



ELUNDINI LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2024

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

General Information

Nature of business and principal activities

Elundini Local Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)

Executive Committee

Mayor

Cllr M. P. S. Leteba

Cllr S. Mdoda - Portfolio head: Infrastructure Development

Cllr T. V. May - Portfolio head: Community Services

Cllr P. Lephafa - Portfolio head: Financial Services

Cllr B. N. Nqodi - Portfolio head: Corporate Services

Cllr M. Siphamla - Portfolio head: Planning and Economic Development

Speaker

Cllr V.V Hokwana

Councillors

Cllr M.V. Tokozwayo - Ward 1 (ANC)

Cllr P. Cawe - Ward 2 (ANC)

Cllr N. Ngcuka - Ward 3 (ANC)

Cllr K.A. Mgijima - Ward 4 (ANC)

Cllr N.D.J. Mfono - Ward 5 (ANC)

Cllr N. Tyumbu - Ward 6 (ANC)

Cllr T. Lephaila - Ward 7 (ANC)

Cllr M.A Mdleleni - Ward 8 (ANC)

Cllr N. Mditshane - Ward 9 (ANC)

Cllr Z. Sibanda - Ward 10 (ANC)

Cllr G.A. Ncusana - Ward 11 (ANC)

Cllr C.L. Marrand - ward 12 (ANC)

Cllr L.S. Ndumndum - Ward 13 (ANC)

Cllr A. Siphambo - Ward 14 (ANC)

Cllr L.C. Booka - Ward 15 (ANC)

Cllr M.A Masiso - Ward 16 (ANC)

Cllr T. Mfono - Ward 17 (ANC)

Cllr M.P.S. Leteba - PR (ANC)

Cllr V.V. Hokwana - PR (ANC)

Cllr S. Mdoda - PR (ANC)

Cllr T.V. May - PR (ANC)

Cllr M. Siphamla - PR (ANC)

Cllr Z. Mampintsha - PR (ANC)

Cllr V. Norman - PR (ANC)

Cllr B.N. Nqodi - PR (ANC)

Cllr F.M. Maqanda- Sonti PR (ANC)

Cllr L.B. Magqashela - PR (ANC)

Cllr M. Telile - PR (ANC)

Cllr A. Mayisha - PR (DA)

Cllr L. Botomani - PR (ATM)

Cllr R. Moleleki - PR (SARKO)

Cllr A.W. Masondo - PR (UDM)

Cllr P. Lephafa - PR (EFF)

Cllr P. Tsoaeli - PR (EFF)

Grading of local authority

3

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

General Information

Accounting Officer	J T Mdeni
Chief Finance Officer (CFO)	B Mbana-Gantsho (From 1 March 2024)
Registered office	No. 1 Seller Street Maclear 5480
Business address	No. 1 Seller Street Maclear 5480
Bankers	First National Bank Standard Bank
Auditors	Auditor General South Africa (AGSA)
Attorneys	Clark Laing Inc Magqabi Seth Zitha Attorneys Gray Moodliar Attorneys Gwabeni Inc Wesley Pretorious Associates Makade Inc Mbabane Sizwe Inc Tonise Attorneys
Directors	Director: Corporate Services -Z. Xuba (From 1 October 2023) Director: Infrastructure Planning and Development - S. Mrengqwa Director: Planning and Economic Development - N.C. Eddie Director: Community Service - L. Kutwana-Gomana
Section 79 Chairpersons	Members Interest Committee - Cllr M. Telile Rules Committee -Cllr V.V. Hokwana Municipal Public Accounts Committee - Cllr Z. Mampintsha Mandate Committe - Cllr M.V. Tokozwayo Strategic Governance - CLLR M.P.S. Leteba Women Caucus - Cllr C.L. Marrand
Audit Committee	Chairperson - NL Mnconywa Member- Y Madolo Member- M Sikhosana Member- R Vuzane

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Index

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

	Page
Accounting Officer's Responsibilities and Approval	4
Accounting officer's Report	5
Statement of Financial Position	6
Statement of Financial Performance for the period ending 30 June 2024	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 13
Accounting Policies	14 - 36
Notes to the Annual Financial Statements	37 - 96

Abbreviations used:

ANC	African National Congress
DA	Democcratic Alliance
GRAP	Generally Recognised Accounting Practice
CFO	Chief Financial Officer
CIGFARO	Chartered Institute off Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SARKO	South African Royal Kingdoms Organisation
UDM	United Democratic Movement
VAT	Value Added Tax

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

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

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

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

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


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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 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.

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's Audit Committee.

The annual financial statements set out on page 6 - 99 have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:



J T Mdeni
Accounting Officer

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting officer's Report

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

1. Review of activities

Main business and operations

Net deficit of the municipality was R 20,440,635 (2023: deficit R 12,703,409).

2. Going concern

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

3. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The annual financial statements set out on page 6 - 99 have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:



J T Mdeni
Accounting Officer

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	11,406,462	10,790,198
Receivables from non-exchange transactions	4	20,261,230	17,664,113
VAT receivable	5	5,749,522	8,839,492
Cash and cash equivalents	6	49,725,520	45,752,319
		87,142,734	83,046,122
Non-Current Assets			
Investment property	7	43,656,682	44,149,269
Property, plant and equipment	8	575,275,267	554,803,465
Intangible assets	9	429,078	430,266
		619,361,027	599,383,000
Non-Current Assets		619,361,027	599,383,000
Current Assets		87,142,734	83,046,122
Total Assets		706,503,761	682,429,122
Liabilities			
Current Liabilities			
Finance lease obligation	10	681,076	-
Payables from exchange transactions	11	50,146,244	53,946,161
Employee benefit obligation	12	17,961,118	14,384,826
Unspent conditional grants and receipts	13	11,976,301	40,471
Provisions	14	891,382	-
Consumer deposits	15	402,450	402,450
Loans and borrowings	16	9,607,152	-
		91,665,723	68,773,908
Non-Current Liabilities			
Finance lease obligation	10	895,546	-
Employee benefit obligation	12	9,404,000	8,397,000
Provisions	14	35,830,142	30,598,260
Loans and borrowings	16	14,633,854	-
		60,763,542	38,995,260
Non-Current Liabilities		60,763,542	38,995,260
Current Liabilities		91,665,723	68,773,908
Total Liabilities		152,429,265	107,769,168
Assets		706,503,761	682,429,122
Liabilities		(152,429,265)	(107,769,168)
Net Assets		554,074,496	574,659,954
Accumulated surplus	52	554,074,496	574,659,954
Total Net Assets		554,074,496	574,659,954

* See Note

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance for the period ending 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	38,884,059	32,661,229
Construction contracts	18	15,459,000	14,400,000
Rental of facilities and equipment	19	2,289,140	1,757,537
Licences and permits	20	3,606,366	3,743,902
Other income	21	1,593,224	907,885
Interest earned - trade and other receivables	22	4,933,999	3,400,311
Interest earned - investments	22	6,267,229	6,367,152
Total revenue from exchange transactions		73,033,017	63,238,016
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	27,326,317	25,782,795
Electricity availability charges	17	9,982,142	8,731,134
Donations	25	-	2,551,882
Transfer revenue			
Government grants & subsidies	26	250,626,170	230,547,411
Fines, penalties and forfeits	27	1,640,719	2,367,035
Interest from non exchange receivables	28	4,272,367	3,197,115
Total revenue from non-exchange transactions		293,847,715	273,177,372
Total revenue from exchange transactions		73,033,017	63,238,016
Total revenue from non exchange transactions		293,847,715	273,177,372
Total revenue		366,880,732	336,415,388
Expenditure			
Employee related costs	29	(135,199,797)	(126,163,378)
Remuneration of councillors	30	(13,417,831)	(13,412,823)
Depreciation and amortisation	31	(35,589,090)	(38,404,609)
Finance costs	32	(6,676,298)	(4,177,402)
Debt Impairment	33	(24,323,847)	(17,438,967)
Bulk purchases	34	(32,028,659)	(27,312,969)
Contracted services	35	(60,089,257)	(56,202,751)
Transfers and subsidies	36	(5,495,648)	(5,531,558)
Sale of goods/inventory	37	(651,373)	(1,434,429)
General expenses	39	(52,866,940)	(50,226,954)
Total expenditure		(366,338,740)	(340,305,840)
Total revenue		366,880,732	336,415,388
Total expenditure		(366,338,740)	(340,305,840)
Operating (deficit) surplus		541,992	(3,890,452)
Gain (loss) on disposal of assets	38	(1,497,724)	851,243
Actuarial gains (losses)	12	(1,233,994)	1,047,668
Impairment loss	31	(18,250,909)	(10,711,868)
Operating surplus/(deficit) for the year		(20,440,635)	(12,703,409)

* See Note

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus / (Deficit)	Total Net Assets
Balance on 1 July 2022 as previously reported	592,655,765	592,655,765
Correction of errors	(5,292,398)	(5,292,398)
Balance as at 01 July 2022	587,363,367	587,363,367
Surplus (Deficit) for the year	(12,856,718)	(12,856,718)
Prior year adjustment - note 50	153,309	153,309
Restated Surplus(deficit) for the year	(12,703,409)	(12,703,409)
Restated* Balance as at 01 July 2023	574,659,954	574,659,954
Income(losses) recognised directly in net assets	(144,823)	(144,823)
Surplus (Deficit) for the year	(20,440,635)	(20,440,635)
Balance as at 30 June 2024	554,074,496	554,074,496

