



**INXUBA YETHEMBA LOCAL MUNICIPALITY**  
(Registration number: EC131)  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2024**

# Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

## General Information

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### Legal form of municipality

EC131 - Local Municipality - The municipality's operations are governed by the Municipal Finance Management Act 56 of 2003, Municipal Structures Act 117 of 1998, Municipal Systems Act 32 of 2000; and various other acts and regulations.

### Nature of business and principal activities

Inxuba Yethemba Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. The municipality performs the functions as set out in the Constitution. This in effect means that the municipality provides services like electricity and refuse removal to the community. Inxuba Yethemba Local Municipality also serves as an agent to the Provincial Department of Transport.

### Jurisdiction

Cradock and Middelburg

### Executive committee

Executive mayor

NP Zonke

Speaker

Mbotya, TP

Mayoral committee

Dauids, L  
Masawe, SV  
Ndondose, S  
Mongo, NNA

Councillors

Dakuse, A  
Desha, M  
Featherstonehaug, MH  
Jacobus, R  
Lawens, BL  
Rasmeni, M  
Reeners, J  
Samuels, C  
Van der Merwe, J  
Vorster, HB,  
Smith Z

MPAC Chairperson

Biko, N

### Grading of local authority

Three (3)

### Registered office and business address

1 J A Calata Street  
Cradock  
5880

### Bankers

First National Bank

### Auditors

Auditor General of South Africa  
Registered Auditors

### Attorneys

Metcalf & Kie Attorneys  
Nolte and Smit Attorneys  
Minnaar and De Kock Attorneys  
Zepe & Co Attorneys  
NE Mbewana Attorneys  
Dyushu and Majebe Inc Attorneys  
Joubert Gaulpin Searle Attorneys

# Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

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

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### Abbreviations used:

MIG	Municipal Infrastructure Grant
INEG	Intergrated National Electrification Grant
GRAP	Generally Recognised Accounting Practice
FMG	Financial Management Grant
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
OTP	Office of the Premier
MDRF	Municipal Disaster Relief Fund
EPWP	Expanded Public Works Programme

# **Inxuba Yethemba Local Municipality**

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 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 annual financial statements have been prepared in accordance with Standards of the 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. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors

The annual financial statements set out from page 5, which have been prepared on the going concern basis, were approved and signed by the municipal manager on August 31, 2024.

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**MWM Mbebe**  
**Municipal Manager**

# Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Report

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

### 1. Review of activities

#### Main business and operations

The municipality operates in South Africa.

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

Net deficit of the municipality was R 96 851 292 (2023: deficit R 159 657 968).

### 2. Going concern

We draw attention to the fact that as at 30 June 2024, the municipality had an accumulated surplus of R 575 391 212 and that the municipality's current liabilities exceed its current assets by R 561 762 944. In addition, the municipality incurred a deficit of R 96 851 292 (2023: R 159 657 968). The municipality continues to experience cash flow challenges with a net outflow of cash reserves in the current financial year. The growing of the Eskom debt also poses a risk to the municipality to continue as a going concern. Despite the municipality experiencing the cash flows concerns, the deficit realised by the municipality has significantly reduced from prior year which indicates significant improvement by the municipality. The municipality receives governments grants annually to assist with the running of its operational activities. The municipality has also entered into the payment arrangement with Eskom as a way of assisting the municipality to pay the outstanding amount of the debt. The arrangement involves the writing off of the Eskom debt if they adhere to the arrangement, The arrangement has led to the reduction of the municipality total debts owed .

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

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

### 3. Subsequent events

The accounting officer is not aware of matters or circumstances arising since the end of the financial year that would require disclosure in the annual financial statements.

### 4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of GRAP issued by the Accounting Standards Board as the prescribed framework by National Treasury and in accordance with Section 122(3) of the MFMA.

### 5. Accounting officer's interest in contracts

The accounting officer has no interests in contracts of the municipality.

# Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	7 615 847	7 450 126
Receivables from exchange transactions	4	1 882 943	1 720 528
Statutory receivables	5	48 598 167	13 921 334
VAT Receivable	6	35 992 128	35 167 493
Consumer debtors	7	31 911 954	34 202 796
Cash and cash equivalents	8	5 667 436	2 307 158
		<b>131 668 475</b>	<b>94 769 435</b>
<b>Non-Current Assets</b>			
Investment property	9	54 345 297	53 477 286
Property, plant and equipment	11	1 125 562 654	1 132 910 214
Heritage assets	10	16 019 999	16 019 999
		<b>1 195 927 950</b>	<b>1 202 407 499</b>
<b>Total Assets</b>		<b>1 327 596 425</b>	<b>1 297 176 934</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	12	686 119 528	565 875 372
Consumer deposits	13	1 312 069	1 312 123
Unspent conditional grants and receipts	14	3 290 481	-
Provisions	16	2 709 341	2 029 336
		<b>693 431 419</b>	<b>569 216 831</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	15	38 791 843	39 978 475
Provisions	16	19 981 951	15 739 125
		<b>58 773 794</b>	<b>55 717 600</b>
<b>Total Liabilities</b>		<b>752 205 213</b>	<b>624 934 431</b>
<b>Net Assets</b>		<b>575 391 212</b>	<b>672 242 503</b>
Accumulated surplus		575 391 212	672 242 503
<b>Total Net Assets</b>		<b>575 391 212</b>	<b>672 242 503</b>

\* See Note 56

# Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Notes	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	17	152 678 259	132 314 933
Rental of facilities and equipment	18	1 705 351	1 839 946
Agency services	19	2 908 437	2 954 872
Other income	20	2 473 747	2 423 780
Interest received	21	29 344 953	24 198 169
Fair value adjustments	22	868 011	-
Actuarial gains	23	4 853 419	2 645 057
<b>Total revenue from exchange transactions</b>		<b>194 832 177</b>	<b>166 376 757</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	66 565 959	49 407 926
<b>Transfer revenue</b>			
Government grants & subsidies	25	100 182 420	94 000 800
Fines, Penalties and Forfeits	26	273 793	77 624
Interest Eskom Debt write off	27	43 520 416	-
Services in-kind	28	2 069 340	3 969 546
<b>Total revenue from non-exchange transactions</b>		<b>212 611 928</b>	<b>147 455 896</b>
<b>Total revenue</b>		<b>407 444 105</b>	<b>313 832 653</b>
<b>Expenditure</b>			
Employee related costs	29	(125 532 482)	(117 068 770)
Remuneration of councillors	30	(9 419 082)	(8 816 409)
Depreciation and amortisation	32	(51 220 728)	(66 080 725)
Impairment loss	33	(13 041 979)	(44 235 806)
Finance costs	31	(43 685 171)	(45 371 540)
Lease rentals on operating lease	34	(1 398 884)	(1 595 947)
Bad debts written off	35	(36 081 578)	(10 359 287)
Bulk purchases	36	(116 868 088)	(94 959 057)
Contracted services	37	(35 938 912)	(21 436 586)
Loss on disposal of assets	38	(233 509)	(7 531 737)
Fair value adjustments	22	-	(4 575 082)
Inventories losses/write-downs	3	(1 635 410)	-
General Expenses	41	(52 834 436)	(37 006 567)
Repairs and maintenance	40	(16 405 138)	(14 453 108)
<b>Total expenditure</b>		<b>(504 295 397)</b>	<b>(473 490 621)</b>
<b>Deficit for the year</b>		<b>(96 851 292)</b>	<b>(159 657 968)</b>

\* See Note 56

## Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	843 592 530	843 592 530
Adjustments		
Correction of errors (*)	(11 953 277)	(11 953 277)
<b>Balance at 01 July 2022 as restated*</b>	<b>831 639 253</b>	<b>831 639 253</b>
Deficit for the year	(158 819 895)	(158 819 895)
Opening balance as previously reported	672 807 465	672 807 465
Adjustments		
Prior year adjustments 56	(564 961)	(564 961)
<b>Balance at 01 July 2023 as restated*</b>	<b>672 242 504</b>	<b>672 242 504</b>
Deficit for the year	(96 851 292)	(96 851 292)
<b>Balance at 30 June 2024</b>	<b>575 391 212</b>	<b>575 391 212</b>

\* See Note 56



# Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		31 875 100	37 889 410
Sale of goods and services		154 910 719	114 930 508
Grants		103 472 901	94 000 800
Interest income		261 342	241 069
Other receipts		5 382 184	5 879 204
		295 902 246	252 940 991
<b>Payments</b>			
Employee costs		(134 035 019)	(123 060 221)
Suppliers		(113 259 280)	(77 108 422)
		(247 294 299)	(200 168 643)
<b>Net cash flows from operating activities</b>	42	<b>48 607 947</b>	<b>52 772 348</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(45 247 669)	(51 507 356)
Proceeds from sale of property, plant and equipment	11	-	67 529
<b>Net cash flows from investing activities</b>		<b>(45 247 669)</b>	<b>(51 439 827)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3 360 278</b>	<b>1 332 521</b>
Cash and cash equivalents at the beginning of the year		2 307 158	974 637
<b>Cash and cash equivalents at the end of the year</b>	8	<b>5 667 436</b>	<b>2 307 158</b>

The accounting policies on pages 15 to 37 and the notes on pages 38 to 81 form an integral part of the annual financial statements.

\* See Note 56

# Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Reference
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### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	239 526 777	(20 000 000)	219 526 777	152 678 259	(66 848 518)	N1
Rental of facilities and equipment	1 887 566	-	1 887 566	1 705 351	(182 215)	
Agency services	2 486 889	(1 000 000)	1 486 889	2 908 437	1 421 548	N2
Licences and permits	4 586 329	48 628	4 634 957	-	(4 634 957)	
Other income	4 238 380	(1 900 000)	2 338 380	2 473 747	135 367	N3
Interest received	40 854 487	-	40 854 487	29 344 953	(11 509 534)	N4
Gains on disposal of assets	7 500 000	3 600 000	11 100 000	-	(11 100 000)	
Acturial gains/losses	-	-	-	4 853 419	4 853 419	

<b>Total revenue from exchange transactions</b>	<b>301 080 428</b>	<b>(19 251 372)</b>	<b>281 829 056</b>	<b>193 964 166</b>	<b>(87 864 890)</b>	
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##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	52 657 002	-	52 657 002	66 565 959	13 908 957	N5
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##### Transfer revenue

Government grants & subsidies	63 000 250	(88 350)	62 911 900	100 182 420	37 270 520	N6
Fines, Penalties and Forfeits	349 740	-	349 740	273 793	(75 947)	
Interest Eskom Debt write off	-	-	-	43 520 416	43 520 416	N7
Services in-kind	3 789 233	1 710 767	5 500 000	2 069 340	(3 430 660)	

<b>Total revenue from non-exchange transactions</b>	<b>119 796 225</b>	<b>1 622 417</b>	<b>121 418 642</b>	<b>212 611 928</b>	<b>91 193 286</b>	
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<b>Total revenue</b>	<b>420 876 653</b>	<b>(17 628 955)</b>	<b>403 247 698</b>	<b>406 576 094</b>	<b>3 328 396</b>	
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#### Expenditure

Employee related cost	(111 031 964)	-	(111 031 964)	(125 532 482)	(14 500 518)	N8
Remuneration of councillors	(9 126 336)	-	(9 126 336)	(9 419 082)	(292 746)	
Depreciation and amortisation	(76 404 477)	-	(76 404 477)	(51 220 728)	25 183 749	N9
Impairment loss	(50 763 024)	-	(50 763 024)	(13 041 979)	37 721 045	
Finance costs	(10 483 668)	(4 016 332)	(14 500 000)	(43 685 171)	(29 185 171)	N10
Lease rentals on operating lease	-	-	-	(1 398 884)	(1 398 884)	
Bad debts written off	-	-	-	(36 081 578)	(36 081 578)	
Bulk purchases	(47 046 647)	(17 953 353)	(65 000 000)	(116 868 088)	(51 868 088)	N11
Contracted Services	(27 174 500)	-	(27 174 500)	(35 938 912)	(8 764 412)	N12
Loss on disposal of assets	-	-	-	(233 509)	(233 509)	
General Expenses	(26 763 560)	(8 542 440)	(35 306 000)	(54 570 731)	(19 264 731)	N13
Repairs and maintenance	(14 527 260)	-	(14 527 260)	(14 668 843)	(141 583)	N14

<b>Total expenditure</b>	<b>(373 321 436)</b>	<b>(30 512 125)</b>	<b>(403 833 561)</b>	<b>(502 659 987)</b>	<b>(98 826 426)</b>	
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<b>Operating deficit</b>	<b>47 555 217</b>	<b>(48 141 080)</b>	<b>(585 863)</b>	<b>(96 083 893)</b>	<b>(95 498 030)</b>	
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Fair value adjustments	-	-	-	868 011	868 011	
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Inventories losses/write-downs	-	-	-	(1 635 410)	(1 635 410)	
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	-	-	-	(767 399)	(767 399)	
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<b>Surplus/(Deficit)</b>	<b>47 555 217</b>	<b>(48 141 080)</b>	<b>(585 863)</b>	<b>(96 851 292)</b>	<b>(96 265 429)</b>	
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## Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Reference
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>47 555 217</b>	<b>(48 141 080)</b>	<b>(585 863)</b>	<b>(96 851 292)</b>	<b>(96 265 429)</b>	

