current portion of long term receivables	5,580,929	5,580,929
	<b>183,002,479</b>	<b>183,002,479</b>

##### Financial liabilities

	At cost	Total
Current portion of long term liabilities	6,270,224	6,270,224
Payables from exchange transactions - current	813,402,977	813,402,977
Consumer deposits	22,237,236	22,237,236
Non current portion of long term liabilities	24,638,311	24,638,311
Unspent conditional grants	1,373,065	1,373,065
Payables from exchange transactions - non current	118,005,099	118,005,099
	<b>985,926,912</b>	<b>985,926,912</b>

# Ugu District Municipality

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<b>54. Capital Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Capital Commitments	511,411,297	568,529,496
<b>Total capital commitments</b>		
Already contracted for but not provided for	511,411,297	568,529,496
Not yet contracted for and authorised by accounting officer	-	-
	<b>511,411,297</b>	<b>568,529,496</b>
<b>Funding breakdown for commitments</b>		
Grant funded by MIG	437,386,772	396,039,282
Grant funded by WSIG	74,024,525	172,490,214
	<b>511,411,297</b>	<b>568,529,496</b>

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### 55. Risk management

#### Financial risk management

It is the policy of the municipality to disclose information that enables the user of its interim financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date. The municipality has exposure to the following risks from its operations in financial instruments.

1. Liquidity risk;
2. Credit risk and
3. Market risk

#### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cashflow requirements, as well as in terms of the Municipality's policy.

Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the council, which has built an appropriate liquidity risk management framework for the management of the municipality's short-, medium- and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included below is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.

At ,June 30, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	792,451,049	66,480,322	61,346,284	-
Consumer Deposits	22,698,183	-	-	-
Non Current Financial Liabilities	-	4,409,201	22,704,104	45,543,996
At June 30, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	597,368,756	60,118,393	118,005,099	-
Consumer Deposits	22,237,236	-	-	-
Non Current Financial Liabilities	-	6,534,314	25,986,517	46,437,168



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### 55. Risk management (continued)

#### Credit risk

Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

#### Facilities and Guarantees held with Absa Bank and Standard Bank

Guarantees held in lieu of Eskom & Post Office	R3 052 000
Fleet Card Facility	R2 500 000
Overdraft Facility	R10 000 000

#### Cashflow interest rate risk

The municipality's interest rate risk arises from investments. Investments at variable rates expose the municipality to cashflow interest rate risk. Investments at fixed rates expose the municipality to fair value interest rate risk. The municipal policy is to not invest all excess funds with one institution and to invest at different maturity dates over the short term to alleviate major fluctuations in the interest rates. The majority of investments are fixed rate investments.

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

Financial instrument	30 June 2024	30 June 2023
Current Accounts	10,358,950	9,054,188
Call Deposits	3,178,884	4,031,664

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The municipality evaluates possible risks and ensures minimal exposure.

#### Interest rate risk

##### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due in three to four years	Due after five years
Annuity Loans	5.00 %	4,118,701	4,329,423	16,423,802	-	-

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### 56. Going concern

Although the Municipality is technically solvent as its total assets exceed its total liabilities, liquidity remains a challenge. The Municipality might not be able to fulfil its financial obligations as it does not have enough investments, cash and other assets to repay its short term obligations.

This significantly contributes to going concern uncertainty as well as severe cash-flow and operational difficulties. The Municipality does not have adequate working capital as it did not have sufficient cash and other resources to pay trade and other payables.

The Municipality's expenditure (such as employee costs, rent, and bulk water and electricity purchases) exceeds its revenue (such as the equitable share of national revenue, unconditional grants, and consumer revenue for water and sewer services), however the net cash inflows from operating activities indicates that the Municipality is able to reasonably contain its cash operating expenditure and collect reasonably its anticipated revenue.

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

Therefore, in preparation of the Annual Financial Statements for the 30 June 2024 financial year, the going concern assumption has however been adopted as there are no plans to significantly curtail the operation of the Municipality in the foreseeable future.

### 57. Events after the reporting date

During the financial year, South Coast Tourism and Investment Enterprise, a subsidiary of Ugu District Municipality. On the 22<sup>nd</sup> of November 2024 the South Coast Tourism and Investment Enterprise rescinded a credit note of R23 313 071 which related to transfers and subsidies transactions and reissued anew credit note of the value of R19 593 602. This had resulted in gain on waiver of liability. The conditions of rescinding of the credit note arose after the reporting date, which indicated that the initial issuance was no longer valid.