* See Note

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Service charges		28,715,266	27,664,906
Other revenue		9,129,449	7,575,836
Property rates		29,001,567	21,703,873
Interest income		6,267,229	6,367,152
Government grants		278,021,000	239,466,998
		<u>351,134,511</u>	<u>302,778,765</u>
Payments			
Employees		(146,184,330)	(138,179,087)
Suppliers		(151,841,824)	(128,398,644)
Finance charges		(2,329,163)	(8,581)
		<u>(300,355,317)</u>	<u>(266,586,312)</u>
Total receipts		351,134,511	302,778,765
Total payments		(300,355,317)	(266,586,312)
Net cash flows from operating activities	40	50,779,194	36,192,453
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(70,391,569)	(67,036,478)
Proceeds from sale of property, plant and equipment	8	103,502	-
Purchase of other intangible assets	9	(245,999)	(569,669)
Net cash flows from investing activities		(70,534,066)	(67,606,147)
Cash flows from financing activities			
Proceeds from loans and borrowings		30,000,000	-
Repayment of loans and borrowings		(5,758,994)	-
Finance lease payments		(512,933)	(147,324)
Net cash flows from financing activities		23,728,073	(147,324)
Net increase/(decrease) in cash and cash equivalents		3,973,201	(31,561,018)
Cash and cash equivalents at the beginning of the year		45,752,319	77,313,337
Cash and cash equivalents at the end of the year	6	49,725,520	45,752,319

* See Note

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods	1,774,000	-	1,774,000	-	(1,774,000)	60.1
Service charges-Electricity	48,169,000	(15,391,000)	32,778,000	32,450,672	(327,328)	60.2
Service charges- Solid Waste	3,957,000	3,067,000	7,024,000	6,433,387	(590,613)	60.3
Construction contracts	-	-	-	15,459,000	15,459,000	60.11
Rental of facilities and equipment	2,363,000	-	2,363,000	2,289,140	(73,860)	60.4
Interest received - trade and other receivables	1,941,000	-	1,941,000	4,933,999	2,992,999	60.5
Interest received - investment income	5,397,000	-	5,397,000	6,267,229	870,229	60.5
Agency services	624,000	-	624,000	-	(624,000)	60.6
Licences and permits	2,658,000	-	2,658,000	3,606,366	948,366	60.7
Other Income	109,644,000	20,837,000	130,481,000	1,593,224	(128,887,776)	60.8
Gains	1,101,000	-	1,101,000	-	(1,101,000)	60.9
Total revenue from exchange transactions	177,628,000	8,513,000	186,141,000	73,033,017	(113,107,983)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	35,898,000	(4,455,000)	31,443,000	27,326,317	(4,116,683)	60.10
Electricity availability charges (Non-exchange)	-	-	-	9,982,142	9,982,142	60.1

Transfer revenue

Government grants & subsidies	202,177,000	350,000	202,527,000	202,898,420	371,420	60.11
Fines, Penalties and Forfeits	379,000	-	379,000	1,640,719	1,261,719	60.12
Interest received - Property rates	-	-	-	4,272,367	4,272,367	62.5
Total revenue from non-exchange transactions	238,454,000	(4,105,000)	234,349,000	246,119,965	11,770,965	

'Total revenue from exchange transactions'	177,628,000	8,513,000	186,141,000	73,033,017	(113,107,983)	
'Total revenue from non-exchange transactions'	238,454,000	(4,105,000)	234,349,000	246,119,965	11,770,965	
Total revenue	416,082,000	4,408,000	420,490,000	319,152,982	(101,337,018)	

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Expenditure						
Employee costs	(154,996,000)	(2,208,000)	(157,204,000)	(135,199,797)	22,004,203	60.13
Remuneration of councillors	(14,939,000)	-	(14,939,000)	(13,417,831)	1,521,169	60.14
Depreciation and amortisation	(54,564,000)	2,892,000	(51,672,000)	(35,589,090)	16,082,910	60.15
Impairment loss/ Reversal of impairments	-	-	-	(18,250,909)	(18,250,909)	60.16
Finance costs	(65,000)	(5,623,000)	(5,688,000)	(6,676,298)	(988,298)	60.17
Debt Impairment and bad debts written off	-	(19,001,000)	(19,001,000)	(24,323,847)	(5,322,847)	60.18
Bulk purchases	(36,723,000)	7,962,000	(28,761,000)	(32,028,659)	(3,267,659)	60.19
Contracted Services	(79,320,000)	14,254,000	(65,066,000)	(60,089,257)	4,976,743	60.20
Transfers and Subsidies	(12,090,000)	4,451,000	(7,639,000)	(5,495,648)	2,143,352	60.21
Sale of goods and inventory	(1,410,000)	208,000	(1,202,000)	(651,373)	550,627	60.22
Debt impairment	(6,655,000)	6,655,000	-	-	-	
Loss on disposal of non-monetary assets	-	-	-	(1,497,724)	(1,497,724)	60.9
Other expenditure	(55,321,000)	(13,998,000)	(69,319,000)	(54,100,934)	15,218,066	60.23
Total expenditure	(416,083,000)	(4,408,000)	(420,491,000)	(387,321,367)	33,169,633	
	-	-	-	-	-	
	-	-	-	-	-	
Operating deficit	(1,000)	-	(1,000)	(68,168,385)	(68,167,385)	
Transfers and subsidies - capital	69,102,000	6,391,000	75,493,000	47,727,750	(27,765,250)	60.11
Surplus/ (Deficit) after capital transfers and contributions	69,101,000	6,391,000	75,492,000	(20,440,635)	(95,932,635)	

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	107,064,000	(92,248,000)	14,816,000	11,406,462	(3,409,538)	60.24
Receivables from non-exchange transactions	16,027,000	4,802,000	20,829,000	20,261,230	(567,770)	60.24
VAT receivable	11,193,000	4,953,000	16,146,000	5,749,522	(10,396,478)	60.24
Inventory	-	97,000	97,000	-	(97,000)	
Cash and cash equivalents	86,801,000	18,555,000	105,356,000	49,725,520	(55,630,480)	60.24
	221,085,000	(63,841,000)	157,244,000	87,142,734	(70,101,266)	
Non-Current Assets						
Investment property	-	46,798,000	46,798,000	43,656,682	(3,141,318)	60.24
Property, plant and equipment	79,037,000	513,388,000	592,425,000	575,275,267	(17,149,733)	60.24
Intangible assets	12,000	444,000	456,000	429,078	(26,922)	60.24
	79,049,000	560,630,000	639,679,000	619,361,027	(20,317,973)	
Current Assets	79,049,000	560,630,000	639,679,000	619,361,027	(20,317,973)	59.23
Non-Current Assets	221,085,000	(63,841,000)	157,244,000	87,142,734	(70,101,266)	59.24
Total Assets	300,134,000	496,789,000	796,923,000	706,503,761	(90,419,239)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	34,810,000	22,674,000	57,484,000	50,146,243	(7,337,757)	60.26
Payables (non-exchange)	-	43,000	43,000	-	(43,000)	60.26
Provisions	42,953,000	(15,562,000)	27,391,000	891,382	(26,499,618)	60.26
Consumer deposits	-	424,000	424,000	402,450	(21,550)	60.26
Loans and borrowings	-	10,456,000	10,456,000	9,607,152	(848,848)	60.26
VAT	7,819,000	254,000	8,073,000	-	(8,073,000)	60.26
Other current liabilities	-	-	-	30,618,495	30,618,495	60.26
	85,582,000	18,289,000	103,871,000	91,665,722	(12,205,278)	
Non-Current Liabilities						
Provisions	-	21,958,000	21,958,000	35,830,142	13,872,142	60.27
Loans and borrowings	30,000,000	(4,833,000)	25,167,000	14,633,854	(10,533,146)	60.27
Other non-current liabilities	49,151,000	(40,250,000)	8,901,000	10,299,546	1,398,546	60.27
	79,151,000	(23,125,000)	56,026,000	60,763,542	4,737,542	
Current liabilities	85,582,000	18,289,000	103,871,000	91,665,722	(12,205,278)	59.25
Non-Current liabilities	79,151,000	(23,125,000)	56,026,000	60,763,542	4,737,542	59.26
	-	-	-	-	-	
Total Liabilities	164,733,000	(4,836,000)	159,897,000	152,429,264	(7,467,736)	
Assets	300,134,000	496,789,000	796,923,000	706,503,761	(90,419,239)	
Liabilities	(164,733,000)	4,836,000	(159,897,000)	(152,429,264)	7,467,736	
Net Assets	135,401,000	501,625,000	637,026,000	554,074,497	(82,951,503)	

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	30,514,000	(4,010,000)	26,504,000	29,001,567	2,497,567	60.28
Service charges	51,004,000	(16,532,000)	34,472,000	28,715,266	(5,756,734)	60.28
Other revenue	24,580,000	(96,000)	24,484,000	9,129,449	(15,354,551)	60.28
Government grants and subsidies	271,279,000	6,741,000	278,020,000	278,021,000	1,000	60.28
Interest	5,397,000	-	5,397,000	6,267,229	870,229	60.28
	382,774,000	(13,897,000)	368,877,000	351,134,511	(17,742,489)	

Payments

Suppliers and employees	(342,709,000)	6,336,000	(336,373,000)	(298,026,154)	38,346,846	60.28
Finance charges	(65,000)	(5,623,000)	(5,688,000)	(2,329,163)	3,358,837	60.28
Transfers and grants	(12,090,000)	4,451,000	(7,639,000)	-	7,639,000	60.28
	(354,864,000)	5,164,000	(349,700,000)	(300,355,317)	49,344,683	