Reconciliation

# Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Reference
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### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	6 638 925	431 816	7 070 741	7 615 847	545 106	
Receivables from exchange transactions	69 072 683	(4 138 052)	64 934 631	1 882 943	(63 051 688)	N15
Statutory receivables	23 212 567	(634 811)	22 577 756	48 598 167	26 020 411	
VAT receivable	63 819 171	(49 689 047)	14 130 124	35 992 128	21 862 004	N16
Consumer debtors	64 802 322	(3 494 937)	61 307 385	31 911 954	(29 395 431)	
Other current assets	444 623	4 365 846	4 810 469	-	(4 810 469)	
Cash and cash equivalents	82 010 485	(38 505 293)	43 505 192	5 667 436	(37 837 756)	N17
	<b>310 000 776</b>	<b>(91 664 478)</b>	<b>218 336 298</b>	<b>131 668 475</b>	<b>(86 667 823)</b>	

##### Non-Current Assets

Investment property	52 252 147	1 480 000	53 732 147	54 345 297	613 150	
Property, plant and equipment	1 113 384 900	23 356 040	1 136 740 940	1 125 562 654	(11 178 286)	
Heritage assets	16 019 999	-	16 019 999	16 019 999	-	
	<b>1 181 657 046</b>	<b>24 836 040</b>	<b>1 206 493 086</b>	<b>1 195 927 950</b>	<b>(10 565 136)</b>	
<b>Total Assets</b>	<b>1 491 657 822</b>	<b>(66 828 438)</b>	<b>1 424 829 384</b>	<b>1 327 596 425</b>	<b>(97 232 959)</b>	

#### Liabilities

##### Current Liabilities

Payables from exchange transactions	417 017 973	(108 224 833)	308 793 140	691 693 943	382 900 803	N18
Consumer deposits	3 517 149	(190 934)	3 326 215	1 312 069	(2 014 146)	
Unspent conditional grants and receipts	583 919	(2 728 411)	(2 144 492)	3 290 481	5 434 973	
Provisions	2 077 706	(356 158)	1 721 548	-	(1 721 548)	N19
Other current liabilities	33 729 001	(4 192 001)	29 537 000	-	(29 537 000)	
	<b>456 925 748</b>	<b>(115 692 337)</b>	<b>341 233 411</b>	<b>696 296 493</b>	<b>355 063 082</b>	

##### Non-Current Liabilities

Employee benefit obligation	-	-	-	38 791 843	38 791 843	
Provisions	36 254 000	(7 963 000)	28 291 000	22 691 293	(5 599 707)	
	<b>36 254 000</b>	<b>(7 963 000)</b>	<b>28 291 000</b>	<b>61 483 136</b>	<b>33 192 136</b>	
<b>Total Liabilities</b>	<b>493 179 748</b>	<b>(123 655 337)</b>	<b>369 524 411</b>	<b>757 779 629</b>	<b>388 255 218</b>	
<b>Net Assets</b>	<b>998 478 074</b>	<b>56 826 899</b>	<b>1 055 304 973</b>	<b>569 816 796</b>	<b>(485 488 177)</b>	

#### Net Assets

##### Reserves

Accumulated surplus	942 354 380	138 800 187	1 081 154 567	575 391 212	(505 763 355)	N20
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# Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Reference
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### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Property rates and fines	55 160 319	55 160 319	<b>110 320 638</b>	31 875 101	<b>(78 445 537)</b>
Sale of goods and services	191 382 299	171 382 299	<b>362 764 598</b>	154 910 719	<b>(207 853 879)</b>
Grants and subsidies	87 982 137	(258 125 522)	<b>(170 143 385)</b>	103 472 901	<b>273 616 286</b>
Interest income	1 719 873	-	<b>1 719 873</b>	261 342	<b>(1 458 531)</b>
Other receipts	13 548 904	11 697 532	<b>25 246 436</b>	5 382 184	<b>(19 864 252)</b>
	<b>349 793 532</b>	<b>(19 885 372)</b>	<b>329 908 160</b>	<b>295 902 247</b>	<b>(34 005 913)</b>

##### Payments

Payments to suppliers and employee costs	(235 387 902)	(24 245 793)	<b>(259 633 695)</b>	(134 064 077)	<b>125 569 618</b>
Finance costs	(10 483 668)	(4 016 332)	<b>(14 500 000)</b>	(113 230 223)	<b>(98 730 223)</b>
	<b>(245 871 570)</b>	<b>(28 262 125)</b>	<b>(274 133 695)</b>	<b>(247 294 300)</b>	<b>26 839 395</b>

<b>Net cash flows from operating activities</b>	<b>103 921 962</b>	<b>(48 147 497)</b>	<b>55 774 465</b>	<b>48 607 947</b>	<b>(7 166 518)</b>
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#### Cash flows from investing activities

Purchase of property, plant and equipment	(30 103 750)	(32 103 750)	<b>(62 207 500)</b>	(45 247 669)	<b>16 959 831</b>
Proceeds from sale of property, plant and equipment	7 500 000	11 100 000	<b>18 600 000</b>	-	<b>(18 600 000)</b>

<b>Net cash flows from investing activities</b>	<b>(22 603 750)</b>	<b>(21 003 750)</b>	<b>(43 607 500)</b>	<b>(45 247 669)</b>	<b>(1 640 169)</b>
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Net increase/(decrease) in cash and cash equivalents	81 318 212	(69 151 247)	<b>12 166 965</b>	3 360 278	<b>(8 806 687)</b>
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Cash and cash equivalents at the beginning of the year	974 638	792 204	<b>1 766 842</b>	2 307 158	<b>540 316</b>
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<b>Cash and cash equivalents at the end of the year</b>	<b>82 292 850</b>	<b>(68 359 043)</b>	<b>13 933 807</b>	<b>5 667 436</b>	<b>(8 266 371)</b>
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# Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Reference
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N1: Service charges: The variance is largely related to electricity revenue not realised at year end. Refuse charges were also under collected. One of the factors causing the low performance on this line item is the electricity theft such as illegal connections. Internal controls were implemented regarding the collection

N2: Agency fees: During the mid year assessment the performance with relation to agency fees was low, therefore the budgeted was adjusted downwards with R1 million. Related to collections made on behalf on Department of transport

N3: Other Income: The municipality could not collect all of the budgeted revenue at year end as the revenue enhancement strategy was not implemented

N4: Interest received: Performance on this line item is poor as it is below the 50% half yearly target and the quarter 4 target of 100%. Ineffective implementation of credit control contributed to slow realisation of interest charged on outstanding debt.

N5: Property Rates: The variance in property rates is due to the update in billing done in June based on the supplementary valuation roll.

N6: Government grants and subsidies: Performance on this line item is excellent as it has reached its half yearly target during the 2<sup>nd</sup> quarter and shows great improvement

N7: Interest Eskom debt write off: There was no budget for the interest Eskom debt write off. This line item relates to the payment arrangement that was entered into between the municipality and Eskom as a way of assisting the municipality to pay the outstanding amount of debt. The arrangement involves the writing off of the Eskom debt if they adhere to the arrangement.

N8: Employee related costs: The variances is mainly due to new hires and salary increases that took place in the current year.

N9: Depreciation: The budgeted depreciation is based on the previous financial year's fixed asset register. The actual depreciation is lower as a result of amongst other things, aged assets and assets disposed during the year.

N10: Finance costs: Interest has increased due to the high Eskom account debt and late payment of creditors

N11: Bulk purchases: The variance is more. IYM has entered into an agreement with Eskom for Debt relief on the bulk account. IYM tries to adhere to conditions specified on the Debt programme programme of the ensuring payments

N12: Contracted services: The budget for contracted services was incorrect. The average cost for the past 3 years amounted to R19.1m

N13: General expenditure: The budget for general expenditure was unreasonable at R35 million. Unforeseen general expenditure had to be incurred, Including more spendings on trainings of the staff.

N14: Repairs & maintenance: Due to aging infrastructure the repairs and maintenance costs had to be increased as the municipality was not in a position to budget for the upgrading of assets or new assets in a capital manner

N15: Receivables from exchange transactions: The receivables from exchange transactions, statutory receivables and VAT .The budget for consumer debtors is unreasonable as the average receivables over the past three years is around R30m

N16: VAT receivable: The VAT receivable was budgeted for. The VAT receivable not realised as the VAT201s for the 12 months were not submitted. For all 12 months not submitted

N17: Cash and cash equivalents: The variance is as a result of amongst other things; payments made to completed capital projects, committed payments made to Eskom and AGSA

N18: Trade and other payables including consumer deposits: The variance is due to the municipality having cash flow problems, the municipality has been unable to settle all of its accounts and as a result the balance is increasing, prominently is the Eskom account with a significant opening balance

## Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Reference
Figures in Rand						

N19: Provisions and post-employment obligations: Employee benefit obligation is not included in the budget as the amount was unknown during budget preparation process.

N20: Accumulated surplus: Actual performance resulted in a surplus, the reason for the variance is a product of all actual financial activities not performing as anticipated during the year. Revenue streams were under collected and some expenditure lines were overspent resulting in a decrease in the accumulated surplus amount.

# Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of GRAP (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA.

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

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

#### 1.2 Significant judgements and sources of estimation uncertainty

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

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

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

##### **Impairment testing**

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

The municipality considers the following events or circumstances as possible indications that an impairment may have occurred:

- Property, plant and equipment that are damaged, where an asset's market value has declined significantly more than would be expected as a result of the passage of time, obsolescence, assets that become idle, plans to dispose of an asset before the previously expected date, plans to discontinue or restructure the operation to which the asset belongs, a decision to halt the construction of the asset before it is complete or in a usable condition or where internal reporting indicates that the economic performance of an asset is, or will be worse than expected.
- Damaged or derelict buildings and heritage assets.

##### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to its present value where the effect is material.



# Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### Provision for rehabilitation of landfill sites

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost.

The uncertainties and assumptions attached to this provision are listed as follows:

- The landfill closure designs are based on current day legislation (Minimum Requirements for Waste Disposal by Landfill, Second Edition 1998) and current permits. Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.
- It is assumed that clean sand and clay is available locally (nearby / alongside / within) to the site and no importation (long-distance haulage) of materials is required. Material on or close to site is sufficient for closure.
- It is assumed that the general public have not requested a specific final shape or end use for the landfill sites.

#### 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 15.

#### Useful lives of property, plant and equipment

The municipality depreciates its property, plant and equipment over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

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

At each reporting date management assesses the assets for any indication that the municipality's expectations about the residual values and the useful lives of assets have changed since the preceding reporting date. If any such indication exists, the municipality shall revise the expected useful life and / or residual value accordingly.

#### Determination of fair value for property, plant and equipment

In the absence of an invoice to support the purchase of an asset, those assets have been brought into account using the fair value. Fair value was determined by obtaining the market value of the asset in the current financial year and adjusting the market value using CPI to establish the current replacement cost at measurement date, namely 1 July 2020. The current replacement cost was adjusted to take into account the condition and age of the asset at measurement date using the depreciated replacement cost method.

#### Determination of fair value for heritage assets

In the absence of an invoice to support the purchase of an asset, those assets have been brought into account using the fair value. Fair value was determined by obtaining the market value of the asset in the current financial year and adjusting the market value using the consumer price index to establish the current replacement cost at measurement date, namely 1 July 2020. Current replacement cost was used and adjusted (if required) after an assessment for impairment in terms of the heritage assets accounting policy.

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.3 Investment property

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

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

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

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

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

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

#### **Fair value**

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

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

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

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or loss when the compensation becomes receivable.

### 1.4 Property, plant and equipment

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

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

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

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

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

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

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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.

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 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	Average useful life
Land	Indefinite
Buildings	20 to 30 years
Landfill sites	30 years
Plant and machinery	2 to 15 years
Furniture and fixtures	2 to 20 years
Motor vehicles	3 to 10 years
Office equipment	2 to 10 years
IT Equipment	2 to 10 years
Infrastructure	4 to 80 years
Community	10 to 50 years

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

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indicators:

- The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- The use of the asset has changed, because of the following:
  - The municipality has changed the manner in which the asset is used.
  - The municipality has changed the utilisation rate of the asset.
  - The municipality has made a decision to dispose of the asset in a future reporting period(s) and that this decision will change the expected period over which the asset will be used.
  - Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
  - Legal or similar limits placed on the use of the asset have changed.
  - The asset was idle or retired from use during the reporting period.
- The asset is approaching the end of its previously expected useful life.
- Planned repairs and maintenance on, or refurbishments of, the asset and / or its significant components either being undertaken or delayed.
- Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- The asset is assessed as being impaired.
- Other indicators which may indicate a change in useful life or residual value of the asset.

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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 municipality capitalise project expenditure as work in progress as and when the expenditure occurs. Upon completion of the project, the project assets are componentised and transferred to the relevant category of property, plant and equipment, investment property or heritage assets.

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 40).

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

### 1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.6 Heritage assets

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.6 Heritage assets (continued)

#### Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

### 1.7 Financial instruments

#### Classification

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

##### Class

Receivables from exchange transactions  
Cash and cash equivalents  
Consumer debtors

##### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost

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

##### Class

Payables from exchange transactions  
Unspent conditional grants and receipts  
Consumer deposits  
Bank overdraft

##### Category

Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired.

#### Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. The municipality first assesses individually significant debtors for impairment and will then use a portfolio approach on the remaining debtors.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit.

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Gains and losses relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.8 Statutory receivables

#### Identification

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Accrued interest

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

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

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.8 Statutory receivables (continued)

#### Other charges

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

#### Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

#### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.



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### 1.9 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.

#### 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.

Income for leases is disclosed under revenue in statement of financial performance. The difference between the amounts recognised as income and the contractual receipts are recognised as an operating lease asset or liability.

#### 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.

### 1.10 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

### 1.11 Impairment of cash-generating assets

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

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### 1.11 Impairment of cash-generating assets (continued)

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

#### Identification

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

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. The recoverable amount is considered to be the higher of the value in use and the fair value less costs to sell.

#### Value in use

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

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

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

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

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

#### Discount rate

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

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### 1.11 Impairment of cash-generating assets (continued)

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

#### Reversal of impairment loss

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

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### 1.11 Impairment of cash-generating assets (continued)

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

Refer to note 1.11 for the accounting treatment of cash-generating assets.

#### 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. The recoverable service amount is considered to be the higher of the non-cash generating asset's value in use and the fair value less costs to sell.

#### Value in use

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

#### 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.

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

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.

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

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

#### Reversal of an impairment loss

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

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

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

### 1.13 Employee benefits

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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### 1.13 Employee benefits (continued)

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

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

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

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

#### Long-service award

The municipality has an obligation to provide long-service award benefits to all of its employees. According to the rules of the long-service award scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate municipality (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 municipality during a reporting period, the municipality 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, a municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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.

#### Post-employment benefits: Defined benefit plans

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

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

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

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### 1.13 Employee benefits (continued)

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

- the present value of the defined benefit obligation at the reporting date; and
- plus any liability that may arise as a result of a minimum funding requirement.

Any adjustments arising from the limit above is recognised in surplus or deficit. The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

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

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

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

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

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

### 1.14 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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### 1.14 Provisions and contingencies (continued)

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. 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.

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

### 1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. These contractual obligations are not recognised in the statement of financial position. Refer to note 43 for commitments the municipality are required to honour.

### 1.16 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Rendering of services

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### Interest and rental of facilities and equipment

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.



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### 1.17 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

#### Recognition

Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

#### 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.

#### Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

#### Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Once the conditions are met, revenue is recognised and the liability is reduced. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related conditions are recognised in the statement of financial performance in the period in which they become receivable.

#### Fines

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue due to the municipality from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

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

#### **Gifts and donations, including goods in-kind**

Gifts and donations, including goods in kind, are recognised as assets and 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.

### 1.18 Accounting by principals and agents

#### **Identification**

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

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

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

#### **Identifying whether an entity is a principal or an agent**

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

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

#### **Binding arrangement**

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

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

#### **Assessing which entity benefits from the transactions with third parties**

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent otherwise it is the principle.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

#### **Recognition**

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

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

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

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.19 Borrowing costs

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

### 1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year and / or restated for prior period adjustments.

### 1.21 Unauthorised expenditure

Unauthorised expenditure means:

- Overspending of the total amount appropriated in the municipality's approved budget.
- Overspending of the total amount appropriated for a vote in the approved budget.
- Expenditure from a vote unrelated to the department or functional area covered by the vote.
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
- Spending of an allocation otherwise than in accordance with the conditions of the allocation.
- A grant by the municipality otherwise than in accordance with the MFMA.

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

### 1.22 Fruitless and wasteful expenditure

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

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

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure incurred in contravention of or that is not in accordance with the:

MFMA;

Municipal Systems Act (Act No. 32 of 2000);

- Public Office-Bearers Act (Act No. 20 of 1998); or

- A requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy; and

- which has not been condoned in terms of that Act, policy or by-law.

MFMA Circular 68 requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and / or before finalisation of the annual financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the annual financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the annual financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the annual financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the annual financial statements.

The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme / expenditure item, be disclosed as such in the note to the annual financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.24 Segment information

A segment is an activity of an entity:

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

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

### 1.25 Budget information

The approved budget is prepared on a accrual basis and relates solely to the municipality. The approved budget covers the fiscal period from 1 July 2023 to 30 June 2024.

The municipality considers budget variances greater than 10% and R 834 699,1 (approximately 0.5% of revenue) as material.

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.25 Budget information (continued)

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.

### 1.26 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.

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.

Related parties include key management personnel such as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and close family members of key management personnel.

Related party transactions during the year and balances at reporting date is disclosed in note 54.

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.

### 1.27 Value-Added Tax

The municipality is registered with the SARS for VAT on the payment basis, in accordance with Sec15 (2)(a) of the Value-Added Tax Act No 89 of 1991.

Revenue, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, SARS is separately disclosed in the statement of financial position.

### 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).

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.28 Events after reporting date (continued)

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.

# Inxuba Yethemba Local Municipality

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## Notes to the Annual Financial Statements

### 2. New standards and interpretations

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	Effective date not yet determined	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	Effective date not yet determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	Effective date not yet determined	Unlikely there will be a material impact

### 3. Inventories

Land held for resale	3 017 074	4 652 484
Stores (consumables and materials)	4 598 773	2 797 642
	<b>7 615 847</b>	<b>7 450 126</b>

Inventory written off during the year	816 934	7 401
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Inventories recognised as an expense during the year	2 461 010	2 777 064
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#### Inventories losses/write-downs

Inventories losses/write-downs	1 635 410	-
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Inventory write off relate to land inventory that was revalued at the reporting date as inventories is measured at the lower of cost or net realisable value.

#### Inventory pledged as security

Inventory was not pledged as security.

### 4. Receivables from exchange transactions

Rental Debtors	6 102 895	5 040 546
Sundry Debtors	431 689	717 169
Less: Allowance for impairment	(4 651 641)	(4 037 187)
	<b>1 882 943</b>	<b>1 720 528</b>

#### The ageing of receivables from exchange transactions is as follows:

Current (0 - 30 days)	520 277	265 723
31 - 60 days	71 314	78 947
61 - 90 days	67 786	74 505
91 - 120 days	67 257	66 947
121 - 150 days	44 366	37 911
More than 151 days	1 111 943	1 196 495
	<b>1 882 943</b>	<b>1 720 528</b>

<b>Total receivables from exchange transactions</b>	<b>1 882 943</b>	<b>1 720 528</b>
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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 4. Receivables from exchange transactions (continued)

#### Trade and other receivables past due but not impaired

At 30 June 2024, R 1 362 666 (2023: R 1 454 805) were past due but not impaired.

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

1 month past due	71 314	78 947
2 months past due	67 786	74 505
3 months past due	67 257	66 947
4 month past due	44 366	37 911
More than 4 months past due	585 194	1 196 495
	<b>835 917</b>	<b>1 454 805</b>

#### Trade and other receivables impaired

As of 30 June 2024, trade and other receivables of R 4 651 641 (2023: R 4 037 187) were impaired and provided for.

The ageing of these receivables from exchange transactions is as follows:

0 to 3 months	68 372	71 233
3 to 6 months	94 489	109 248
6 to 9 months	133 877	150 397
More than 9 months	4 354 903	3 706 309
	<b>4 651 641</b>	<b>4 037 187</b>

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	4 037 187	3 207 012
Allowance for impairment	614 454	830 175
	<b>4 651 641</b>	<b>4 037 187</b>

### 5. Statutory receivables

Gross rates receivable	164 958 489	125 111 232
Less: Allowance for impairment	(116 360 322)	(111 189 898)
<b>Net rates debtors</b>	<b>48 598 167</b>	<b>13 921 334</b>

Rates are billed based on consumer choice (i.e. either monthly or annually). No interest is charged on rates accounts until the end of the following month. Thereafter interest is charged at a rate determined by Council on the outstanding balance. The municipality did not pledge any of its statutory receivables as security for borrowing purposes.

In determining the recoverability of statutory receivables, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers in the Cradock and Middelburg geographical area. Accordingly, management believe that there is no further credit provision required in excess of the allowance for impairment.



# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 5. Statutory receivables (continued)

#### Statutory receivables included in receivables

Current (0 - 30 days)	11 026 980	1 916 512
31 - 60 days	218 838	375 939
61 - 90 days	178 824	319 427
91 - 120 days	157 793	274 934
121 - 150 days	21 281	33 613
More than 151 days	37 007 411	11 000 909
	<b>48 611 127</b>	<b>13 921 334</b>

#### Statutory receivables past due but not impaired

At 30 June 2024, statutory receivables of R 37 584 147 (2023: R 12 380 398) were past due but not impaired.

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

1 month past due	218 838	375 939
2 months past due	178 824	319 427
3 months past due	157 793	274 934
4 months past due	21 281	33 613
More than 4 months past due	37 007 411	11 376 485
	<b>37 584 147</b>	<b>12 380 398</b>

#### Statutory receivables impaired

As of 30 June 2024, statutory receivables of R 116 360 322 (2023: R 111 189 898) were impaired and provided for.

The ageing of amounts impaired is as follows:

0 to 3 months	488 253	1 379 456
3 to 6 months	1 305 683	1 604 102
6 to 9 months	1 502 757	1 971 675
More than 9 months past due	113 063 629	106 234 665
	<b>116 360 322</b>	<b>111 189 898</b>

#### Reconciliation of allowance for impairment of statutory receivables

Opening balance	111 189 898	93 647 826
Allowance for impairment	5 170 424	17 542 072
	<b>116 360 322</b>	<b>111 189 898</b>

### 6. VAT receivable

VAT	35 992 128	35 167 493
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No interest is payable to the SARS if the VAT is paid over timeously, however interest and penalties for late payments is charged according to the SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

# Inxuba Yethemba Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>7. Consumer debtors</b>		
<b>Gross balances</b>		
Electricity	47 912 109	41 579 009
Refuse	124 061 413	128 852 020
	<b>171 973 522</b>	<b>170 431 029</b>
<b>Less: Allowance for impairment</b>		
Electricity	(20 772 373)	(17 421 286)
Refuse	(119 289 195)	(118 806 947)
	<b>(140 061 568)</b>	<b>(136 228 233)</b>
<b>Net balance</b>		
Electricity	27 139 736	24 157 723
Refuse	4 772 218	10 045 073
	<b>31 911 954</b>	<b>34 202 796</b>
<b>Electricity</b>		
Current (0 - 30 days)	11 408 041	10 684 564
31 - 60 days	2 347 827	2 617 890
61 - 90 days	2 197 725	1 357 344
91 - 120 days	1 598 699	1 532 869
121 - 365 days	1 341 987	956 247
> 365 days	8 245 457	7 008 809
	<b>27 139 736</b>	<b>24 157 723</b>
<b>Refuse</b>		
Current (0 - 30 days)	1 335 307	1 627 850
31 - 60 days	170 868	382 951
61 - 90 days	89 014	346 322
91 - 120 days	78 652	311 166
121 - 365 days	14 115	101 274
> 365 days	3 084 262	7 275 510
	<b>4 772 218</b>	<b>10 045 073</b>
<b>Consumer debtors past due but not impaired</b>		
At 30 June 2024, R 18 584 487 (2023: R 21 890 382) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	2 518 695	3 000 841
2 months past due	2 286 739	1 703 666
3 months past due	1 677 351	1 844 035
4 months past due	1 356 102	1 057 521
More than 4 months past due	10 745 600	14 284 319
	<b>18 584 487</b>	<b>21 890 382</b>

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

#### Consumer debtors impaired

As of 30 June 2024, consumer debtors of R 140 061 567 (2023: R 136 228 233) were impaired and provided for.

The ageing of these impaired amounts is as follows:

0 to 3 months	4 323 384	5 380 885
3 to 6 months	4 980 316	5 960 815
6 to 9 months	5 284 758	6 230 436
Over 9 months	125 473 108	118 656 097
	<b>140 061 566</b>	<b>136 228 233</b>

#### Reconciliation of allowance for impairment of consumer debtors

Opening balance	136 228 232	110 364 674
Allowance for impairment	3 833 334	25 863 558
	<b>140 061 566</b>	<b>136 228 232</b>

Consumer debtors from exchange transactions are billed monthly. No interest is charged on consumer debtor accounts until the end of the following month. Thereafter interest is charged at a rate determined by Council on the outstanding balance.

The municipality did not pledge any of its consumer debtors from exchange transactions as security for borrowing purposes.

In determining the recoverability of consumer debtors from exchange transactions, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers in the Cradock and Middelburg geographical area. Accordingly, management believe that there is no further credit provision required in excess of the allowance for impairment..