In accordance with the requirements of GRAP 14 Events After the Reporting Date, management has assessed the recall of the credit note and determined that it is a non-adjusting event. This event does not provide further evidence of conditions that existed at the reporting date and therefore does not impact the amounts recognized in the financial statements for the year ended 30 June 2024.

### 58. Deviation from supply chain management regulations

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

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

Section 36(1)(ii) • Goods or service were from single service provider	3,766,247	594,320
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### 59. Segment information

#### Identification of segments

- The municipality is organised and reports to management on the basis of three major functional areas: Budget Treasury Office; Water Services and Economic development and environmental services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.
- Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.
- The Municipality has other departments namely Corporate Services and Office of the Municipal Manager that it has considered as not meeting the definition and classification as a reportable segment as supported by paragraph 8 of Grap 18 as these departments do not undertake activities of the municipality that generates significant economic benefits or service potential.
- The segments are reported using the same accounting basis as the municipality and there are no differences in the differences in measurements.

#### Aggregated segments

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

#### Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Budget Treasury Office	Sale of goods Tender documents, connection fees and interest on investments and overdue accounts.
Water Services	Provision and maintenance of infrastructure water as well as basic service delivery of water and sanitation.
Economic development and environmental services	Provision of environmental services such as licensing for businesses and the management of sports and leisure centre. The provision of economic development support services.

#### Geographical Areas

The municipality operates in various geographical areas, each with its own set of challenges and operational nuances. The cost of implementing a system to track and report this information accurately would be prohibitively high, diverting resources from other critical municipal services. Furthermore, the potential benefits of such detailed reporting are outweighed by the practical difficulties and financial strain it would impose. Extracting and reporting such detailed geographical information is impracticable. The complexity of disaggregating financial data by geography, coupled with the administrative burden and costs involved, makes this requirement onerous.

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### 59. Segment information (continued)

#### Statement of Financial Performance

30 June 2024

	Budget Treasury Office	Economic Development and Environmental services	Water Services	Unallocated	Total
<b>Revenue</b>					
Government grants and subsidies	2,252,176	980,525	1,038,602,964	13,556,000	1,055,391,665
Interest income	80,936,194	-	144,088	-	81,080,282
Other income	3,525,413	43,363	421,985	4,000,000	7,990,761
Rental from facilities	2,760,814	(5,838)	-	-	2,754,976
Service charges	358,603,261	12,565	133,182,773	-	491,798,599
Water availability	15,863,378	-	-	-	15,863,378
Public contributions and donations	4,048,500	-	-	-	4,048,500
Gain on waiver of liability	23,313,071	-	-	-	23,313,071
<b>Total segment revenue</b>	<b>491,302,807</b>	<b>1,030,615</b>	<b>1,172,351,810</b>	<b>17,556,000</b>	<b>1,682,241,232</b>
<b>Expenditure</b>					
Employee related costs	75,274,550	25,660,291	284,465,148	157,382,860	542,782,849
Remuneration of councilors	-	-	-	13,098,280	13,098,280
Bulk purchases	-	-	158,766,652	-	158,766,652
Contracted services	21,249,279	8,079,990	212,113,719	63,751,693	305,194,681
Depreciation and amortisation	16,119,475	-	211,848,923	-	227,968,398
Finance costs	39,390,939	-	5,628,000	169,413	45,188,352
Bad debts written off	985,433	-	3,547,362	-	4,532,795
Impairment of debtors	271,165,282	-	-	-	271,165,282
Operating lease rentals	-	-	1,239,258	7,028,817	8,268,075
Operational costs	21,062,713	91,268	121,808,206	70,952,129	213,914,316
Transfers and subsidies	-	23,313,071	-	-	23,313,071
Actuarial gains	(241,246)	-	-	-	(241,246)
Fair value adjustments	(2,400,000)	-	-	-	(2,400,000)
Impairment of PPE	20,767,608	-	-	-	20,767,608
Loss on disposal	193,991	-	-	-	193,991
<b>Total segment expenditure</b>	<b>463,568,024</b>	<b>57,144,620</b>	<b>999,417,268</b>	<b>312,383,192</b>	<b>1,832,513,104</b>
<b>Total segmental (surplus)/deficit</b>					<b>(150,271,872)</b>