Total receipts	382,774,000	(13,897,000)	368,877,000	351,134,511	(17,742,489)	59.27
Total payments	(354,864,000)	5,164,000	(349,700,000)	(300,355,317)	49,344,683	59.27

Net cash flows from operating activities	27,910,000	(8,733,000)	19,177,000	50,779,194	31,602,194	
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Cash flows from investing activities

Proceeds from sale of property, plant and equipment	517,000	-	517,000	103,502	(413,498)	60.29
Purchases of capital assets	(133,614,000)	(1,456,000)	(135,070,000)	(70,637,568)	64,432,432	60.29
Decrease (increase) non-current receivables	-	517,000	517,000	-	(517,000)	60.29

Net cash flows from investing activities	(133,097,000)	(939,000)	(134,036,000)	(70,534,066)	63,501,934	
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Cash flows from financing activities

Borrowing long-term financing	30,000,000	-	30,000,000	23,728,073	(6,271,927)	60.30
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Net cash flows from financing activities	30,000,000	-	30,000,000	23,728,073	(6,271,927)	
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Net increase/(decrease) in cash and cash equivalents	(75,187,000)	(9,672,000)	(84,859,000)	3,973,201	88,832,201	
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Cash and cash equivalents at the beginning of the year	51,674,000	27,133,000	78,807,000	45,752,319	(33,054,681)	
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Cash and cash equivalents at the end of the year	(23,513,000)	17,461,000	(6,052,000)	49,725,520	55,777,520	
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ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

These annual financial statements are presented in South African Rand, rounded off to the nearest rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Comparative figures

a) Prior Year Comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as practicable, and prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly.

b) Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

No significant amendments were made to the accounting policy of the current year.

1.4 Materiality

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

Standard of GRAP set out how an item should be recognised, measured and disclosed in the financial statements. In some cases, the Municipality does not recognise, measure, present or disclose information in accordance with the specific requirements outlined in the standards of GRAP if the effect of applying those requirements are immaterial.

1.5 Budget information

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and the final budget amounts, as well as a comparison between the actual amounts and the final budget amounts for the current financial year.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.6 Investment property

1.6.1 Initial recognition

Investment property includes property (land or a building, or a part of a building, or both land and buildings held under a finance lease) held to earn rentals and/ or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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 measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non - exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self- constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

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

1.6.2 Subsequent Measurement- Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life

1.6.3 Depreciation- Cost Model

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in the Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. In any such indication exists, the expected residual value and useful life are revised and the effect of any change in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	Years
Buildings	5 - 55

1.6.4 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable service amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.6 Investment property (continued)

1.6.5 Derecognition

An 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 determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items on investment property that were impaired, lost or given up is recognised in the statement of Financial Performance when the compensation becomes receivable.

1.7 Property, plant and equipment

1.7.1 Initial recognition

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

The cost of an item of property, plant and equipment is recognised as an asset if it is possible that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at the date of acquisition and any 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 the Municipality.

Where an item of property, plant and equipment is acquired in exchange of 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 items fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

1.7.2 Subsequent Measurement- Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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

1.7.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date the asset is derecognised.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Property, plant and equipment (continued)

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. the depreciation charge for each period is recognised in the Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any change in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	Years
Buildings	5 - 30
Infrastructure	3 - 100
Other Assets	3 - 20

Lease assets are depreciated over the lesser of the useful life or lease term

1.7.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.7.5 Derecognition

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.9 Employee benefits

Defined-contribution plans are post-employment benefit plans under which the Municipality pays a fixed contributions into a separate entity (a fund), and which will have no legal 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 year and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

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

Short-term employee benefits

1) Staff leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulating leave is vesting.

2) Bonuses

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

3) Provision for performance bonus

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to section 57 employees, is recognised as it accrues to section 57 employees. Provisions are based on the employment contract stipulation as well as previous performance bonus payment trends.

Other Short- Term Employee Benefits

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

a) As liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for a reduction in future payments or a cash refund; and

b) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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.

Post-employment benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined- benefit plans.

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

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

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

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.9 Employee benefits (continued)

Multi- Employer Defined Benefit Plans

The Municipality contributes to various National and Provincial-administered defined plans on behalf of its qualifying employees. These funds are multi- employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they are payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Post Retirement Medical Benefits

The Municipality provides post- retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of minimum service period . The present value of the defined liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of the plan assets (if any) out of which the obligations are settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

Pension and retirement fund obligations

The municipality provides retirement benefits for its employees and councillors. Defined contribution plan are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient funds to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri- annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportion basis to all participating municipalities. The contributions and lump sum payments are recognised in statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi- employer plan. As a result, defined plans have been accounted for as if they were defined contribution plans.

1.10 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.

Finance leases -Municipality as a lessee

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of lease liability. Contingency rents, if any, are charged as expense to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Leases (continued)

Operating leases -Municipality as a lessee

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight line basis over lease term, unless another systematic basis is more representative of the time pattern of the users benefit. The difference between the straight-lined expenses and actual payments will give rise to liability or asset.

1.11 Financial instruments

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

1.11.1 Initial Recognition

Financial Instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and thus the unamortised portion adjusted over the period of the loan transactions.

1.11.2 Subsequent Measurement

Financial instruments are categorised as follows

- a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- b) **Financial Instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are also subject to impairment review.
- c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
 - i) derivatives;
 - ii) combined instruments that are designed at fair value;
 - iii) Instruments held for trading
 - iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

1.11.3 Impairment And Uncollectability of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

1.11.3.1 Financial Assets Measured At Amortised Cost

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Financial instruments (continued)

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 cashflows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate compounded at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

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 is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

1.11.3.2 Financial Assets Measured At Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of the return similar financial asset. Such impairment losses is not to be reversed.

1.11.4 Derecognition of Financial instruments

1.11.4.1 Financial Assets

The municipality derecognises financial assets only when the contractual rights to the cashflows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another asset to another entity. Financial assets (receivables) are also derecognised when council approves the write off of financial assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

1.11.4.2 Financial Liabilities

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the 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, in the Statement of Financial Performance.

1.11.5 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on net basis, or to realise the assets and settle the liabilities simultaneously.

1.12 Share capital / contributed capital

Cash includes cash on hand, held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

For the purpose of cashflow statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of any bank overdrafts.

1.13 Taxes (Value Added Tax)

Revenue, expenses and assets are recognised net of the amounts of value added tax. the net amount of value added tax recoverable or payable, to the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value added tax (VAT) on the payment basis.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.14 Payables and annuity loans

Payables are initially recognised at fair value and subsequently measured at amortised cost using an effective interest at, which is the initial carrying amount, less repayments, plus interest.

1.15 Consumer deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.16 Conditional Government grants and public contributions

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria of recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulation and would be enforced by the transferor, a liability is recognised to the extent that conditions have not been met. When such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the condition associated with the grant, transfer or donation have not been met, always has to be cash backed. The cash which backs up the liability is invested as an individual investment or part of the general investment of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with the conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is in the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.17 Revenue

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

1.18 Borrowing costs

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are paid.

1.19 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.21 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Capital Commitments

Capital commitments disclosed in the financial statements represent the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.23 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).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.24 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.

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.

Management is considered a related party and comprises 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 the legislation, in instances where they are required to perform such functions..

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or separated by no more than two degrees of natural or legal consanguinity of affinity.

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

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

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties that are not arm's length and not on normal commercial terms, are disclosed.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.25 Accounting by principals and agents (continued)

Recognition

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

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

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

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

1.26 Living and non-living resources

Living resources are those resources that undergo biological transformation which comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in living resources.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Non-living resources, other than land, are not recognised as assets. The standard only requires disclosure of relevant resources.

The Municipality has assessed that it does not control any living resources, but is however responsible for non-living resources as set out in notes to the financial statements.

1.27 Segment information

A segment is an activity of the Municipality:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same Municipality);
 - 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.
- Management comprises of 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 the legislation.

Financial information relating to the reporting segments are aligned to the financial information distributed to management on a regular basis (similar basis of preparation). This information is utilised to measure performance of the relevant services provided by the Municipality and also to ensure that resources are appropriately allocated to various departments/segments to provide high quality services to the community.

Adjustments and eliminations made in preparing the Municipality's financial Statements, which includes the allocation basis of revenues and expenses, are prepared on a similar basis as the information distributed to management on a regular basis.

Financial information distributed to management does not include a segment/ department analysis of assets and liabilities associated with each segment/ department. In line with this principle utilised during the financial year, the segment reporting included in the financial statements are prepared on a similar basis which excludes such an analysis. Assets and liabilities are reported on for the Municipality as a whole.

Management reviews capital expenditure/performance on a regular basis and accordingly the relevant information is prepared on per segment.

1.28 Significant judgements and sources of estimation uncertainty

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.28 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and Residual Values 1.27.2

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

The estimated residual values of assets are also based on management's judgment on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

Impairment of Non- Monetary Assets 1.27.3

Non- monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property and Intangible assets.

The Municipality is not a profit -oriented entity, as its primary objective is service delivery. Tariffs and charges are cost effective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on impairment of Non-cash generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment on non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

Provisions of and Contingent Liabilities 1.27.4

Management's judgment is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill sit. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used as the discounting rate..

Financial Instruments and Statutory Receivables 1.27.5

The Municipality analyses the terms of and conditions of the transactions that give rise to its receivables in order to understand whether they arise directly from legislation or similar means, or from a separate contract concluded with a party. Judgment is applied in applying the principles as set out in the respective Standards of GRAP on Financial Instruments and Statutory Receivables.