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	5 008 146	1 667 636
Short-term deposits	659 290	639 522
	<b>5 667 436</b>	<b>2 307 158</b>

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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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		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
First National Bank - 51980028125 (Current)	4 129 493	514 198	(17 552)	4 995 354	1 202 173	363 957
First National Bank - 51981035195 (Current)	9 793	525 398	4 975	9 793	525 398	4 975
First National Bank - 62483143493 (Call)	406	406	406	406	406	406
ABSA Bank - 9274923100 (Call)	217 883	204 138	194 049	217 883	204 138	194 049
ABSA Bank - 9264494272 (Call)	181 634	171 789	163 361	181 635	172 401	163 361
ABSA Bank - 9247070027 (Call)	86 267	81 481	77 320	86 267	81 481	77 320
Standard Bank of South Africa - 288553187010 (Call)	180 491	166 476	155 962	180 492	166 476	155 962
Nedbank Limited - 08851015 (Investment)	12 271	11 086	11 086	12 271	11 086	11 086
Nedbank Limited - 08851015	3 543	3 534	3 521	3 543	3 534	3 521
<b>Total</b>	<b>4 821 781</b>	<b>1 678 506</b>	<b>593 128</b>	<b>5 687 644</b>	<b>2 367 093</b>	<b>974 637</b>

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 9. Investment property

	2024			2023		
	Fair value	Accumulated impairment	Fair value less impairments	Fair value	Accumulated impairment	Fair value less impairments
Investment property	54 345 297	-	54 345 297	53 477 286	-	53 477 286

#### Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	53 477 286	868 011	54 345 297

#### Reconciliation of investment property - 2023

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	54 339 310	3 713 058	(4 575 082)	53 477 286

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.

#### Details of valuation

The effective date of the revaluations was Sunday, 30 June 2024. Fair valuations were performed by F Taruva, who contracted an independent valuer, F Taruva, who is registered with the Professional Valuers Council. FTaruva are not connected to the municipality and have recent experience in location and category of the investment property being valued.

Based on the nature of the properties, different valuation methods were used. For vacant land, the comparable sales method of valuation was used. For sports clubs the depreciated replacement cost method of valuation was used, while for properties on which rental are charged, the income capitalisation method of valuation was used. Various assumptions are used for valuating the properties and these valuation certificates are available for inspection at the municipality. These assumptions are based on current market conditions. All of the municipality's investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on investment property.

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	1 599 125	1 356 357
<b>From Investment property that generated rental revenue</b>		
Direct operating expenses (excluding repairs and maintenance)	2 410 845	2 649 985
Repairs and maintenance	78 831	2 743
	<b>2 489 676</b>	<b>2 652 728</b>

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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### 10. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	16 019 999	-	16 019 999	16 019 999	-	16 019 999

#### Reconciliation of heritage assets 2024

	Opening balance	Total
Historical buildings	16 019 999	16 019 999

#### Reconciliation of heritage assets 2023

	Opening balance	Total
Historical buildings	16 019 999	16 019 999

#### Restrictions on heritage assets

There are no restrictions on the remittance of revenue of heritage asset, however there are restrictions on realisability and proceeds of disposal of inalienable heritage assets. There are no contractual obligations to purchase, construct or develop heritage assets or for repairs, maintenance or enhancements. There are no heritage assets pledged as security for liabilities. There are no indications of impairment of Heritage assets as at year end.

### 11. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	36 326 790	-	36 326 790	36 326 790	-	36 326 790
Buildings	146 478 377	(53 063 701)	93 414 676	146 478 377	(45 112 356)	101 366 021
Plant and machinery	7 401 119	(4 778 877)	2 622 242	5 942 282	(3 805 941)	2 136 341
Furniture and fixtures	5 321 481	(4 515 774)	805 707	4 841 418	(4 358 358)	483 060
Motor vehicles	24 053 425	(17 299 157)	6 754 268	17 160 787	(15 889 569)	1 271 218
Office equipment	2 588 224	(1 439 279)	1 148 945	2 120 455	(1 233 990)	886 465
IT equipment	11 411 951	(7 107 366)	4 304 585	10 219 389	(5 723 874)	4 495 515
Infrastructure	1 220 087 585	(414 453 154)	805 634 431	1 197 652 570	(377 834 524)	819 818 046
Community	131 825 848	(33 199 996)	98 625 852	131 825 848	(28 657 024)	103 168 824
Landfill sites	26 466 246	(19 655 167)	6 811 079	23 572 751	(19 247 299)	4 325 452
Work in progress	69 114 079	-	69 114 079	58 632 482	-	58 632 482
<b>Total</b>	<b>1 681 075 125</b>	<b>(555 512 471)</b>	<b>1 125 562 654</b>	<b>1 634 773 149</b>	<b>(501 862 935)</b>	<b>1 132 910 214</b>

# Inxuba Yethemba Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	36 326 790	-	-	-	-	-	36 326 790
Buildings	101 366 021	-	-	-	(5 641 995)	(2 309 350)	93 414 676
Plant and machinery	2 136 341	1 881 674	(3)	-	(561 447)	(834 323)	2 622 242
Furniture and fixtures	483 060	517 201	(144)	-	(189 313)	(5 097)	805 707
Motor vehicles	1 271 218	6 892 638	-	-	(1 286 360)	(123 228)	6 754 268
Office equipment	886 465	482 989	(279)	-	(207 558)	(12 672)	1 148 945
IT equipment	4 495 515	1 836 556	(123 803)	-	(1 764 586)	(139 097)	4 304 585
Infrastructure	819 818 046	350 810	-	22 084 204	(36 618 629)	-	805 634 431
Community	103 168 824	-	-	-	(4 542 972)	-	98 625 852
Landfill sites	4 325 452	2 893 495	-	-	(407 868)	-	6 811 079
Work in progress	58 632 482	33 285 801	-	(22 804 204)	-	-	69 114 079
	<b>1 132 910 214</b>	<b>48 141 164</b>	<b>(124 229)</b>	<b>(720 000)</b>	<b>(51 220 728)</b>	<b>(3 423 767)</b>	<b>1 125 562 654</b>

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

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

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	36 970 844	-	(644 054)	-	-	36 326 790
Buildings	107 008 010	-	-	-	(5 641 989)	101 366 021
Plant and machinery	2 517 535	108 930	-	-	(490 124)	2 136 341
Furniture and fixtures	542 889	231 919	(278)	-	(291 470)	483 060
Motor vehicles	2 095 348	-	(177 515)	-	(646 615)	1 271 218
Office equipment	666 349	421 170	(12)	-	(201 042)	886 465
IT equipment	5 477 984	702 216	(4 098)	-	(1 680 587)	4 495 515
Infrastructure	847 081 512	-	(6 773 309)	31 687 908	(52 178 065)	819 818 046
Community	107 711 789	-	-	-	(4 542 965)	103 168 824
Landfill sites	4 733 320	-	-	-	(407 868)	4 325 452
Work in progress	42 816 109	50 043 121	-	(34 226 748)	-	58 632 482
	<b>1 157 621 689</b>	<b>51 507 356</b>	<b>(7 599 266)</b>	<b>(2 538 840)</b>	<b>(66 080 725)</b>	<b>1 132 910 214</b>



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

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

The following infrastructure projects are taking significantly longer period of time to complete than expected and also been halted in the previous reporting period due to the following reasons:

(Infrastructure Assets) Construction of Cattle Custom Feed	-	716 078
Project stopped due to disputes between the contractor and the municipality. The project was supposed to be completed in 2021/22 financial year.		
	-	716 078

#### Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	57 916 403	716 079	58 632 482
Additions / capital expenditure	33 285 801	-	33 285 801
Transferred to completed items	(22 804 204)	-	(22 804 204)
	68 398 000	716 079	69 114 079

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

	Included within Infrastructure	Included within Community	Total
Opening balance	40 254 183	2 561 926	42 816 109
Additions / capital expenditure	48 696 496	1 346 625	50 043 121
Transferred to completed items	(31 034 276)	(3 192 472)	(34 226 748)
	57 916 403	716 079	58 632 482

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. There are no restrictions on the reliability of property, plant and equipment or the remittance of revenue and proceeds of disposal. There are no contractual obligations on property, plant and equipment.

Refer to note 40 for details about repairs and maintenance disclosure.

### 12. Payables from exchange transactions

Trade payables	634 674 040	531 410 715
Accrued leave pay	7 414 940	7 338 393
Accrued bonus	2 093 042	2 111 395
Other payroll accrual	6 386 685	4 328 716
Deposits received	2 539 756	2 300 468
Other payables	1 980 496	472 430
Retention	11 695 015	11 557 443
Credit balance in debtors	12 203 108	5 909 406
Amounts payable to principal	7 132 446	446 406
	686 119 528	565 875 372

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### 12. Payables from exchange transactions (continued)

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe, however due to liquidity problems, the municipality was not able to meet payment commitments. Credit balances in debtors relates to overpaid debtors accounts.

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date. Accrued thirteenth cheque relates to the thirteenth cheque payable annually on the employees birthday month by the municipality. The accrual is an estimate of the amount due at the reporting date.

Other payables consists of unidentified deposits received by the municipality from account holders

Refer to note 19 for further information on amounts due to agency arrangement principal

### 13. Consumer deposits

Electricity	1 312 069	1 312 123
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Consumer deposits from exchange transactions are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid by the municipality on consumer deposits from exchange transactions held.

### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Disaster Response Grant	3 290 481	-
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#### Movement during the year

Additions during the year (All conditional grants)	103 443 846	94 254 638
Income recognition during the year (All conditional grants)	(100 153 365)	(94 254 638)
	<b>3 290 481</b>	<b>-</b>

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

See note 24 for reconciliation of grants received.

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### 15. Employee benefit obligations

#### Defined benefit plan

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The liability represents an estimation of the awards to which employees in the service of the municipality may become entitled to in the future, based on an actuarial valuation performed.

At 30 June 2024, 302 (2023: 178) employees were eligible for long-service awards.

The independent valuers, One Pangaea Expertise and Solutions (Pty) Ltd ('OPES'), have been engaged to carry out a GRAP 25: Employee benefits actuarial valuation of the municipality's liability as at 30 June 2024 arising out of the longservice awards to be awarded to qualifying in-service employees.

#### Long Service award obligation

Opening balance	4 586 965	5 642 000
Current service costs	462 925	672 000
Interest cost	439 050	664 000
Benefits paid	(787 102)	(419 220)
Acturial losses	(655 704)	(1 971 815)
	<b>4 046 134</b>	<b>4 586 965</b>

#### Key assumption used

Discount rate	11,11	10,47
Consumer price inflation	6,08	5,74
Normal salary increase rate	7,08	6,74
Net effective discount rate	3,76	3,49

#### Number of employees for the year ended 30 June 2024

Number of active employees	302	178
Salary weighted average age	46	39
Weighted average past service years	12	11

#### Employee benefit obligations

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	38 791 843	35 391 510
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### 15. Employee benefit obligations (continued)

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired employees of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement. The municipality is thus liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees. Currently the qualifying members will received a 60% subsidy on the medical aid contributions.

The independent valuers, One Pangaea Expertise and Solutions (Pty) Ltd ('OPES'), have been engaged to carry out an GRAP 25: Employee Benefits actuarial valuation of the municipality's liability as at 30 June 2023 arising out of the post retirement medical aid plan awarded to qualifying in-service employees

Opening balance	35 391 510	33 729 000
Interest cost	4 427 356	3 331 000
Benefits paid	(2 035 250)	(1 983 249)
Actuarial (gains) losses	(4 197 715)	(673 242)
Current service cost	1 159 809	988 000
<b>Balance at the end of the year</b>	<b>34 745 710</b>	<b>35 391 509</b>

Current service costs are included in employee related costs in the statement of financial performance (refer to note 29).

#### Key assumptions used

Assumptions used at the reporting date:

Discount rate	12,21 %	12,88 %
Consumer price inflation	6,75 %	7,42 %
Healthcare cost inflation	8,25 %	8,92 %
Net discount rate	3,65 %	3,64 %

### 16. Provisions

#### Reconciliation of provisions - 2024

	Opening Balance	Interest cost	Change in estimate	Total
Rehabilitation of landfill site	17 768 462	2 029 336	2 893 495	22 691 293

#### Reconciliation of provisions - 2023

	Opening Balance	Interest cost	Change in estimate	Total
Rehabilitation of landfill site	16 931 241	1 796 151	(958 930)	17 768 462

#### Short term and long-term discounted liability for landfill closure costs

Current liabilities	2 709 341	2 029 336
Non-Current liabilities	19 981 951	15 739 125
	<b>22 691 292</b>	<b>17 768 461</b>

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### 16. Provisions (continued)

#### Environmental rehabilitation provision

The municipality has an obligation to rehabilitate its landfill sites in terms of the conditions set out in the original licenses and subsequent extensions to the licenses. The estimated value of the rehabilitation cost of landfill sites has been determined as at 30 June 2024 by technical experts, One Pangaea Expertise and Solutions (Pty) Ltd ('OPES'). The provision is the best estimate of the value of the rehabilitation costs of the landfill sites to restore the sites at the end of their useful lives. The landfill sites are classified as non-current liabilities because the licenses have been extended.