#### Statement of Financial Position

<b>Assets</b>				
Inventory	12,595,132	-	1,471,624	-
Cash and cash equivalents	33,538,460	-	(20,000,000)	-
Current portion of long term receivables	57,025	-	-	-
Other receivables from exchange transactions	3,030,044	-	41,872	(860)
Receivables from exchange transactions	179,542,712	-	(28,687,431)	-
Receivables from non exchange	(104,868,366)	-	115,622,639	-
Intangible assets	4,367,660	-	-	-
Investment in controlled entities	200	-	-	-
Investment property	30,400,000	-	-	-

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## Notes to the Annual Financial Statements

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<b>59. Segment information (continued)</b>					
Long term portion of receivables	5,119,045	-	-	469,321	5,588,366
Property plant and equipment	257,249,391	-	8,191,633,033	(4,786,837,129)	3,662,045,295
<b>Total segment assets</b>	<b>421,031,303</b>	<b>-</b>	<b>8,260,081,737</b>	<b>(4,786,368,668)</b>	<b>3,894,744,372</b>
<b>Liabilities</b>					
Consumer deposits	-	-	(22,698,183)	-	(22,698,183)
Post employment benefits	(1,306,441)	-	-	-	(1,306,441)
Long service awards (Current)	(2,675,070)	-	-	-	(2,675,070)
Operating lease liabilities	(10,607,600)	-	-	-	(10,607,600)
Short term portion of liabilities	-	-	-	(4,118,702)	(4,118,702)
Payables from exchange transaction	(869,159,807)	-	(66,480,320)	(81,982,006)	(1,017,622,133)
Unspent conditional grants	421,883,153	(1,790,365)	(434,186,189)	2,606,000	(11,487,401)
VAT	(107,934,635)	-	-	(586,953)	(108,521,588)
Post employment benefits (Non-current)	(18,312,917)	-	-	-	(18,312,917)
Long term portion of liabilities	(20,753,224)	-	-	-	(20,753,224)
Long service awards	(32,508,741)	-	-	-	(32,508,741)
Payable from exchange transactions (Non-current)	(61,346,284)	-	-	-	(61,346,284)
<b>Total segment liabilities</b>	<b>(702,721,566)</b>	<b>(1,790,365)</b>	<b>(523,364,692)</b>	<b>(84,081,661)</b>	<b>(1,311,958,284)</b>
Accumulated surplus					2,582,786,088
<b>Total Net Assets</b>					<b>2,582,786,088</b>

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### 59. Segment information (continued)

#### Statement of Financial Performance

#### 30 June 2023 - Restated \*

	Budget Treasury Office	Economic Development and Environmental Services	Water Services	Unallocated	Total
<b>Revenue</b>					
Government grants and subsidies	13,087,700	2,429,112	1,085,368,000	5,319,000	1,106,203,812
Interest income	64,478,941	-	410,233	-	64,889,174
Other income	18,663,242	5,750	632,707	-	19,301,699
Rental from facilities	2,433,595	-	-	-	2,433,595
Service charges	352,714,650	(16,093)	99,602,911	27,584	452,329,052
Water availability	-	-	15,024,694	-	15,024,694
Public contributions and donations	2,821,483	-	-	-	2,821,483
<b>Total segment revenue</b>	<b>454,199,611</b>	<b>2,418,769</b>	<b>1,201,038,545</b>	<b>5,346,584</b>	<b>1,663,003,509</b>
<b>Expenditure</b>					
Employee related costs	78,471,836	21,377,295	281,612,517	133,461,529	514,923,177
Remuneration of councillors	-	-	-	11,794,938	11,794,938
Bad debts written off	-	-	4,997,466	-	4,997,466
Bulk purchases	-	-	148,018,085	-	148,018,085
Contracted services	22,895,167	3,157,338	275,663,753	51,041,461	352,757,719
Depreciation and amortisation	221,386,707	-	-	-	221,386,707
Finance costs	24,578,775	-	4,884,000	172,150	29,634,925
Impairment of debtors	-	-	126,197,397	-	126,197,397
Operating lease rentals	-	-	1,239,259	6,804,330	8,043,589
Operational costs	34,540,440	723,068	95,732,571	65,076,655	196,072,734
Transfers and subsidies	-	21,650,402	-	-	21,650,402
Actuarial gains	2,993,000	-	-	-	2,993,000
Fair value adjustments	(1,600,000)	-	-	-	(1,600,000)
Loss on disposal of assets	(1,187,723)	-	6,644,000	-	5,456,277
Impairment of PPE	6,834,686	-	-	-	6,834,686
<b>Total segment expenditure</b>	<b>388,912,888</b>	<b>46,908,103</b>	<b>944,989,048</b>	<b>268,351,063</b>	<b>1,649,161,102</b>
<b>Total segmental surplus/(deficit)</b>					<b>13,842,407</b>