Financial Assets and Liabilities 1.27.6

The classification of financial assets and liabilities, into categories, is based on judgment by management. In making the judgment, management considered the definition and recognition criteria for the classification of financial instruments as set out in the GRAP Standards on Financial Instruments.

Revenue Recognition 1.27.7

Accounting policy on Revenue from Non- Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgment, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on revenue from Non- Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

In considering the revenue to which the Municipality is entitled, the Municipality considers other factors that may impact the inflow of future economic benefits service potential on initial recognition revenue. Such factors include fines issued which will be reduced or withdrawn after reporting date. The Municipality applies judgment based on past experience and current facts and circumstances in order to adjust the traffic fine revenue accordingly.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.28 Significant judgements and sources of estimation uncertainty (continued)

Provision for Staff Leave 1.27.8

Staff leave is accrued to employees according to collective agreements. Provision is made for full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance Bonuses 1.27.9

Provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

Componentisation of Infrastructure Assets 1.27.10

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Recognition and Derecognition of Land 1.27.11

In order for land to meet the definition of an asset, the Municipality must be able to prove that controls being exercised. Control of land is evidenced by either legal ownership and/or the right to direct access to the land, and to restrict or deny the access of others to land.

To demonstrate access/restriction rights, the Municipality assesses whether it has a substance right for an unlimited period through a binding arrangement.

The above mentioned assessment is subject to management's judgments and assumptions are applied to conclude that the Municipality controls land.

Post-retirement and long term benefits 1.27.12

The cost of post retirement medical benefits and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables 1.27.13

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service identifiable categories across all classes of debtors.

Materiality 1.27.14

Since materiality is an entity-specific concept, its application may result in different outcomes based on the Municipality's circumstances. The assessment of materiality therefore requires management to apply judgment about:

- (a) How information could reasonably be expected to influence the discharge of accountability by the Municipality or decisions that the users make on the basis of those financial statements.
- (b) How the nature or size or both, of the information could reasonably be expected to influence decisions.

1.29 Statutory receivables

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions

1.29.1 Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.29 Statutory receivables (continued)

1.29.2 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 subsequently changed to reflect any interest or other changes that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1.29.3 Impairment And Uncollectability Of Statutory Receivables

The Municipality assesses at each reporting date whether there is any indicating that a statutory receivable may be impaired.

If there is an indication that a statutory receivable 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 is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and the timing of the cashflows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable 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 through the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.29.4 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable are settled, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

1.30 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.30 Impairment of cash-generating assets (continued)

- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

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

Value in use

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

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

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 reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.31 Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Where some of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised 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 reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- > the business or part of the business concerned
- > the principal locations affected
- > the location, function, and approximate number of employees who will be compensated for terminating their service
- > the expenditure that will be undertaken; and
- > when the plan will be implemented

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is derecognised.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.31 Provisions (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.30 .

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.32 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which is consideration received or receivable.

1.32.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity are based on consumption and a basic charge per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when the estimates of consumption up to reporting date 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 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.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.32 Revenue from exchange transactions (continued)

1.32.2 Interest Earned

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

1.32.3 Rental Income

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

1.32.4 Income From Agency Services

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services. Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of agency agreement.

1.32.5 Other Tariffs

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

1.32.6 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied

- a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- c) The amount of revenue can be measured reliably.
- d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.32.7 Deferred Payment

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

1.33 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to the transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

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

1.33.1 Taxation revenue

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.33 Revenue from non-exchange transactions (continued)

Taxation revenue comprises of property rates. 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.

1.33.2 Transfer Revenue

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

1.33.3 Fines

Fine Revenue constitutes both spot fines and summons. All fines issued during the year less any cancellation or reductions are recognised as revenue.

1.33.4 Insurance Refund

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

1.33.5 Unclaimed Deposits

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

1.33.6 Revenue From Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

1.33.7 Services In-Kind

These include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge

The Municipality recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the service in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

1.33.8 Contributed Assets

Contributed assets are recognised at fair value when such items of property, plant and equipment qualify for recognition and become available for use by the Municipality.

1.34 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.35 Receivables

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. An estimate is made for impairment of receivable, based on past default experience of all outstanding amounts at reporting date.

Bad debts written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.36 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.37 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.38 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation amount or amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Municipality.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

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:

GRAP 103 (as revised): Heritage Assets.

Effective date: Years beginning on or after - 01 April 2009.

Expected impact: Unlikely there will be material impact.

Guideline: Guideline on the Application of Materiality to Financial Statements.

Effective date: Years beginning on or after - 01 April 2009.

Expected impact: Unlikely there will be material impact.

GRAP 104 (revised): Financial Instruments

Effective date: Years beginning on or after - 01 April 2025.

Expected impact: Unlikely there will be material impact.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods but are not relevant to its operations:

3. Receivables from exchange transactions

House Rentals	2,940,207	1,927,115
Sundry Receivables	1,082,810	718,869
Electricity	27,175,773	22,189,431
Refuse	12,851,147	9,084,822
VAT Component of outstanding debtors	6,524,937	5,240,663
Interest	18,053,860	12,000,489
Impairment - Electricity	(22,254,067)	(16,889,434)
Impairment - Refuse	(12,177,232)	(8,158,536)
Impairment - VAT Component of outstanding debtors	(5,679,245)	(4,305,105)
Impairment- interest (Exchange)	(14,780,412)	(9,640,598)
Impairment - Housing rentals	(2,331,316)	(1,377,518)
	11,406,462	10,790,198

Consumer debtors are receivable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary.

Reconciliation of Allowance for Doubtful Debts

Balance at the beginning of the year	42,838,240	30,671,109
Contributions to provision	20,430,288	15,160,837
Bad debts written off	(2,960,191)	(2,993,706)
	60,308,337	42,838,240

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
3. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	2,145,795	1,357,345
31 -60 days	1,403,063	930,004
61 -90 days	1,033,791	1,421,793
91 -120 days	930,733	818,139
121 -150 days	825,672	1,763,698
>150 days	20,836,720	15,898,453
	27,175,774	22,189,432
Refuse		
Current (0 -30 days)	515,518	495,996
31 -60 days	431,931	353,547
61 -90 days	416,520	338,377
91 -120 days	408,268	329,884
121 -150 days	403,249	320,722
>150 days	10,675,660	7,246,296
	12,851,146	9,084,822
House Rentals		
Current (0 -30 days)	177,451	143,336
31 -60 days	133,257	71,173
61 -90 days	215,338	65,056
91 -120 days	109,692	60,626
121 -150 days	105,071	59,437
>150 days	2,199,398	1,527,487
	2,940,207	1,927,115
Interest		
Current (0-30 days)	456,270	356,716
31- 60 days	455,362	381,158
61- 90 days	443,656	335,347
91-120 days	423,561	325,524
121-150 days	406,612	287,055
>150 days	15,868,397	10,314,689
	18,053,858	12,000,489
VAT Component of outstanding debtors		
Current (0 -30 days)	396,785	278,041
31 -60 days	275,209	192,848
61 -90 days	217,456	274,656
91 -120 days	200,359	172,930
121 -150 days	183,847	314,070
>150 days	5,251,281	4,008,118
	6,524,937	5,240,663
Total receivables from exchange transactions	11,406,462	10,790,198

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
3. Receivables from exchange transactions (continued)		
Trade and other receivables from exchange transactions impaired		
The allowance for impairment of property has been made for all balances outstanding based on the payment ratio over the last 12 months. No allowance for debt impairment is made for outstanding government debt. Based on the payments trends, management is satisfied that no further credit provision is required in excess of the current allowance.		
4. Receivables from non-exchange transactions		
Property Rates	40,194,507	32,832,117
Interest on Property Rates	4,236,060	3,120,969
Other receivables- Deposits	581,480	581,480
Other receivables- Office of the Premier Grant unpaid	119,842	119,842
Traffic fines	3,807,914	3,615,414
Other Debtors	751,338	1,671,177
Other receivables -Joe GqabiDistrict Municipality	456,572	456,572
Impairment - Property Rates	(22,992,501)	(18,650,994)
Impairment - Traffic fines	(3,807,914)	(3,615,414)
Impairment - Interest on Property Rates	(3,086,068)	(2,467,050)
	20,261,230	17,664,113
Reconciliation of Allowance for Doubtful Debts		
Balance at the beginning of the year	22,266,409	19,241,337
Contributions to provision	6,348,300	3,675,818
Bad debts written off	(1,814,294)	(650,746)
	26,800,415	22,266,409
Property Rates		
31 - 60 days	1,256,104	1,153,381
61 - 90 days	1,101,558	1,058,710
91 - 120 days	1,064,343	1,039,997
121 - 150 days	1,050,031	1,022,657
> 150 days	35,722,471	28,557,363
	40,194,507	32,832,108
Traffic fines		
Current (0 - 30 days)	46,710	11,050
31 - 60 days	18,300	40,400
61 - 90 days	38,220	40,900
91 - 120 days	15,400	15,600
121 - 150 days	19,100	15,900
> 150 days	3,670,184	3,491,564
	3,807,914	3,615,414
Interest on property rates		
Current (0 - 30 days)	390,393	318,234
31 - 60 days	380,808	317,208
61 - 90 days	373,915	298,249
91 - 120 days	367,453	290,846
121 - 150 days	363,103	270,656
> 150 days	2,360,388	1,625,784
	4,236,060	3,120,977
Total receivables from non-exchange transactions	20,261,230	17,664,113

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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

Receivables from non-exchange transactions impaired

The allowance for impairment of property has been made for all balances outstanding based on the payment ratio over the last 12 months. No allowance for debt impairment is made for outstanding government debt. Based on there payments trends, management is satisfied that no further credit provision is required in excess of the current allowance.