The following assumptions were made when calculating the provision:

- Costs included in the provision relate only to estimated costs to be incurred relating to pre-closure, closure and post closure activities of the current landfill sites. Any costs associated with the new site will be capitalised to a new landfill asset in future.
- The exact topography of the both sites are not known and for this reason, estimates are based on the area of the landfill site as viewed on Google Earth.
- Craddock Landfill Site: Consolidation of the waste onto a smaller footprint to reduce closure costs, importing of soil from 100 to 500mm depending on the soil layer, placement of a geosynthetic clay liner, erosion protection and hydroseeding, a gas extraction system, a leachate cut off drain along the lower toe of the site and a 2,500 litre calcamite tank to address leachate was costed. It is also assumed that suitable soil and stone will be imported and that excavated material will be stockpiled for cover and final rehabilitation.
- Middelburg Landfill Site: The waste volumes in the license have been assumed to be correct. In addition, importing of soil from 100 to 500mm depending on the soil layer, placement of a geosynthetic clay liner, erosion protection and hydroseeding, a gas extraction system, a leachate cut off drain along the lower toe of the site and a 2,500 litre calcamite tank to address leachate was costed. It is also assumed that suitable soil and stone will be imported and that excavated material will be stockpiled for cover and final rehabilitation.
- It is assumed that Craddock will be able to rehabilitate their land over the extension period of 3 years.
- It is assumed that Middelburg will be able to rehabilitate their land over the extension period 8 years, however it is expected that the current landfill will be in use for 30 years. The provision is based on the license period.
- The previous year's costs have been escalated by the CPI rate of 6.51% (2023: 6.1716%).
- The following CPI rates were used in determining the future value of the estimated future costs:
  - Craddock: 6.51% (2023: 6.17%; 2022: 5.77%)
  - Middelburg: 6.51% (2023: 6.17%; 2021: 7.36%)
- The following discount rates were used in determining the present value of the estimated future costs:
  - Craddock: 11.94% (2023: 11.42%; 2022: 8.34%)
  - Middelburg: 11.94% (2023: 11.42%; 2022: 11.5%)

#### The discounted cost to rehabilitate the landfill sites are calculated to be:

Craddock landfill	17 862 091	15 003 938
Middelburg landfill	4 829 202	2 764 523
	<b>22 691 293</b>	<b>17 768 461</b>

### 17. Service charges

Sale of electricity	124 198 231	105 312 667
Refuse removal	28 480 028	27 002 266
	<b>152 678 259</b>	<b>132 314 933</b>

### 18. Rental of facilities and equipment

<b>Premises</b>		
Premises	1 400 615	1 320 519
Venue hire	222 237	223 262
	<b>1 622 852</b>	<b>1 543 781</b>

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<b>18. Rental of facilities and equipment (continued)</b>		
<b>Facilities and equipment</b>		
Rental of facilities	-	39 186
Rental of equipment	78 740	28 616
Vehicle hire	3 759	228 363
	<b>82 499</b>	<b>296 165</b>
	<b>1 705 351</b>	<b>1 839 946</b>
Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out. Rentals mainly consists of short-term rentals..		
<b>19. Agency services</b>		
Special permits	17 419	7 208
Roadworthy Certificates	376	563
Temporary permits	47 478	53 482
License fees - Motor Vehicles	2 140 817	2 253 299
Public driving permits	65 698	54 347
Drivers Licence - Test Fees	248 299	323 111
Drivers Licence Card - Application	387 454	262 608
Registration fees: Licences	896	252
	<b>2 908 437</b>	<b>2 954 870</b>
<b>20. Other income</b>		
Administration fees received	64 259	84 830
Cemetery fees	783 323	871 376
Clearance application fees	62 818	64 476
Commission received	145 460	155 852
Connection fees	230 889	21 547
Plan fees	287 041	128 025
Sundry fees	899 957	1 097 674
	<b>2 473 747</b>	<b>2 423 780</b>
<b>21. Interest received</b>		
<b>Interest Received</b>		
Bank	261 342	241 069
Interest charged on trade and other receivables	29 083 611	23 957 100
	<b>29 344 953</b>	<b>24 198 169</b>
<b>22. Fair value adjustments</b>		
Investment property (Fair value model)	868 011	(4 575 082)
<b>23. Actuarial gains</b>		
Actuarial gains for the year is stated after accounting for the following:		
Actuarial (gains)/losses on the post retirement medical benefit obligation	(4 197 715)	(673 242)
Actuarial gains on the long service award	(655 704)	(1 971 815)
	<b>(4 853 419)</b>	<b>(2 645 057)</b>

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### 24. Property rates

#### Rates received

Residential	66 565 959	49 407 926
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Property rates are levied on the value of land and improvements, for which valuation is performed every four years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions. Rates are levied based on consumer choice (i.e. monthly or annually) on property owners and are payable the end of each month. Interest is levied at a rate determined by Council on outstanding rates amounts.

#### Valuations

Residential	1 695 402 700	1 642 314 000
Commercial	556 945 000	608 448 000
State	382 789 500	820 898 000
Small holdings and farms	7 643 623 901	7 529 015 400
Public Service Infrastructure	84 270 001	48 047 000
	<b>10 363 031 102</b>	<b>10 648 722 400</b>

### 25. Government grants & subsidies

#### Operating grants

Equitable share	54 269 000	50 744 000
Finance Management Grant	3 100 000	3 100 000
Expanded Public Works Programme Integrated Grant	2 050 000	1 778 000
Department of Sport, Recreational Arts and Culture: Libraries Grant	2 510 000	2 510 000
Local Government Sector Education and Training Authority	652 901	1 209 638
Municipal Infrastructure Grant	1 232 900	890 650
	<b>63 814 801</b>	<b>60 232 288</b>

#### Capital grants

Municipal Infrastructure Grant	23 425 100	23 922 350
Energy Efficiency and Demand-Side Management Grant	5 000 000	4 246 162
Disaster Response Grant	7 942 519	5 600 000
	<b>36 367 619</b>	<b>33 768 512</b>
	<b>100 182 420</b>	<b>94 000 800</b>

#### Equitable Share

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

All registered indigents receive a monthly subsidy of R 268 (2023: R 268), which is funded from the grant.

#### Energy Efficiency and Demand-Side Management Grant

Current-year receipts	5 000 000	4 500 000
Conditions met - transferred to revenue	(5 000 000)	(4 500 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

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<b>25. Government grants &amp; subsidies (continued)</b>		
<b>Financial Management Grant</b>		
Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 100 000)	(3 100 000)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Municipal Infrastructure Grant (Operational)</b>		
Current-year receipts	1 232 900	890 650
Conditions met - transferred to revenue	(1 232 900)	(890 650)
	-	-
All conditions attached to this grant have been met.		
<b>Municipal Infrastructure Grant (Capital)</b>		
Current-year receipts	23 425 100	23 922 350
Conditions met - transferred to revenue	(23 425 100)	(23 922 350)
	-	-
All conditions attached to this grant have been met.		
<b>Expanded Public Works Programme Integrated Grant</b>		
Current-year receipts	2 050 000	1 778 000
Conditions met - transferred to revenue	(2 050 000)	(1 778 000)
	-	-
<b>Department of Sport, Recreational Arts and Culture: Libraries Grant</b>		
Current-year receipts	2 510 000	2 510 000
Conditions met - transferred to revenue	(2 510 000)	(2 510 000)
	-	-
All conditions attached to this grant have been met.		
<b>Disaster Response Grant</b>		
Current-year receipts	11 233 000	5 600 000
Conditions met - transferred to revenue	(7 942 519)	(5 600 000)
	<b>3 290 481</b>	-
All conditions attached to this grant have been met.		



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

#### Local Government Sector Education and Training Authority

Current-year receipts	652 901	1 209 638
Conditions met - transferred to revenue	(652 901)	(1 209 638)
	-	-

All conditions attached to this grant have been met.

### 26. Fines

Illegal Connections Fines	150 618	61 393
Law Enforcement Fines	120 012	15 293
Overdue Books Fines	3 163	938
	<b>273 793</b>	<b>77 624</b>

### 27. Interest on Eskom Debt write off

Interest on eskom debt written off	43 520 416	-
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The municipality entered into a payment arrangement with Eskom as a way of assisting the municipality to pay the outstanding amount of the debt. The arrangement involves the writing off of the Eskom debt if they adhere to the arrangement. The municipality adhered to the terms and conditions of the arrangement and as a result the interest debt was written off by Eskom.

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### 28. Services in-kind

Services in-kind	2 069 340	3 969 546
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**The amount included in revenue arising from exchanges of goods or services are as follows:**

Service charges	152 678 259	132 314 933
Rental of facilities and equipment	1 705 351	1 839 946
Agency services	2 908 437	2 954 872
Other income	2 473 747	2 423 780
Fair value adjustments	2 503 421	-
Actuarial gains	4 853 419	2 645 057
Interest received - investment	29 344 953	24 198 169
	<b>196 467 587</b>	<b>166 376 757</b>

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

**Taxation revenue**

Property rates	66 565 959	49 407 926
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**Transfer revenue**

Government grants & subsidies	100 182 420	94 000 800
Fines, Penalties and Forfeits	273 793	77 624
Interest Eskom Debt write off	43 520 416	-
Services in-kind	2 069 340	3 969 546
	<b>212 611 928</b>	<b>147 455 896</b>

**Nature and type of services in-kind are as follows:**

In terms of sec 23(6) of the Public Audit Act, if the audit fee exceeds one percent of the total current and capital expenditure of such auditee for the relevant financial year, such excess must be defrayed from the National Treasury's vote, provided that the National Treasury is of the view that the auditee has financial difficulty to settle the cost. This excludes national and provincial departments.

The Service in-kind amount is recognised when Treasury has paid to the Auditor General of South Africa the amount of the audit fee that is in excess of one percent of the total current and capital expenditure of such auditee for the relevant financial year. Further the Services in-kind is measured at the amount of the credit notes which appear in the AGSA statements.

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### 29. Employee related costs

Basic	81 996 473	77 016 426
Bonus	5 293 349	4 965 289
Medical aid - company contributions	3 074 691	3 452 793
UIF	680 067	664 254
SDL	1 050 114	976 993
Defined contribution plans	11 435 164	10 912 942
Travel, motor car, accommodation, subsistence and other allowances	11 268 643	9 838 990
Overtime payments	6 499 231	5 327 931
Long-service awards	462 924	672 000
Acting allowances	1 776 697	1 539 953
Housing benefits and allowances	106 910	111 269
Other allowances	581 837	524 694
Group Life Insurance	936	936
Bargaining Council levy	51 798	38 041
Adjustments to post retirement medical obligation	1 253 648	1 026 259
	<b>125 532 482</b>	<b>117 068 770</b>

Refer to note 54 for remuneration paid to section 57 managers.

### 30. Remuneration of councillors

Executive Mayor	995 962	939 151
Mayoral Committee Members	2 841 594	2 551 391
Speaker	811 240	757 673
Councillors	3 886 966	3 552 274
Ward committee members' allowances	883 320	1 015 920
	<b>9 419 082</b>	<b>8 816 409</b>

#### In-kind benefits

The Executive Mayor, Speaker and some executive committee members are full-time councillors. The Executive Mayor and Speaker are provided with an office and secretarial support at the cost of the Council. Remuneration of councillors includes the total earnings for the annum plus the employer contributions for the year. Refer to note 54 for details of remuneration paid to councillors.

### 31. Finance costs

Interest expense on rehabilitation provisions	2 029 336	1 796 151
Payables from exchange transactions	36 789 429	39 580 389
Interest expense on employee benefit obligations	4 866 406	3 995 000
	<b>43 685 171</b>	<b>45 371 540</b>

### 32. Depreciation

Property, plant and equipment	51 220 728	66 080 725
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<b>33. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	3 423 766	-
There was an impairment on infrastructure due to the deterioration of the roads.		
Consumer debtors from exchange transactions	3 833 325	25 863 559
Consumer debtors from exchange transactions have been impaired as a result of non-payment by account holders. The municipality have implemented collection procedures against these accounts which have not been successful to date.		
Receivables from exchange transactions	614 454	830 175
Receivables from exchange transactions have been impaired as a result of non-payment by account holders. The municipality have implemented collection procedures against these accounts which have not been successful to date.		
Statutory receivables	5 170 434	17 542 072
Receivables from non-exchange transactions have been impaired as a result of non-payment by account holders. The municipality have implemented collection procedures against these accounts which have not been successful to date.		
	<b>13 041 979</b>	<b>44 235 806</b>
<b>34. Lease rentals on operating lease</b>		
<b>Equipment</b>		
Contractual amounts	1 398 884	1 595 947
<b>35. Bad debts written off</b>		
Bad debts written off	36 081 578	10 359 287
The council did approve a write off on irrecoverable debt. Council did assess the consumer accounts that who do qualify to be indigent and approve their outstanding debt.		
<b>36. Bulk purchases</b>		
Electricity - Eskom	116 868 088	94 959 057
Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to consumers. Electricity is purchased from Eskom.		
<b>37. Contracted services</b>		
<b>Consultants and Professional Services</b>		
Preparation of financial statements and improving audit outcomes	9 444 780	1 600 000
Preparation of fixed asset register and implementing the performance management system	9 683 560	11 411 220
Municipal finance system maintenance	3 368 250	4 788 111
Other	13 442 322	3 637 255
	<b>35 938 912</b>	<b>21 436 586</b>
<b>38. Loss on disposal of assets and liabilities</b>		
Property, plant and equipment	233 509	7 531 737
<b>39. Accounting by principals and agents</b>		
The municipality is a party to a principal-agent arrangements.		

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### 39. Accounting by principals and agents (continued)

#### Details of arrangement where municipality is the agent

The municipality has entered into a service level agreement with the Department of Transport to execute and deliver services on behalf of the Department of Transport in relation to registering authorities, driving license testing centres and vehicle testing stations. The Department of Transport is the principal and the municipality is the agent in the arrangement. The municipality benefits from the arrangement because it is able to collect additional revenue and there is no significant increase in risk to the municipality as a result of this arrangement. There has been no change to the arrangement in the current year.