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### 59. Segment information (continued)

#### Statement of Financial Position

##### Assets

Inventory	13,059,878	-	1,685,503	-	14,745,381
Cash and cash equivalents	33,086,458	-	(20,000,000)	-	13,086,458
Current portion of long term receivables	54,701	-	-	-	54,701
Other receivables from exchange transactions	3,619,653	-	40,947	(860)	3,659,740
Receivables from exchange transactions	174,542,827	-	(22,944,432)	-	151,598,395
Receivables from non exchange	(98,612,618)	-	107,634,875	-	9,022,257
Intangible assets	6,782,750	-	-	-	6,782,750
Investment in controlled entities	200	-	-	-	200
Investment property	28,000,000	-	-	-	28,000,000
Long term portion of receivables	5,119,045	-	-	461,883	5,580,928
Property plant and equipment	193,876,712	-	8,176,108,480	(4,754,832,794)	3,615,152,398
<b>Total segment assets</b>	<b>359,529,606</b>	<b>-</b>	<b>8,242,525,373</b>	<b>(4,754,371,771)</b>	<b>3,847,683,208</b>

##### Liabilities

Consumer deposits	-	-	(22,237,236)	-	(22,237,236)
Post employment benefits	(1,394,000)	-	-	-	(1,394,000)
Long service awards (Current)	(5,570,000)	-	-	-	(5,570,000)
Operating lease liabilities	(9,632,431)	-	-	-	(9,632,431)
Short term portion of liabilities	-	-	-	(6,270,224)	(6,270,224)
Payables from exchange transaction	(663,611,023)	-	(60,118,391)	(89,673,563)	(813,402,977)
Unspent conditional grants	(1,373,065)	-	-	-	(1,373,065)
VAT	(66,612,285)	-	-	(114,616)	(66,726,901)
Post employment benefits	(18,566,000)	-	-	-	(18,566,000)
Long term portion of liabilities	-	-	-	(24,638,311)	(24,638,311)
Long service awards	(26,809,000)	-	-	-	(26,809,000)
Payable from exchangetransactions (Non-current)	(118,005,099)	-	-	-	(118,005,099)
<b>Total segment liabilities</b>	<b>(911,572,903)</b>	<b>-</b>	<b>(82,355,627)</b>	<b>(120,696,714)</b>	<b>(1,114,625,244)</b>
Accumulated surplus					2,733,057,964
<b>Total Net Assets</b>					<b>2,733,057,964</b>

The prior year segment information has been restated in line with the prior year restatement as detailed in **note50** of the interim financial statements.

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### 60. Change in estimate

#### Property, plant and equipment

A change in the estimated remaining useful lives of various assets of the Municipality based on their assessment conducted as at 30 June 2024 resulted in the following decreases in depreciation for property plant and equipment in the current and prior financial year:

#### The impact on the statement of financial performance (Depreciation) as of 30 June 2024 and future periods

Infrastructure assets	3,126,279	57,222
Other Property plant and equipment	1,286,318	34,875
	<b>4,412,597</b>	<b>92,097</b>

#### The impact on the statement of financial performance (Depreciation) in the future periods:

Infrastructure assets	3,126,279	92,404
Other Property plant and equipment	1,286,318	34,875
	<b>4,412,597</b>	<b>127,279</b>

### 61. Awards to close family members of persons in service of the state

Paragraph 45 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003); Municipal Supply Chain Management Regulations states that particulars of any award more than R2 000 made to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous nine (9) months must be disclosed as a note in the Annual Financial Statements.

#### 30 June 2024

**Name** :Amarda Projects

**Relation** : Spouse to an employee who is in the service of the state/municipality

**Total value**: R198,330.00

**Name** : Zamashazi Investments

**Relation** : Spouse to an employee who is in the service of the state/municipality

**Total value**: R1 889 000

#### 30 June 2023

**Name** : Mthwana Projects

**Relation** : Spouse to an employee who is in the service of the state/municipality

**Total value** : R 1 485 904.