Property rates	22,992,501	18,650,994
Traffic fines	3,807,914	3,615,414
	26,800,415	22,266,408

5. VAT receivable

VAT receivable	5,749,522	8,839,492
VAT Receivable from SARS	8,487	2,701,219
VAT in Suspense	61,790	1,833,168
VAT on Provision for Debt Impairment	5,679,245	4,305,105
	5,749,522	8,839,492

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Call Accounts	37,677,186	26,140,036
Current Accounts	11,664,465	18,135,092
Cash on hand	383,869	1,477,191
	49,725,520	45,752,319

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value..

Cash and Cash Equivalents are held to support the following commitments

Unspent Conditional Grants	11,976,301	40,471
Cash available for working capital requirements	37,749,219	45,711,848
	49,725,520	45,752,319

First Rand Bank Limited issued letters of guarantee in favour of the following

Eskom Holding Limited	5,216,304	5,216,304
Arbitration award	308,845	308,845

The Bank holds security to the value of the two amounts over FNB account number 6255 7779 322.

Heading

Standard bank also holds security to the amount of R3 000 000 over investment account number 388490365-001	3,000,000	-
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ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand				2024		2023	
6. Cash and cash equivalents (continued)							
The municipality had the following bank accounts							
Account number / description	2023_2024 (R)			2022_2023 (R)			
	Cash book	Bank Statement	Difference	Cash book	Bank Statement	Difference	
FNB Acc No 62159933772 (Primary Account)	10,878,522	9,552,123	1,326,399	6,915,052	6,967,053	(52,000)	
FNB Acc no 62312151848 (Petty Cash)	21,965	2,133	19,832	19,489	-	19,489	
FNB Acc no 62857839298 (Vendor)	211,984	211,984	-	4,417,869	4,417,869	-	
Standard Bank Acc no 280642407 (Revenue Account)	551,995	552,241	(246)	6,312,283	6,312,529	(246)	
Wesbank Acc no 13179 (Fuel Account)	41,593	41,593	-	470,398	470,398	-	
Standard Bank Acc no 388497173001 (EPWP)	29,666	29,666	-	2,628,994	2,628,994	-	
Standard Bank Acc no 388497165001 (Voter Station)	1,655	1,655	-	1,584	1,584	-	
Standard Bank Acc no 388493410002 (FMG)	19,261	19,261	-	1,732,217	1,732,217	-	
Standard Bank Acc no 388493003001 (MDG)	11,505,255	11,505,255	-	1,552	1,552	-	
Standard Bank Acc no 388490810001 (NER)	1,679,135	1,679,135	-	1,284,127	1,284,127	-	
FNB Acc no 62189194170 (EQS)	62,891	62,891	-	1,286,755	1,286,755	-	
FNB Acc no 62189180111 (MIG)	4,897,678	4,897,678	-	9,296,327	9,296,327	-	
FNB Acc no 62284785121 (WCR)	120,268	120,268	-	2,803,073	2,803,073	-	
FNB Acc no 62378875226 (MSI)	627,533	627,533	-	587,161	587,161	-	
FNB Acc no 62557779322 (Joe Gqabi)	5,576,719	5,576,719	-	6,367,211	6,367,211	-	
FNB Acc no 62785909650 (Energy Efficiency)	6,000	6,000	-	5,553	5,553	-	
FNB Acc no 62852498023 (Solidarity Fund)	156,109	156,109	-	144,473	144,473	-	
FNB Acc no 63043360592 (Smart Meters)	6,638,147	6,638,147	-	1,010	1,010	-	
FNB Acc no 63062748513 (Cleansing Project)	828,243	828,243	-	-	-	-	
FNB Retention Acc no 63101209921	2,265,642	2,265,642	-	-	-	-	
STD Acc no 388490365001 (Security)	3,221,392	3,221,392	-	-	-	-	
Cash on Hand	383,867	-	383,867	1,477,190	-	1,477,190	
Total	49,725,520	47,995,668	1,729,852	45,752,318	44,307,886	1,444,433	

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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

Reasons for differences

FNB - 62159933772 (Primary Account) R 1 326 399 cash book and bank reconciling items.

FNB Acc no 62312151848 (Petty Cash) - R 19 832 - Reconciling items.

Standard Bank Acc no 280642407 (Revenue Account - R 246 - Reconciling item).

Cash on Hand - R 383 868- Reconciling items.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

7. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	53,326,710	(9,670,028)	43,656,682	53,326,710	(9,177,441)	44,149,269

Reconciliation of investment property - June 2024

	Opening balance	Impairments	Depreciation	Total
Investment property	44,149,269	(13,488)	(479,099)	43,656,682

Reconciliation of investment property - June 2023

	Opening balance	Depreciation	Total
Investment property	44,628,368	(479,099)	44,149,269

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 realisability of investment property or the remittance of revenue and proceeds of disposal.

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

Income of R 2,005,974 and (2023: R 1,709,181) was generated on investment properties and was recognised as revenue from rental of investment property. There is no work in progress for investment property.
No significant operating expenditure was incurred on the investment property.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2,394,494	-	2,394,494	2,394,494	-	2,394,494
Buildings	186,117,204	(52,315,604)	133,801,600	165,825,425	(42,123,284)	123,702,141
Machinery and equipment	28,225,405	(21,481,311)	6,744,094	27,879,448	(20,968,023)	6,911,425
Furniture and office equipment	7,255,643	(4,086,762)	3,168,881	6,833,813	(4,663,324)	2,170,489
Motor vehicles	32,576,575	(24,195,484)	8,381,091	30,501,286	(21,857,589)	8,643,697
Lease asset	2,596,505	(829,211)	1,767,294	156,950	(155,672)	1,278
Computer equipment	11,218,444	(6,409,931)	4,808,513	12,323,208	(7,091,187)	5,232,021
Electricity Infrastructure	108,844,168	(28,871,462)	79,972,706	90,103,652	(26,213,128)	63,890,524
Roads Infrastructure	624,824,037	(339,546,525)	285,277,512	585,176,973	(312,059,089)	273,117,884
Capitalised Restoration Cost - Landfill sites	31,561,971	(16,843,227)	14,718,744	29,544,107	(15,160,933)	14,383,174
Work in Progress	34,240,338	-	34,240,338	54,356,338	-	54,356,338
Total	1,069,854,784	(494,579,517)	575,275,267	1,005,095,694	(450,292,229)	554,803,465

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2024

	Opening balance	Additions	Transfers to Capital Assets	Disposals	Transfers received	Transfers from leased assets	Restoration Costs	Depreciation	Impairment loss	Total
Land	2,394,494	-	-	-	-	-	-	-	-	2,394,494
Buildings	123,702,142	-	-	(380,954)	21,094,775	-	-	(6,034,948)	(4,579,415)	133,801,600
machinery and equipment	6,911,424	551,406	-	(163,179)	526,126	-	-	(1,081,683)	-	6,744,094
Furniture and office equipment	2,170,489	1,321,085	-	(69,425)	-	-	-	(253,268)	-	3,168,881
Motor vehicles	8,643,678	2,405,390	-	(27,359)	-	-	-	(2,640,618)	-	8,381,091
Lease assets	1,277	350,000	-	-	-	2,089,555	-	(673,538)	-	1,767,294
Computer equipment	5,232,022	1,512,078	-	(286,044)	-	-	-	(1,649,543)	-	4,808,513
Electricity Infrastructure	63,890,524	-	-	-	18,740,516	-	-	(2,658,334)	-	79,972,706
Roads Infrastructure	273,117,884	-	-	-	39,647,067	-	-	(18,188,578)	(9,298,861)	285,277,512
Capitalised Restoration Cost - Landfill sites	14,383,174	-	-	-	-	-	2,017,864	(1,682,294)	-	14,718,744
Work in Progress	54,356,336	64,251,632	(80,008,485)	-	-	-	-	-	(4,359,145)	34,240,338
	554,803,444	70,391,591	(80,008,485)	(926,961)	80,008,484	2,089,555	2,017,864	(34,862,804)	(18,237,421)	575,275,267

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2023

	Opening balance	Additions	Transfer to Capital Assets	Disposals	Transfers received	Restoration Costs	Donations	Depreciation	Impairment loss	Total
Land	2,394,494	-	-	-	-	-	-	-	-	2,394,494
Buildings	98,411,208	-	-	-	30,467,182	-	-	(5,176,249)	-	123,702,141
Machinery and equipment	6,856,866	1,495,278	-	(17,159)	-	-	-	(1,423,560)	-	6,911,425
Furniture and office equipment	2,208,527	494,976	-	(13,422)	-	-	-	(519,592)	-	2,170,489
Motor vehicles	6,969,649	1,764,062	-	-	-	-	2,551,882	(2,641,896)	-	8,643,697
Lease asset	120,362	-	-	-	-	-	-	(119,084)	-	1,278
Computer equipment	5,583,848	1,412,646	-	(12,834)	-	-	-	(1,751,639)	-	5,232,021
Electricity infrastructure	60,498,754	-	-	-	6,600,483	-	-	(3,208,713)	-	63,890,524
Roads Infrastructure	277,725,224	-	-	-	17,594,764	-	-	(21,485,549)	(716,555)	273,117,884
Capitalised Restoration Cost - Landfill sites	21,558,780	-	-	-	-	(5,716,862)	-	(1,458,744)	-	14,383,174
Work in progress	56,183,641	62,830,438	(54,662,429)	-	-	-	-	-	(9,995,312)	54,356,338
	538,511,353	67,997,400	(54,662,429)	(43,415)	54,662,429	(5,716,862)	2,551,882	(37,785,026)	(10,711,867)	554,803,465