The revenue collected as disclosed above is earned with as follows:

- Registering Authority: The municipality is entitled to 19% of the total amount collected and the balance of 81% accrues to the Department of Transport.
- Driving License Testing Centre: The municipality must deposit the prescribed amount to the Driving License Card Production Entity for each drivers' license card ordered. The municipality is entitled to all the fees collected other than the prescribed amount per card ordered.
- Vehicle Testing Station: The municipality is entitled to 97% of the revenue collected and the remainder accrues to the Department of Transport.

The municipality does not incur costs on behalf of the Department of Transport.

#### Municipality as agent

##### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R2 908 437 (2023: R2 954 872).

##### Payables recognised

Amount payable to principal R7 132 446 (2023: R446 406)

#### Entity as principal

##### Fee paid

Commission paid to prepaid vendors	1 843 236	1 532 762
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The municipality has directed various vendors through a binding arrangement to undertake transactions with third parties on behalf of Inxuba Yethemba Local Municipality, which is sale of municipal electricity. These are vendors which are used due to capacitation of the municipality and is more cost effective which provide customers easy access to prepaid electricity.

Electricity vendors are entitled to of claim 7% commission on sales of prepaid electricity.

### 40. Repairs and maintenance

Buildings and structures	563 740	262 269
Infrastructure	13 844 219	13 537 561
Office equipment and furniture	630 150	48 547
Tools and accessories	12 134	7 855
Vehicles	1 354 895	596 876
	<b>16 405 138</b>	<b>14 453 108</b>

# Inxuba Yethemba Local Municipality

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Figures in Rand	2024	2023
<b>41. General expenses</b>		
Accounting fees	662 291	520 281
Advertising	892 731	423 652
Auditors remuneration	6 283 368	3 636 463
Bank charges	1 197 405	885 227
Commission paid	1 735 010	1 640 990
Computer expenses	610 757	578 880
Consulting and professional fees	870 085	4 903 080
Consumables	2 461 010	2 777 064
Donations	62 490	1 491 979
Hire	601 363	363 580
Insurance	3 546 837	2 938 816
Motor vehicle expenses	2 447 180	3 037 863
Printing and stationery	552 818	93 574
Security (Guarding of municipal property)	6 113 637	1 803 158
Subscriptions and membership fees	1 273 675	1 279 794
Telephone and fax	751 882	756 601
Training	8 846 880	885 556
Adjustment to provision for rehabilitation	-	(958 930)
Special programs and events	5 038 007	2 641 235
Other expenses	8 887 010	7 272 602
	<b>52 834 436</b>	<b>36 971 465</b>
<b>42. Cash generated from operations</b>		
Deficit	(96 851 292)	(159 657 968)
<b>Adjustments for:</b>		
Depreciation and amortisation	51 220 728	66 080 725
Gain on sale of assets and liabilities	233 509	7 531 737
Fair value adjustments	(868 011)	4 575 082
Impairment deficit	13 041 979	44 235 806
Bad debts written off	36 081 578	10 359 287
Adjustment to provisions for rehabilitation	-	(958 930)
Interest expense provisions for rehabilitation	2 029 336	1 796 151
Service in kind	(2 069 340)	-
Benefits paid on employee benefit obligation	(1 199 618)	(2 402 469)
Interest cost on employee benefit obligations	4 866 406	3 995 000
Interest on eskom write off	(43 520 416)	1 491 980
Inventory losses or write-downs	1 635 410	-
Prior period adjustment	-	(1 136 023)
Current service cost on employee benefit obligations	-	1 660 000
Actuarial losses / (gains) on employee benefit obligation	(4 853 419)	(2 645 057)
Other movements in PPE	610 720	-
<b>Changes in working capital:</b>		
Inventories	(1 801 131)	(7 450 126)
Receivables from exchange transactions	(776 869)	(2 550 703)
Consumer debtors	(1 542 493)	(31 191 635)
Other receivables from non-exchange transactions	(75 942 860)	(22 957 932)
Payables from exchange transactions	165 847 938	150 212 966
VAT	(824 635)	(8 212 457)
Unspent conditional grants and receipts	3 290 481	-
Consumer deposits	(54)	(3 086)
	<b>48 607 947</b>	<b>52 772 348</b>

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### 43. Commitments

#### Authorised capital expenditure

#### Already contracted for but not provided for

• Community assets	-	1 107 338
• Infrastructure assets	68 493 968	31 916 403
	<b>68 493 968</b>	<b>33 023 741</b>

#### Total commitments

#### Total commitments

Authorised capital expenditure	68 493 968	33 023 741
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This committed expenditure relates to various capital projects and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated and grant income received.

#### Operating leases - as lessee (expense)

#### Minimum lease payments due

- within one year	1 609 295	1 609 295
- within two years	871 701	2 480 996
	<b>2 480 996</b>	<b>4 090 291</b>

The lease agreements are for office equipment leased from 1 August 2017 for a period of 3 years and 2 additional machines leased from 1 March 2018 for a period of 29 months. The contract is still ongoing .

### 44. Distribution losses

#### Electricity losses (units)

Electricity units (kWh) purchased from Eskom	59 370 562	56 956 704
Electricity units (kWh) sold to consumers	(49 695 913)	(50 122 513)
	<b>9 674 649</b>	<b>6 834 191</b>

Electricity losses for the financial year amounted to 16,27% (2023: 12%) of the electricity consumed in the area. Rand value of these electricity losses for the current financial year is R16 824 230,69 (2023: 10 338 763.66)

Technical losses are based on Transformer Efficiency and Line losses. The average transformer efficiency is 95% (industry average) therefore 1.8% of the losses are due to transformer losses (Hysteresis + Eddy-current). Line losses constitute approximately 3.1% of total loss. These remaining losses are attributable to electricity line losses within the electricity network infrastructure due to faulty meters and theft.

### 45. Contingent liabilities

2024

Adelaide Klara KOK vs Inxuba Yethemba Local Municipality - Instructions received from IYM to rescind Judgment against Municipality for refund of rates payment made to obtain clearance certificate Case no: 44/2022. Estimated amount R66 359,67.

Charlene Vorster vs Inxuba Yethemba Local Municipality - Instructions received from IYM to rescind Judgment against Municipality for refund of rates payment made to obtain clearance certificate Case no: 55/2022. Estimated amount R19 843,22.

Sipunzi vs Inxuba Yethemba Local Municipality - Unfair labour practice Case no : PR155/21.

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### 45. Contingent liabilities (continued)

Fortuin vs Inxuba Yethemba Local Municipality - Contempt of court application Case no: P130/22, Applicant abandoned contempt of court proceedings and will instead proceed with an application to quantify the arbitration award. Estimated amount R103 049.

Reza vs Inxuba Yethemba Local Municipality - Application for reconnection of electricity and ancillary relief launched against Municipality Case no: 95/2023. Estimated amount R100 000.

Vuyiseka Hukwe vs Inxuba Yethemba Local Municipality - Section 30 letter of demand received by municipality for a claim for damages due to injury. Estimated amount R400 000

Siphiwo G. Tyindi vs Inxuba Yethemba Local Municipality - A claim was instituted against the Municipality for damages by Plaintiff - breach of contract. Estimated amount R90 654.03.

Bebeza - Mili & Others vs Inxuba Yethemba Local Municipality - Unfair Labour Practice. Estimated amount R0.00

Msobomvu Human Capital (Pty) Ltd vs Inxuba Yethemba Local Municipality - Mining company who has instituted litigation against the municipality to have the cancellation of a purported verbal lease agreement declared unlawful and to regain access to the land on which they were mining/intend to mine. Estimated R0.00

Ncumisa Nwabisa Amelisa Mongo vs Inxuba Yethemba Local Municipality - New instruction - memorandum of advice will be prepared and submitted to the municipality in due course. Estimated amount R0.00

X Msweli vs Inxuba Yethemba Local Municipality - Unfair Labour Practice. Estimated R0,00

Nasiphi Qali vs Inxuba Yethemba Local Municipality - The case concerns insubordination, Disrespect by an employee(Nasiphi) to her senior director. The employee was dismissed by Internal disciplinary hearing based on insubordination and damage of property. She referred her dismissal as unfair . Estimated amount R0.00

Vuyokasi Dubusana vs Inxuba Yethemba Local Municipality - The case concerns dismissal of an employee (Vuyokasi),she referred her dismissal as unfair . Estimated amount R0.00

Ms Jane Songase vs Inxuba Yethemba Local Municipality - The dispute arises as a result of the deed of sale concluded between the Inxuba Yethemba municipality and Ms Jane Songase that was erroneously transferred to Queen Wayisa who drafted a will and bequeathed the house to her descendants. Estimated R200 000.

*\*\*The legal attorney could not estimate a specific exposure to the municipality. They estimated to be within the range of R100 000 to R200 000.*

CHARLES FEATHERSTONEHAUGH // INXUBA YETHEMBA MUNICIPALITY - Summons issued against Municipality for non-payment of monthly stipend of member of ward committee. Instructions received from MM to defend the matter. Plaintiff has done nothing to further the matter, awaiting the opposing attorney's advices on their client's intentions Estimated R21 000.

DIKGATO ENGINEERING CONSULTANTS // IYM - Contractual claim against the municipality Case no: 1484/2022. Matter defended. Litigation in its early stages. Estimated R677 925.31

WENDY LANGA // IYM - Claim for damages to motor vehicle due to pothole. Matter defended . Plaintiffs consented to rescission of judgment which was incorrectly granted. Plea filed and pleadings closed. Attending to discovery processes. Estimated R46 308,6

BUSISIWE DYANTYI // IYM - The municipality is sued for the incident which occurred on the 21 June 2021 at Siyabulela street lingelihle of child which was injured to death by a stormwater pipe. Case no : 2372/2022 Estimated R920 000

IYM in re: CLEARANCE FIGURES ERF 6398 CRADOCK - Dispute over provision of a clearance certificate due to outstanding rates and a dispute over who is responsible for payment of same. Estimated R0.00

IYM // ARENGO 316 (PTY) LTD - Property to be sold on auction by business rescue practitioners of Arengo 316 (Pty) Ltd - property was supposed to revert to the municipality once 5 years had lapsed and the project had not progressed. Property was never transferred back to municipality



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### 45. Contingent liabilities (continued)

#### 2023

Marthinus Andries Prinsloo vs Inxuba Yethemba Local Municipality - Matter concerns a claim for damages due to alleged pothole. Estimated amount R49 100,77.

Wendy Langa vs Inxuba Yethemba Local Municipality - Claim for damages to motor vehicle due to pothole. Matter defended. Estimated amount R46 308,61.

Dikgato Engineering Consultants vs Inxuba Yethemba Local Municipality - Contractual claim against the municipality Case no: 1484/2022. Estimated amount R677 925,31.

Laura Diesel vs Inxuba Yethemba Local Municipality - Claim for damages to motor vehicle due to pothole. Matter defended. Estimated amount R21 624,50.

Busisiwe Dyantyi vs Inxuba Yethemba Local Municipality - The municipality is sued for the incident which occurred on the 21 June 2021 at Siyabulela street lingelihle of child which was injured to death by a stormwater pipe. Case no : 2372/2022. Estimated amount R920 000.

Adelaide Klara KOK vs Inxuba Yethemba Local Municipality - Instructions received from IYM to rescind Judgment against Municipality for refund of rates payment made to obtain clearance certificate Case no: 44/2022. Estimated amount R66 359,67.

Shereno Printers vs Inxuba Yethemba Local Municipality - Letter of demand received by Municipality for payment of services rendered. Estimated amount R153 495.

Charlene Vorster vs Inxuba Yethemba Local Municipality - Instructions received from IYM to rescind Judgment against Municipality for refund of rates payment made to obtain clearance certificate Case no: 55/2022. Estimated amount R19 843,22.

Sipunzi vs Inxuba Yethemba Local Municipality - Unfair labour practice Case no : PR155/21.

Fortuin vs Inxuba Yethemba Local Municipality - Contempt of court application Case no: P130/22, Applicant abandoned contempt of court proceedings and will instead proceed with an application to quantify the arbitration award. Estimated amount R103 049.

Reza vs Inxuba Yethemba Local Municipality - Application for reconnection of electricity and ancillary relief launched against Municipality Case no: 95/2023. Estimated amount R100 000.

Irene Duda vs Inxuba Yethemba Local Municipality - Letter of demand received by Municipality for payment of acting allowance shortfall. Estimated amount R145 318.

Vuyiseka Hukwe vs Inxuba Yethemba Local Municipality - Section 30 letter of demand received by municipality for a claim for damages due to injury. Estimated amount R400 000.

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### 45. Contingent liabilities (continued)

#### Contingent assets

#### 2024

Inxuba Yethemba Local Municipality vs Mr Reza - We issued Summons against Mr Reza for the amount of R580,085.73. Summons was successfully served on him. The matter will be mediated and, if mediation is unsuccessful, litigation will continue.

#### 2023

Inxuba Yethemba Local Municipality vs Mr Reza - We issued Summons against Mr Reza for the amount of R580,085.73. Summons was successfully served on him. The matter will be mediated and, if mediation is unsuccessful, litigation will continue.