Pledged as security

Property plant and equipment was not pledged as security for financial liabilities

Repairs and Maintenance

Expenditure incurred to repair and maintain property, plant and equipment is included under contracted services in the Statement of Financial Performance:

	2024	2023
Maintenance of buildings and facilities	9,033,175	11,490,549

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
8. Property, plant and equipment (continued)		
Slow moving projects		
Public toilets in Ugie		
Not ready for intended use.	1,501,169	1,501,169
Public toilets in Maclear		
Not ready for intended use.	1,619,407	1,619,407
Mount Fletcher Vehicle Testing Station MVA pit Building		
Not ready for intended use.	4,473,062	4,473,062

Reconciliation of Work-in-Progress June 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	33,717,287	20,639,048	54,356,335
Additions/capital expenditure	44,479,789	19,771,843	64,251,632
Impairment loss	(4,359,145)	-	(4,359,145)
Transferred to completed items	(58,387,578)	(21,620,905)	(80,008,483)
	15,450,353	18,789,986	34,240,339

Reconciliation of Work-in-Progress June 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	21,750,826	34,432,815	56,183,641
Additions/capital expenditure	42,716,932	20,113,503	62,830,435
Disposals	(6,555,222)	(3,440,090)	(9,995,312)
Transferred to completed items	(24,195,248)	(30,467,181)	(54,662,429)
	33,717,288	20,639,047	54,356,335

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.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

9. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	815,699	(386,621)	429,078	569,699	(139,433)	430,266
Total	815,699	(386,621)	429,078	569,699	(139,433)	430,266

Reconciliation of intangible assets - June 2024

	Opening balance	Additions	Amortisation	Total
Computer software	430,266	245,999	(247,187)	429,078
	430,266	245,999	(247,187)	429,078

Reconciliation of intangible assets - June 2023

	Opening balance	Additions	Amortisation	Total
Computer software	1,050	568,659	(139,443)	430,266

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
10. Finance lease obligation		
Minimum lease payments due		
- within one year	821,800	-
- in second to fifth year inclusive	958,766	-
- later than five years	-	-
	1,780,566	-
less: future finance charges	(203,944)	-
Present value of minimum lease payments	1,576,622	-
Present value of minimum lease payments due		
- within one year	681,076	-
- in second to fifth year inclusive	895,546	-
- later than five years	-	-
	1,576,622	-
Non-current liabilities	895,546	-
Current liabilities	681,076	-
	1,576,622	-

The lease term is 3 years and the average effective borrowing rate 11.07%.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 8.

11. Payables from exchange transactions

Trade payables	23,371,179	11,731,264
Unknown receipts	2,412,325	2,727,862
Accruals	322,425	17,931,420
Retentions	13,310,869	13,786,353
Deposits received	208,386	200,041
Payments received in advance	2,425,333	4,358,213
Sundry creditors	6,050,116	1,615,892
Advance licence fees	2,045,611	1,595,116
	50,146,244	53,946,161

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
12. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Accrued Bonus	3,440,190	3,093,380
Performance Bonus	2,149,998	1,609,626
Staff Leave	10,926,930	9,618,820
Post Retirement Medical Benefits	2,920,000	1,501,000
Long Service Awards	7,928,000	6,959,000
	27,365,118	22,781,826
Carrying value		
Non-Current Employee Benefits	(9,404,000)	(8,397,000)
Current Employee Benefits	(17,961,118)	(14,384,826)
	(27,365,118)	(22,781,826)
Accrued Bonus		
Opening Balance	3,093,380	2,995,759
Contribution during the year	7,491,118	6,805,918
Payments made	(7,144,308)	(6,708,297)
	3,440,190	3,093,380
Performance Bonus		
Opening Balance	1,609,626	820,060
Contributions during the year	1,349,281	2,235,820
Payments made	(808,909)	(1,446,254)
	2,149,998	1,609,626
Staff leave		
Opening Balance	9,618,820	9,391,561
Contributions during the year	1,936,651	1,459,603
Payments made	(628,541)	(1,232,344)
	10,926,930	9,618,820
Post Retirement Medical Benefits		
Opening Balance	1,501,000	1,561,000
Payments made	(284,158)	(307,634)
Finance charges	163,000	164,000
Actuarial Loss/(Gain)	1,540,158	83,634
Subtotal	2,920,000	1,501,000
Less current portion	(217,000)	(138,000)
	2,703,000	1,363,000
The amounts recognised in the Statement of Financial Position are as follows		
Finance charges	163,000	164,000
Actuarial (gain) loss	1,540,158	(83,634)
	1,703,158	80,366

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up of as follows:

In-service members (eligible employees on medical aid)	210	-
In-service non-members (eligible employees without medical aid)	79	-

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
12. Employee benefit obligations (continued)		
Continuation members (retirees and surviving dependants)	5	4
	294	4

The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes

>Bonitas
>LA Health

Key Assumptions used are as follows.

1) Interest Rates

Discount Rate %	12	11
Health Care Cost Inflation rate %	8	7
Net Effective Discount Rate %	6	4
	-	-

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

2) Mortality Post-employment

PA(90) -1 with a 1% mortality improvement per annum from 2010

3) Last Valuation

The last valuation was performed as at 30 June 2024

4) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

The liability in respect of past service recognised in the Statement of Financial Position is as follows

The liability in respect of past service recognised in the Statement of Financial Position is as follows	Contribution Members	Present Value of fund obligations
30 June 2024	2,920,000	2,920,000
30 June 2023	1,501,000	1,501,000
30 June 2022	1,561,000	1,561,000
30 June 2021	1,572,000	1,572,000
30 June 2020	1,453,000	1,453,000
30 June 2019	1,560,634	1,560,634
30 June 2018	1,376,771	1,376,771
30 June 2017	1,492,858	1,492,858
	-	-

The Municipality has elected to recognise the full increase in this defined liability immediately as per GRAP 25.

Experience adjustments were as follows.

	Liabilities (Gain)/Loss
30 June 2024	56,000
30 June 2023	30,000
30 June 2022	11,000
30 June 2021	20,000
30 June 2020	70,000
30 June 2019	46,000

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
12. Employee benefit obligations (continued)		
30 June 2018		(37,000)
30 June 2017		72,000
		-

Sensitivity Analysis on the Accrued Liability.

Assumption	Total Liability (R)	% Change
Liability	2,920,000	-
Health care inflation rate (+1%)	3,116,000	7
Health care inflationrate (-1%)	2,676,000	(8)
Discount rate (+1%)	2,641,000	(10)
Discount rate (-1%)	3,258,000	12
Post-employment mortality (+1 year)	2,831,000	(3)
Post-employment mortality (-1 year)	3,010,000	3
	-	-

Sensitivity Analysis on the Interest Costs

Assumption	Interest (R)	%Change
Estimated interest for 2023/24	163,000	-
Health care inflation rate (+1%)	177,000	9
Health care inflation rate (-1%)	150,000	(8)
Discount rate (+1%)	164,000	1
Discount rate (-1%)	161,000	(1)
Post-employment mortality (+ year)	157,000	(4)
Post-employment mortality (-1)	169,000	4
	-	-

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
12. Employee benefit obligations (continued)		
Long Service Awards		
Assumptions used at the reporting date:		
Opening Balance	6,959,000	6,967,000
Current-service cost	969,000	975,000
Expenditure for the year	(446,836)	(714,836)
Finance Charges	753,000	697,000
Actuarial loss	(306,164)	(965,164)
Subtotal	7,928,000	6,959,000
Less Current Portion	(1,227,000)	(883,000)
	6,701,000	6,076,000

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after five years of continuous service and every five years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees. These provisions are made to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

The most recent actuarial valuations of plan assets and present value of the defined benefit obligation were carried out as at 30 June 2024 by Mr C Weiss of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At the end of the current year(2024), 289 employees were eligible for Long Service Awards (283 in 2023).