### 46. Unauthorised expenditure

Opening balance	633 039 020	528 550 465
Unauthorised expenditure in the current year	22 987 861	104 488 555
Less: Amount written off- current	(7 575 615)	-
<b>Closing balance</b>	<b>648 451 266</b>	<b>633 039 020</b>

Unauthorised expenditure is presented per department. The municipality has identified unauthorised expenditure during the current and prior periods.

#### Unauthorised expenditure: Budget overspending – per municipal department:

Technical services	-	66 659 103
Municipal Manager	19 641 782	15 730 639
Corporate Services	3 346 078	6 221 414
Finance	-	15 877 400
	<b>22 987 860</b>	<b>104 488 556</b>

### 47. Fruitless and wasteful expenditure

Opening balance- Restated	114 247 002	73 716 278
Interest on creditors incurred	1 322 580	40 530 724
Less: Amount written off	(703 072)	-
<b>Closing balance</b>	<b>114 866 510</b>	<b>114 247 002</b>

### 48. Irregular expenditure

Opening balance	472 656 034	436 624 967
Add: Irregular expenditure - (Non-compliance with laws and regulations) - current	58 121 423	36 031 067
Less: Irregular expenditure Written off	(72 742 569)	-
<b>Closing balance</b>	<b>458 034 888</b>	<b>472 656 034</b>

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### 48. Irregular expenditure (continued)

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

R 2 000 to R 10 000 - Various suppliers	1 421 759	11 397
R 10 000 to R 30 000 - Various suppliers	6 270 036	193 127
R 30 000 to R 200 000 - Various suppliers	3 093 532	3 469 368
More than R 200 000 - Various suppliers	47 336 096	32 357 175
	<b>58 121 423</b>	<b>36 031 067</b>

The municipality has identified irregular expenditure during the current and prior periods. Investigations into irregular expenditure have been performed for the financial years ending 30 June 2015 and 30 June 2016. As at 30 June 2024 the amounts had not yet been condoned by Council. At statement of financial position date, it is not known whether this expenditure is recoverable. No material losses were written off during the year. A register containing the details of irregular expenditure is available for inspection at the municipal offices.

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

#### Contributions to organised local government

Balance payable at the beginning of the year	97 616	604 821
Current year subscription / fee	1 273 674	1 116 008
Additional invoices	5 000	6 000
Amount paid - current year	-	(1 629 213)
<b>Balance payable at the end of the year</b>	<b>1 376 290</b>	<b>97 616</b>

#### Audit fees (amounts excludes VAT)

Balance payable at the beginning of the year	15 726 707	10 942 481
Audit fees charged in current year	4 238 790	4 298 465
Interest charged during the year	536 794	485 761
<b>Balance payable at the end of the year</b>	<b>20 502 291</b>	<b>15 726 707</b>

#### PAYE and UIF

Balance payable at the beginning of the year	1 302 438	3 360 184
Contributions	11 116 122	14 989 459
Interest and penalties - current year	120 389	866 570
Amount paid - current year	(9 541 991)	(14 422 284)
Amount paid - previous years	(1 302 438)	(3 491 491)
<b>Balance payable at the end of the year</b>	<b>1 694 520</b>	<b>1 302 438</b>

#### Pension and Medical Aid Deductions

Balance at the beginning of the year	3 998 719	4 655 248
Current year subscription / fee	23 092 674	23 827 254
Amount paid - current year	(24 300 123)	(24 483 783)
<b>Balance payable at the end of the year</b>	<b>2 791 270</b>	<b>3 998 719</b>

#### VAT

VAT	35 992 128	35 167 493
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The municipality is on the payment basis for VAT and submit monthly returns. All VAT returns have been submitted by the due date throughout the year.

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## Notes to the Annual Financial Statements

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

#### Councillors' arrear consumer accounts

The following Councilors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Zonke, NP	-	1 555	1 555
Mbotya, TP	807	24 870	25 677
Davids, L	-	612	612
Masawe, SV	987	7 413	8 400
Mongo, NNA	290	-	290
Rasmeni, M	-	32 233	32 233
Biko, N	202	-	202
Dakuse, A	807	65 168	65 975
Featherstonehaugh, MH	852	2 403	3 255
Vorster, HB	-	249	249
Reeners, JJ	936	4 566	5 502
Samuals, C	-	(660)	(660)
Smith, Z	176	3	179
Desha, M	202	-	202
	<b>5 259</b>	<b>138 412</b>	<b>143 671</b>

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dakuse, A	548	55 870	56 418
Featherstonehaugh, MH	10 494	37 823	48 317
Jacobus, R	3 769	-	3 769
Masawe, SV	-	4 767	4 767
Mbotya, TP	383	11 401	11 784
Mongo, NNA	235	-	235
Rasmeni, M	548	43 946	44 494
Reeners, J	666	1 392	2 058
Smith, Z	-	1	1
van der Merwe, JHP	3 400	89 869	93 269
Zonke, NP	-	1 890	1 890
	<b>20 043</b>	<b>246 959</b>	<b>267 002</b>

#### Supply chain management regulations

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

#### Incident

Sole / single supplier	922 185	2 643 543
Emergencies	398 326	4 209 318
Exceptional cases	260 182	226 964
Impractical to use another supplier	44 175	172 162
Deviations with no reason	-	94 090
Invalid Deviations	7 972 922	7 331 122
	<b>9 597 790</b>	<b>14 677 199</b>

# Inxuba Yethemba Local Municipality

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### 50. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 575 391 212 and that the municipality's current liabilities exceed its current assets by R 561 762 944. In addition, the municipality incurred a deficit of R 96 851 292 (2023: R 159 657 968). The municipality continues to experience cash flow challenges with a net outflow of cash reserves in the current financial year. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business. The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the municipal manager continues to procure funding for the ongoing operations of the municipality.

### 51. Events after the reporting date

No material fact or circumstance has occurred between the accounting date and the date the annual financial statements are authorised for issue other than those items already mentioned which required disclosure in the annual financial statements.

### 52. Risk management

#### Financial risk management

##### Liquidity risk

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

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	676 611 546	-	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	556 425 584	-	-	-

##### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2024	2023
Cash and cash equivalents	5 667 436	2 307 158
Receivables from exchange transactions	1 882 943	1 720 528
Receivables from non-exchange transactions	49 169 090	14 478 232
Consumer debtors from exchange transactions	31 911 954	34 202 796

##### Market risk

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### 52. Risk management (continued)

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 53. Financial instruments disclosure

#### Categories of financial instruments

#### 2024

##### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 882 943	1 882 943
Debtors from non-exchange transactions	48 598 167	48 598 167
Consumer debtors	31 911 954	31 911 954
Cash and cash equivalents	5 667 436	5 667 436
	<b>88 060 500</b>	<b>88 060 500</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	676 611 546	676 611 546
Consumer deposits	1 312 069	1 312 069
	<b>677 923 615</b>	<b>677 923 615</b>

#### 2023

##### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 720 528	1 720 528
Debtors from non-exchange transactions	13 921 334	13 921 334
Consumer debtors	34 202 796	34 202 796
Cash and cash equivalents	2 307 158	2 307 158
	<b>52 151 816</b>	<b>52 151 816</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	556 425 584	556 425 584
Consumer deposits	1 312 123	1 312 123
	<b>557 737 707</b>	<b>557 737 707</b>

# Inxuba Yethemba Local Municipality

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## Notes to the Annual Financial Statements

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### 54. Related parties

#### Section 57 managers

Municipal Manager (Full year)	Mbebe, MWM
Chief Financial Officer (1 March 2024 to 03 May 2024)	Hanana, L
Chief Financial Officer (1 July 2023 to 31 July 2023)	Boti, N
Acting Chief Financial Officer (1 August 2023 to 28 February 2024)	Hanana,LS
Acting Chief Financial Officer (6 May 2023 to 30 June 2024)	Singeni, V
Director of Local Economic Development (Full year)	Makwabe, NM
Director of Corporate Services (Full year)	Dayi SJ
Director of Community Services (Full year)	Majiba, NT
Director of Technical Services (1 July 2023 to 30 November 2023)	Nomandela, S
Director of Technical Services (1 March 2024 to 30 June 2024)	Nomandela, S
Acting Director of Technical Services (1 December 2023 to 29 February 2024)	Makwabe, NM

# Inxuba Yethemba Local Municipality

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## Notes to the Annual Financial Statements

### 54. Related parties (continued)

#### Remuneration of management

#### Mayoral committee members

#### 2024

	Councillors' allowance	Other allowances	Total
<b>Position and name</b>			
Mayor - Zonke, NP	727 525	274 342	1 001 867
Speaker - Mbotya, TP	585 845	230 869	816 714
MPAC Chairperson - Biko, N	391 604	46 353	437 957
Executive committee member - Davids, L	716 068	45 353	761 421
Executive committee member - Masawe, SV	548 720	217 345	766 065
Executive committee member - Mongo, NNA	307 957	141 746	449 703
Executive committee member - Ndondose, S	307 057	141 746	448 803
	<b>3 584 776</b>	<b>1 097 754</b>	<b>4 682 530</b>

#### 2023

	Councillors' allowance	Other allowances	Total
<b>Position and name</b>			
Mayor - Zonke, NP	663 400	273 599	936 999
Speaker - Mbotya, TP	534 112	223 432	757 544
Executive committee member - Davids, L	547 686	45 434	593 120
Executive committee member - Masawe, SV	497 550	211 987	709 537
Executive committee member - Mongo, NNA	277 574	136 925	414 499
Executive committee member - Ndondose, S	277 547	136 925	414 472
MPAC Chairperson - Biko, N	351 949	51 684	403 633
	<b>3 149 818</b>	<b>1 079 986</b>	<b>4 229 804</b>



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## Notes to the Annual Financial Statements

### 54. Related parties (continued)

#### Councillors

##### 2024

	Councillors' allowance	Other allowances	Total
<b>Position and name</b>			
Councillor - Dakuse, A	305 865	46 353	352 218
Councillor - Desha, M	305 865	46 353	352 218
Councillor - Samuels, C	305 865	46 353	352 218
Councillor - Smith, Z	226 824	118 503	345 327
Councillor - Van der Merwe, JHP	233 203	118 503	351 706
Councillor - Vorster, HB	216 450	118 503	334 953
Councillor - Featherstonehaugh, MH	233 034	118 503	351 537
Councillor - Jacobs, R	233 715	118 503	352 218
Councillor - Reeners, JJ	233 715	118 503	352 218
Councillor - Lawens, BL	233 715	118 503	352 218
Councillor - Rasmeni, M	233 715	118 503	352 218
	<b>2 761 966</b>	<b>1 087 083</b>	<b>3 849 049</b>

##### 2023

	Councillors' allowance	Other allowances	Total
<b>Position and name</b>			
Councillor - Jacobs, R	209 941	114 381	324 322
Councillor - Jacobs, R	209 941	114 381	324 322
Councillor - Featherstonehaugh, MH	209 941	114 381	324 322
Councillor - Jacobs, R	209 941	114 381	324 322
Councillor - Lawens, BL	209 941	114 381	324 322
Councillor - Rasmeni, M	209 942	114 381	324 323
Councillor - Reeners, JJ	209 942	114 381	324 323
Councillor - Samuels, C	274 245	50 077	324 322
Councillor - Smith, RJ	104 714	55 606	160 320
Councillor - Smith, Z	97 720	53 321	151 041
Councillor - van der Merwe, JHP	210 452	114 381	324 833
Councillor - Vorster, HB	209 941	114 381	324 322
	<b>2 366 661</b>	<b>1 188 433</b>	<b>3 555 094</b>

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## Notes to the Annual Financial Statements

### 54. Related parties (continued)

#### Executive management

#### 2024

Position	Salary and acting allowances	Contributions to UIF, Medical and Pension Funds	Other allowances	Total
Municipal Manager - Mbebe, MWM	1 221 589	15 686	420 401	1 657 676
Chief Financial Officer - Hanana, L	234 123	2 350	59 877	296 350
Chief Financial Officer - Boti, N	140 205	1 993	28 637	170 835
Acting Chief Financial Officer - Hanana, L	1 004 709	113 800	82 651	1 201 160
Acting Chief Financial Officer - Singeni, V	708 820	131 163	111 282	951 265
Director of Local Economic Development - Makwabe, NM	1 208 722	14 374	343 644	1 566 740
Director of Corporate Services - Dayi, SJ	1 005 978	16 109	343 644	1 365 731
Director of Community Services - Majimba, NT	1 005 978	13 209	343 637	1 362 824
Director of Technical Services - Nomandela, S	933 122	11 761	259 828	1 204 711
	<b>7 463 246</b>	<b>320 445</b>	<b>1 993 601</b>	<b>9 777 292</b>

#### 2023

Position	Salary and acting allowances	Contributions to UIF, Medical and Pension Funds	Other allowances	Total
Municipal Manager - Mbebe, MWM	1 098 507	14 980	400 448	1 513 935
Chief Financial Officer - Boti, N	287 616	4 401	111 212	403 229
Chief Financial Officer - Mulaudzi, KL	146 126	1 746	23 858	171 730
Director of Local Economic Development - Makwabe, NM	955 456	13 782	332 404	1 301 642
Director of Corporate Services - Dayi, SJ	806 727	11 104	290 051	1 107 882
Director of Community Services - Twalo, NO	12 676	254	-	12 930
Director of Community Services - Majiba, NT	892 084	12 439	313 908	1 218 431
Director of Technical Services - Nomandela, S	920 605	12 560	313 908	1 247 073
	<b>5 119 797</b>	<b>71 266</b>	<b>1 785 789</b>	<b>6 976 852</b>

Salaries, allowances and benefits of the political office-bearers and councillors are within the upper limits of the framework envisaged in section 219 of the Constitution:

# Inxuba Yethemba Local Municipality

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## Notes to the Annual Financial Statements

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### 55. Segment information

#### General information

##### Identification of segments

"The municipality operates within 4 distinctive segments. The municipality has appointed a director to manage and control the performance of each segment. They are grouped as per their common activities as per strategic mandate such as Community Services, Technical Services and Local Economic Development Services. The municipality uses the same segments to determine strategic objectives.