Key assumptions used are as follows:

Interest Rates

Discount Rate %	11	12
General Salary Inflation (Long term) %	6	7
Net Effective Discount Rate applied to salary- related Long Service Bonuses %	5	4
	-	-

The discount rate used is composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) Last valuation

The last valuation was performed as at 30 June 2024.

iii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities

The liability in respect of past service recognised in the Statement of Financial Position is as follows

	Unfunded Liability
30 June 2024	7,928,000
30 June 2023	6,959,000
30 June 2022	6,967,000
30 June 2021	6,170,000
30 June 2020	5,475,000
30 June 2019	4,749,336
30 June 2018	3,530,348
30 June 2017	3,415,935
	-

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
12. Employee benefit obligations (continued)		
Experience adjustments were calculated as follows:		
		Liabilities(Gain)/Loss
30 June 2024	-	214,000
30 June 2023	-	121,000
30 June 2022	-	222,000
30 June 2021	-	(43,000)
30 June 2020	-	343,393
30 June 2019	-	348,115
30 June 2018	-	293,874
30 June 2017	-	319,878
	-	-

Sensitivity Analysis on the Unfunded Accrued Liability

Liability	Total Liability	% Change
General earnings inflation rate (+1%)	7,928,000	-
General earnings inflation rate (-1%)	8,391,000	6
Discount Rate (+1%)	7,505,000	(5)
Discount Rate (-1%)	7,498,000	(5)
Average retirement age (+ 2 years)	8,406,000	6
Average retirement age (-2 years)	8,538,000	8
Withdrawal rates (*2)	7,336,000	(7)
Withdrawal rates (*0.5)	6,286,000	(21)
	9,033,000	14
	-	-

Sensitivity Analysis on the future Current- service and Interest Costs

Assumption	Current Service Cost	Interest Cost	Total Cost	%Change
Future Cost for 2023/24	969,000	753,000	1,722,000	-
General earnings inflation rate (+1%)	1,036,000	801,000	1,837,000	7
General earnings inflation rate (-1%)	908,000	709,000	1,617,000	(6)
Discount rate (+1%)	916,000	770,000	1,686,000	(2)
Discount rate (-1%)	1,029,000	733,000	1,762,000	2
Average retirement age (+2 years)	1,016,000	808,000	1,824,000	6
Average retirement age (-2 years)	922,000	709,000	1,631,000	(5)
Withdrawal rates (X 2)	718,000	578,000	1,296,000	(25)
Withdrawal rates (X 0.5)	1,146,000	872,000	2,018,000	17
	-	-	-	-

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

Current Service Cost	969,000	975,000
Interest cost	753,000	697,000
Actuarial gain	(306,164)	(964,034)
	1,415,836	707,966

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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

Defined Contributions Funds

The Municipality contributes to the following Defined Benefit Plans

Consolidated Retirement Fund	8,934,438	8,180,348
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Defined contribution funds

The Municipality contributes to funds which are defined as defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with the pension being calculated on the pensionable remuneration paid. Current contributions by council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance: .

SALA Pension	1,126,645	1,137,799
SAMWU National	4,538,889	4,436,400
National Municipal Workers Fund	636,452	522,461
Discovery Investment	-	14,419
	6,301,986	6,111,079

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Voter Education Grant	1,360	1,360
DEDEA Grant	620,723	39,111
Municipal Disaster Recovery Grant	11,354,218	-
	11,976,301	40,471

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

See note 25 for reconciliation of grants from National/Provincial Government.

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

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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14. Provisions

Reconciliation of provisions - June 2024

	Opening Balance	Unwinding of discounted interest	Increase due to re-measurement	Total
Landfill Sites	30,598,260	3,431,135	2,692,129	36,721,524

Reconciliation of provisions - June 2023

	Opening Balance	Unwinding of discounted interest	Reduction due to re-measurement	Total
Landfill Sites	33,737,956	3,471,822	(6,611,518)	30,598,260
Non-current liabilities			35,830,142	30,598,260
Current liabilities			891,382	-
			36,721,524	30,598,260

The Municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The calculation for the rehabilitation of the landfill site provision was compiled by an external specialist who was used to perform a valuation of the estimated annual cost of closure and rehabilitation (recurring costs) for the following landfill sites.

Mount Fletcher	13,855,562	11,655,689
Maclear old	5,137,769	4,327,189
Ugie-old	4,932,711	4,162,967
Maclear-new	1,128,195	1,126,771
Ugie-new	11,667,287	9,325,644
	36,721,524	30,598,260

Location

	Estimated Decommission Date	Future Cost of Rehabilitation
Mount Fletcher	2,034	26,225,696
Maclear old	2,024	7,939,782
Ugie -old	2,024	7,622,892
Maclear- new	2,072	14,194,756
Ugie- new	2,033	21,076,316
	-	77,059,442

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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14. Provisions (continued)

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the General Landfill Closure Costing Model (GLCCM) is based on the three-month average CPA for the quarter that included the financial year-end date. The average of the CPI for the last quarter amounted to 6.1716%.

There are currently five landfill sites in Elundini which service Mount Fletcher, Maclear and Ugie, they are named after the town which they service.

Mt Fletcher Landfill Site

Total area of the landfill	35 022 m2
Is the site licenced	Yes
Expected remaining useful life	10 years
Waste type allowed	General Landfill
Size class	Communal
Climatic water balance	B-

Maclear old Landfill Site

Total area of the landfill	10 000 m2
Is the site licenced	No
Expected remaining useful life	0 years
Waste type allowed	General Landfill
Size class	Small
Climatic water balance	B+

Ugie Old Landfill Site

Total area of the landfill	11 353 m2
Is the site licenced	No
Expected remaining useful life	0 years
Waste type allowed	General Landfill
Size class	Small
Climatic water balance	B-

Maclear new Landfill Site

Total area of the landfill	80 900 m2
Is the site licenced	Yes
Expected remaining useful life	48 years
Waste type allowed	General Landfill
Size class	Small
Climatic water balance	B+

Ugie new Landfill Site

Total area of the landfill	65 821 m2
Is the site licenced	Yes
Expected remaining useful life	48 years
Waste type allowed	General Landfill
Size class	Small
Climatic water balance	B-

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
15. Consumer deposits		
Consumer Deposits		
Electricity	304,598	304,598
Housing Rental	97,852	97,852
	402,450	402,450

The fair value of consumer deposits approximates their carrying value. Interest is not paid on these amount.

16. Loans and borrowings

Loans and borrowings	Opening capital	Capital payment	Closing capital
Current portion	15,366,146	(5,758,994)	9,607,152
Non-current portion	14,633,854	-	14,633,854
	30,000,000	(5,758,994)	24,241,006

The current annuity loan will be repaid over a period of 36 months at an interest rate of 11.29%. The loan is secured with an amount of R3 000 000 held over Standard Bank investment account number 388490365-001.

17. Service charges

Sale of electricity - exchange	33,410,445	27,780,299
Electricity availability charges - non-exchange	9,982,142	8,731,134
Electricity rebates	(959,773)	(1,107,328)
Refuse removal	7,026,848	6,670,322
Refuse rebates	(593,461)	(682,064)
	48,866,201	41,392,363

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

18. Construction contracts

The Municipality receives an INEP allocation in terms of Schedule 5B of DORA

This allocation is used to construct electricity infrastructure in areas where Eskom is currently the distributor of electricity.

Therefore, upon completion the infrastructure is handed over to ESKOM for operation and maintenance.

Revenue

Khohlon/mkgorwana electrification	-	4,638,088
Bethula electrification	-	3,770,075
Elenge electrification	-	3,853,044
Ulundi electrification	-	2,112,860
Nkobong link line electrification	-	25,933
Top blocks electrification	1,381,320	-
Westhoek electrification	3,600,210	-
Mehemeng electrification	3,491,116	-
Skote electrification	3,597,196	-
Xaxazana Zone 14 electrification	2,507,816	-
Ward 17 extention (Mbidlana) electrification	155,032	-
Ward 17 extention (Gqaghala) electrification	139,528	-
Esilindini electrification	228,072	-
Showini electrification	120,406	-
Koebong electrification	238,304	-
	15,459,000	14,400,000

Expenditure (INEP)

Khohlong/Mkgorwana electrification	-	4,033,120
Bethula electrification	-	3,278,326
Elenge electrification	-	3,350,474
Ulundi electrification	-	1,837,269
Nkobong link line electrification	-	22,550
Top blocks electrification	1,201,148	-
Westhoek electrification	3,130,617	-
Mehemeng electrification	3,035,753	-
Skote electrification	3,127,997	-
Xaxazana Zone 14 electrification	2,180,709	-
Ward 17 extention (Mbidlana) electrification	134,810	-
Ward 17 extention (Gqaghala) electrification	121,329	-
Esilindini electrification	198,323	-
Showini electrification	104,701	-
Koebong electrification	207,221	-
VAT	2,016,392	1,878,261
	15,459,000	14,400,000

Expenditure (other sources)

Elenge electrification	-	1,252,581
Koebong electrification	6,157	-
VAT	924	187,887
	7,081	1,440,468

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Agreements that meet all the criteria in paragraph .29 of GRAP 9 (Revenue from exchange transactions)

The Municipality recognises revenue using the percentage of completion method for agreements that meet all the criteria in paragraph .29 of GRAP 9 (Revenue from Exchange transactions), continuously as construction progresses.

The Municipality determines which agreements meet all the criteria in paragraph .29 of the Standard of GRAP on Revenue from Exchange transactions continuously as construction progresses in the following manner:

The amount of revenue arising from such agreement in the period	15,459,000	14,400,000
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The office of the Accountant General issued guidelines on how to account for the revenue and the expenditure incurred on the construction of infrastructure that will be handed over to Eskom once completed which brought changes to how Municipalities have been accounting for transactions related to the INEP Grant allocations.

In compliance with the requirements of the guidelines, the Municipality has had to separately disclose revenue recognised from the allocation related to work performed where the resulting infrastructure will not belong to the Municipality as construction contracts revenue to reflect the nature of activity carried out for the revenue to be recognised rather than the source of the fund which has always been the case.

This change was deemed necessary to comply with the requirements of the guidelines issued by the Office of the Accountant General.