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

The first segment is Community Services and this segment is mandated with providing basic services to the communities of Inxuba Yethemba Local Municipality. Its main functions are cemeteries, funeral parlours and crematoriums, civil defence, community parks (including nurseries), fire fighting and protection, libraries and archives, museums and art galleries, police forces, traffic and street parking control, recreational facilities, solid waste removal, and sports grounds and stadiums.

The second segment is Technical Services which is mandated with providing infrastructure services to Inxuba Yethemba Local Municipality. Its main function is the provision of public road and electricity infrastructure.

The third segment is Local Economic Development which is to provide economic development to communities of Inxuba Yethemba Local Municipality. Its main functions are cultural matters, economic development/planning, housing, and town planning, building regulations and enforcement, and city engineering.

The fourth segment is a combination of segments' activities are included as administrative and/or revenue generating functions. The Municipal Manager's office, Corporate Services and the Finance Office have been aggregated because these functions share in the same regulatory environment and offer the same internal service. The key sources of revenue include levying of taxes, provision of electricity and waste removal services and agency fees. Management report on these distinct segments on a monthly basis."

Accounting policies applied when compiling segment reports are consistent with those applied to the municipality as a whole.

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## Notes to the Annual Financial Statements

Figures in Rand

### 55. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2024

	Administrative support	Community Services	LED Services	Technical services	Total
<b>Revenue</b>					
Revenue from exchange transactions: Service Charges	5 830 999	(33 404 624)	(125 499 738)	395 104	(152 678 259)
Revenue from exchange transactions: Rental of Facilities & Equipment	(1 536 896)	(56 428)	(20 017)	(92 010)	(1 705 351)
Revenue from exchange transactions: Agency Services	(14 782)	(2 893 655)	-	-	(2 908 437)
Revenue from exchange transactions: Other Income	(1 085 481)	(859 446)	(241 992)	(286 828)	(2 473 747)
Revenue from exchange transactions: Investment Revenue	(29 344 953)	-	-	-	(29 344 953)
Revenue from exchange transactions: Fair value adjustments	868 011	-	-	-	868 011
Revenue from exchange transactions: Actuarial losses	(4 853 419)	-	-	-	(4 853 419)
Revenue from non-exchange transactions: Property rates	(66 565 959)	-	-	-	(66 565 959)
Revenue from non-exchange transactions: Government grants and subsidies	(58 021 901)	(4 560 000)	(37 600 519)	-	(100 182 420)
Revenue from non-exchange transactions: Fines	-	(123 175)	(150 618)	-	(273 793)
Revenue from non exchange transactions: Interest Eskom Debt	(43 520 416)	-	-	-	(43 520 416)
Revenue from non exchange transactions: Service in-kind	(2 069 340)	-	-	-	(2 069 340)
<b>Total segment revenue</b>	<b>(200 314 137)</b>	<b>(41 897 328)</b>	<b>(163 512 884)</b>	<b>16 266</b>	<b>(407 444 105)</b>
<b>Entity's revenue</b>					<b>(407 444 105)</b>

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## Notes to the Annual Financial Statements

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	Administrative support	Community Services	LED Services	Technical services	Total
<b>55. Segment information (continued)</b>					
<b>Expenditure</b>					
Employee related costs	62 090 420	37 072 721	2 342 466	24 026 874	125 532 481
Remuneration of councillors	9 419 082	-	-	-	9 419 082
Depreciation and asset impairment	22 297	-	-	51 198 431	51 220 728
Reversal of Impairments	3 423 766	-	-	9 618 213	13 041 979
Finance Costs	43 685 171	-	-	-	43 685 171
Lease rentals on operating lease	-	-	-	1 398 884	1 398 884
Bad debts written off	-	36 081 578	-	-	36 081 578
Bulk purchases	-	-	-	116 868 088	116 868 088
Contracted Services	35 938 912	-	-	-	35 938 912
Loss on disposal of PPE	233 509	-	-	-	233 509
Inventories losses/write-downs	1 635 410	-	-	-	1 635 410
General expenses	36 615 600	2 227 918	396 893	13 594 025	52 834 436
193	588 691	9 195 558	106 378	6 514 512	16 405 139
<b>Total segment expenditure</b>	<b>193 652 858</b>	<b>84 577 775</b>	<b>2 845 737</b>	<b>223 219 027</b>	<b>504 295 397</b>
<b>Total segmental surplus/(deficit)</b>	<b>(6 661 279)</b>	<b>42 680 447</b>	<b>160 667 147</b>	<b>223 235 293</b>	<b>(96 851 292)</b>
<b>Assets</b>					
Current assets	1 010 549	(49 470)	2 517 948	128 189 448	131 668 475
Non-Current Assets	1 175 147 217	7 065 742	-	13 714 991	1 195 927 950
<b>Total segment assets</b>	<b>1 176 157 766</b>	<b>7 016 272</b>	<b>2 517 948</b>	<b>141 904 439</b>	<b>1 327 596 425</b>
<b>Total assets as per Statement of financial Position</b>					<b>1 327 596 425</b>
<b>Liabilities</b>					
Current Liabilities	(460 756 987)	(36 597 246)	(162 420 895)	(33 656 291)	(693 431 419)
Non-Current Liabilities	(58 773 794)	-	-	-	(58 773 794)
<b>Total segment liabilities</b>	<b>(519 530 781)</b>	<b>(36 597 246)</b>	<b>(162 420 895)</b>	<b>(33 656 291)</b>	<b>(752 205 213)</b>

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**Notes to the Annual Financial Statements**

Figures in Rand

	Administrative support	Community Services	LED Services	Technical services	Total
55. Segment information (continued)					
Total liabilities as per Statement of financial Position					(752 205 213)

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

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## Notes to the Annual Financial Statements

Figures in Rand

### 55. Segment information (continued)

2023

	Administrative support	Community Services	Technical Services	LED Services	Total
<b>Revenue</b>					
Revenue from exchange transactions: Agency Services	3 261	2 951 611	-	-	2 954 872
Revenue from exchange transactions: Interest income	24 198 169	-	-	-	24 198 169
Revenue from exchange transactions: Sundry fees and income	665 949	881 018	748 788	128 025	2 423 780
Revenue from exchange transactions: Rental of facilities and equipment	1 392 712	129 994	272 041	45 198	1 839 945
Revenue from exchange transactions: Service charges	(6 737 469)	32 085 867	107 137 460	(170 925)	132 314 933
Revenue from exchange transactions: Acturial gains	2 645 057	-	-	-	2 645 057
Revenue from non-exchange transactions: Property rates	49 977 784	-	-	-	49 977 784
Revenue from non-exchange transactions: Government grants and subsidies	55 053 638	4 288 000	34 659 162	-	94 000 800
Revenue from non-exchange transactions: Fines	-	16 231	61 393	-	77 624
Revenue from non-exchange transactions: Services in-kind	3 969 546	-	-	-	3 969 546
<b>Total segment revenue</b>	<b>131 168 647</b>	<b>40 352 721</b>	<b>142 878 844</b>	<b>2 298</b>	<b>314 402 510</b>
<b>Entity's revenue</b>					<b>314 402 510</b>

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## Notes to the Annual Financial Statements

Figures in Rand

	Administrative support	Community Services	Technical Services	LED Services	Total
<b>55. Segment information (continued)</b>					
<b>Expenditure</b>					
Employee related costs	56 037 777	34 972 012	23 923 486	2 135 495	117 068 770
Remuneration of councillors	8 816 409	-	-	-	8 816 409
Depreciation and asset impairment	-	-	66 080 725	-	66 080 725
Impairment	-	40 313 264	3 922 542	-	44 235 806
Finance charges	43 575 389	1 796 151	-	-	45 371 540
Lease rentals	1 595 947	-	-	-	1 595 947
Bad debts written off	-	10 359 287	-	-	10 359 287
Bulk purchases	-	-	94 959 057	-	94 959 057
Contracted Services	21 436 586	-	-	-	21 436 586
Fair value adjustments	4 575 082	-	-	-	4 575 082
Repairs & maintenance	225 446	779 303	13 321 242	127 117	14 453 108
General expenses	31 112 163	(205 697)	5 934 533	165 568	37 006 567
Loss on disposal of property, plant and equipment	7 531 737	-	-	-	7 531 737
<b>Total segment expenditure</b>	<b>174 906 536</b>	<b>88 014 320</b>	<b>208 141 585</b>	<b>2 428 180</b>	<b>473 490 621</b>
<b>Total segmental surplus/(deficit)</b>	<b>(43 737 889)</b>	<b>(47 661 599)</b>	<b>(65 262 741)</b>	<b>(2 425 882)</b>	<b>(159 088 111)</b>
<b>Assets</b>					
Current assets	(35 887 344)	28 649 321	101 491 042	516 416	94 769 435
Non-Current Assets	1 151 788 246	-	50 619 253	-	1 202 407 499
<b>Total segment assets</b>	<b>1 115 900 902</b>	<b>28 649 321</b>	<b>152 110 295</b>	<b>516 416</b>	<b>1 297 176 934</b>
<b>Total assets as per Statement of financial Position</b>					<b>1 297 176 934</b>
<b>Liabilities</b>					
Current Liabilities	(395 231 130)	(35 234 499)	(136 612 710)	(2 138 492)	(569 216 831)
Non-Current Liabilities	(55 717 600)	-	-	-	(55 717 600)
<b>Total segment liabilities</b>	<b>(450 948 730)</b>	<b>(35 234 499)</b>	<b>(136 612 710)</b>	<b>(2 138 492)</b>	<b>(624 934 431)</b>



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**Notes to the Annual Financial Statements**

Figures in Rand

	Administrative support	Community Services	Technical Services	LED Services	Total
<b>55. Segment information (continued)</b>					
<b>Total liabilities as per Statement of financial Position</b>					<b>(624 934 431)</b>

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

Geographic information

The municipality operates in Inxuba Yethemba Municipality which areas cover two major towns, namely Cradock and Middelburg along with a few smaller siding and villages. The municipality does not report by geographic segment other than on trade receivables from exchange and non exchange transactions

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## Notes to the Annual Financial Statements

### 56. Prior-year adjustments

	Note	As previously reported	Correction of error	Restated
Depreciation	1	66 058 020	22 705	66 080 725
Property rates	2	(49 977 784)	556 898	(49 420 886)
Other income	3	(2 103 681)	(320 099)	(2 423 780)
Service Charges	4	(132 264 836)	(50 097)	(132 314 933)
Employee related costs	5	117 039 711	29 059	117 068 770
Contracted Services	6	21 435 694	892	21 436 586
General Expenditure	7	36 420 812	585 755	37 006 567
Property, Plant and Equipment	8	1 130 672 788	2 237 426	1 132 910 214
Vat Receivable/(Payable)	9	34 795 231	372 262	35 167 493
Investment Property	10	52 956 700	520 586	53 477 286
Inventory	11	7 188 906	261 220	7 450 126
Payables from exchange transactions	12	(562 463 920)	(3 411 452)	(565 875 372)
Statutory receivable	13	14 478 232	(556 898)	13 921 334
Accumulated Surplus	14	(672 819 358)	564 961	(672 254 397)
		-	-	-

1. Depreciation was adjusted by 22 705 due to restatement of infrastructure assets.;

2. Property rates receivables due to incorrect billing based on the categories of the properties and changes in value of the properties.

3. Other income was previously understated as a result of the transactions incorrectly processed in payables.

4. Service charges were understated as result of transactions incorrectly mapped to payables now corrected.

5. Employee related costs was understated due to subsistence and travelling expenses recorded in the incorrect period.

6. Contracted Services was understated as a result of transactions captured in the incorrect period.

7. General expenditure was understated as a result of transactions captured in the incorrect period.

8. Property plant and Equipment was adjusted for the following line items which were accounted for incorrectly in the prior year;

Work in progress was adjusted by R1 058 875 understated in the prior year.

Infrastructure assets was adjusted by R1 178 652 being adjustment of an invoice not accrued the prior year and depreciation adjustment

9. Vat was adjusted R372 262 due to adjustments on general expenditure and payables adjustments;

10. Investment Property increased by R520 558 due to invoice not capitalised in prior year.

11. Inventory was adjusted by R261 220 due to land which was not previously recognised the the municipality's records and land sold in prior years but not derecognised the register.

12. The reported other payables was not agreeing to the the amount accounted for in the accounting records resulting in overstatement of payables and capital expenditure transactions were not accounted correctly in the prior year resulting in adjustments to payables.

13 Statutory receivables due to incorrect billing based on the categories of the properties and changes in value of the properties.

14. Accumulated Surplus was adjusted due to adjustments on various adjustments above.