19. Rental of facilities and equipment

Investment property

Rental of investment property	2,005,974	1,709,181
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Halls and facilities

Rental of halls and facilities	60,995	45,193
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Machinery and equipment

Rental of machinery and equipment	222,171	3,163
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20. Licences and permits

Driving Licenses	561,637	388,680
Learner driving licenses	796,216	742,500
Public Driving Permits	273,198	233,145
Registrations	1,975,315	2,379,577
	3,606,366	3,743,902

21. Other income

Building plans and inspection fees	130,149	132,626
Tender documents sale	185,681	142,990
Cemetery fees	42,614	30,934
Subsistence and Travel Allowance Refunds	7,752	-
Skills Development Levy Refund	286,713	332,626
Sundry income	263,587	52,530
Insurance refunds	286,923	138,880
Proceeds from Pound Auctions	389,805	77,299
	1,593,224	907,885

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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22. Interest revenue

Interest earned - Investments	6,267,229	6,367,152
Interest earned - trade and other receivables	4,933,999	3,400,311
	11,201,228	9,767,463

- -
- -

23. Actuarial gains

Post retirement medical benefits	-	83,634
Long service awards	-	964,034
	-	1,047,668

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
24. Property rates		
Rates received		
Public Service Infrastructure & Agriculture	14,036,044	12,158,094
Residential	7,090,707	5,886,656
Industrial, State Owned & Vacant Land	8,382,229	8,869,878
Multi-Purpose & Other Rates	-	994,272
Less: Rebates	(2,182,663)	(2,126,105)
	27,326,317	25,782,795

Valuations

Agricultural	1,506,079,957	1,506,079,957
Business	333,046,500	333,590,500
Churches	30,843,000	30,843,000
Government	579,164,400	579,164,400
Industrial	210,870,000	210,870,000
Mining	992,000	992,000
Municipal Owned Property	280,877,530	280,877,530
Public Open Space	33,027,000	33,027,000
Public service infrastructure	2,940,039,229	2,940,039,229
Residential	892,828,355	892,150,355
Vacant Land	43,504,600	43,638,600
	6,851,272,571	6,851,272,571

Assessment rates are levied on the total value of property of which the valuation must be performed every four years in terms of the Municipal Property Rates Act, Interim valuations we performed in June 2022

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by a way of rebate or remission

Rates are levied annually and monthly. Monthly rates are payable by the last day of each month and annual rates are payable before 30 September. Interest is levied at prime rate on outstanding monthly basis

Basic Rate

(c/Rand)

Public Service Infrastructure and Agricultural Land Farming	0.22	0.217
Residential	0.914	0.868
Industrial, State Owned, Mining and Vacant Land	1.828	1.736
Business	1.371	1.302
Agricultural land for other purposes	1.371	1.302
	6	5

25. Donation

Donation	2024	2023
Waste Compactor Truck	-	2,551,882

There were no donations received by the municipality during the year.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
26. Government grants and subsidies		
Operating grants		
Equitable Share	190,445,000	180,384,000
Expanded Public Works- EPWP	1,930,000	2,539,000
Municipal Finance Management Grant	1,700,000	1,650,000
Municipal Infrastructure Grant	2,702,250	2,208,750
Municipal Disaster Recovery Grant	952,782	-
Libraries Grant	750,000	1,238,327
DEDEA Grant	4,418,388	-
	202,898,420	188,020,077
Capital grants		
Municipal Infrastructure Grant	47,727,750	42,527,334
Operating Grants	202,898,420	188,020,077
Capital Grants	47,727,750	42,527,334
Total Grants Revenue	250,626,170	230,547,411

Equitable Share

In terms of the Constitution, local government is entitled to unconditional allocation of equitable share nationally raised to different levels of government. This allocation enables the provision of basic services and fulfilment of designated functions.

Municipal Finance Management Grant

Current-year receipts	1,700,000	1,650,000
Conditions met - transferred to revenue	(1,700,000)	(1,650,000)
	-	-

FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Expanded Public Works Program (EPWP)

Current-year receipts	1,930,000	2,539,000
Conditions met - transferred to revenue	(1,930,000)	(2,539,000)
	-	-

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines..

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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26. Government grants and subsidies (continued)

Voter Station Grant

Balance unspent at beginning of year	1,360	1,360
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This grant is used for maintenance of roads to voting stations.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	4,061,086
Current-year receipts	50,430,000	40,675,000
Conditions met - transferred to revenue (Operational)	(2,702,250)	(2,208,750)
Conditions met - transferred to revenue (Capital)	(47,727,750)	(42,527,336)
	-	-

MIG is used to supplement capital finance for basic municipal infrastructure for poor households, micro enterprise and social institutions. Also to provide for new municipal infrastructure and rehabilitation of existing ones.

Libraries Grant

Balance unspent at beginning of year	-	488,328
Current-year receipts	750,000	750,000
Conditions met - transferred to revenue	(750,000)	(1,238,328)
	-	-

The library grant is used to pay salaries for libraries staff and other library related costs.

DEDEA Grant

Balance unspent at beginning of year	39,111	39,111
Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(4,418,388)	-
	620,723	39,111

DEDEA Grant is used for promoting and administering sustainable economic development and employment creation. (see note 13).

Municipal Disaster Recovery grant

Current-year receipts	12,307,000	-
Conditions met - transferred to revenue	(952,782)	-
	11,354,218	-

Municipal Disaster Recovery Grant is used to rehabilitate and reconstruct municipal infrastructure damaged by a disaster. (see note 13).

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
27. Fines, Penalties and Forfeits		
Illegal Connections Fines	-	12,584
Municipal Traffic Fines	236,100	281,500
Pound Fees	99,524	44,052
Unclaimed Money Forfeits	1,305,095	2,028,899
	1,640,719	2,367,035
28. Interest from non-exchange receivables		
Interest - Property rates	4,272,367	3,197,115

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
29. Employee related costs		
Basic salaries and wages	88,818,211	82,208,820
Bonus	7,491,139	6,805,919
Medical aid contributions	6,389,142	5,746,800
UIF Contributions	604,270	600,733
Other payroll levies	200,627	224,874
Staff leave	1,937,851	1,459,602
Pension contributions	15,236,424	14,291,425
Overtime payments	4,463,043	4,395,399
Long-service awards	684,843	998,634
Acting allowances	1,425,667	1,067,991
Workmens Compensation Fund	805,006	694,498
Motor vehicle allowance	4,255,297	3,786,621
Housing allowances	157,829	141,050
Post employment benefit	185,041	208,348
Cellphone allowance	46,144	191,975
Scarcity allowance	230,628	176,850
Standby allowance	880,636	891,029
Bargain council	38,739	36,988
Performance bonus	1,349,260	2,235,823
	135,199,797	126,163,379
Municipal manager (J T Mdeni)		
Annual Remuneration	1,075,671	970,603
Car Allowance	360,000	360,000
Performance Bonuses	74,020	243,226
Contributions to UIF, Medical and Pension Funds	15,345	16,004
	1,525,036	1,589,833
Remuneration of Chief Financial Officer (B.A Mbana - Gantscho)(March 2024 - current)		
Annual Remuneration	333,444	-
Car Allowance	40,000	-
Contributions to UIF, Medical and Pension Funds	4,120	-
	377,564	-
Acting Chief Financial Officer - B Mashologu Dlodlo (July 2023-February 2024)		
Acting Allowance	17,128	10,248
Acting Financial Officer - F. Mbaliswana (July 2022 - January 2023)		
Acting Allowance	-	14,122
Acting Corporate Services Director - P. Dumalisile (July 2022 and May 2023-June 2023)		
Acting allowance	-	4,637
Director Infrastructure Planning and Development S Sako (July 2022 - November 2022)		
Annual Remuneration	-	517,928
Car Allowance	-	73,808
Performance Bonuses	-	132,510
Contributions to UIF, Medical and Pension Funds	-	47,357
Other	-	106,343
	-	877,946

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
29. Employee related costs (continued)		
Director Infrastructure Planning and Development- S Mrengqwa	-	-
Annual remuneration	1,029,277	322,247
Car Allowance	219,361	73,120
Contributions to UIF, Bargaining and skills	13,367	4,324
	1,262,005	399,691
Remuneration of Acting Infrastructure Planning and Development Director - S. Mrengqwa (January 2023 - February 2023)	-	-
Acting allowance	-	3,695
Director Strategic Planning and Economic Development- NC Eddie		
Annual Remuneration	853,381	448,720
Car Allowance	360,000	62,400
Performance Bonuses	54,381	52,016
Contributions to UIF, Medical and Pension Funds	13,568	6,398
Leave pay	-	99,871
	1,281,330	669,405
Director Community Services- L. Kutwana-Gomana		
Annual Remuneration	1,058,713	938,977
Car Allowance	167,500	150,000
Performance Bonuses	126,320	22,768
Contributions to UIF, Medical and Pension Funds	14,481	25,370
	1,367,014	1,137,115
Director Corporate Services- N K Fololo		
Annual Remuneration	-	811,690
Car Allowance	-	166,500
Contributions to UIF, Medical and Pension Funds	-	10,537
	-	988,727
Director Corporate Services - Z Xuba (October 2023 - current)	-	-
Annual remuneration	652,997	-
Car allowance	164,521	-
Contributions to UIF, Bargaining and Skills	8,975	-
	826,493	-
Remuneration of acting Strategic Planning and Economic Development Director - D.E Muthetho (November 2022- May 2023)		
Acting allowance		43,118
30. Remuneration of Councillors		
Mayor	967,383	974,628
Speaker	783,308	783,308
Councillors	9,602,184	9,521,763
Chief Whip	432,101	433,677
Executive Committee	1,632,855	1,699,447
	13,417,831	13,412,823

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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30. Remuneration of Councillors (continued)

2024	Basic Salary	Travel Allowance	Cellphone Allowance	Total
Mayor	694,726	228,690	43,966	967,382
Speaker	739,342	-	43,966	783,308
Councillors	6,431,425	1,983,678	1,187,082	9,602,185
Chief Whip	292,448	95,687	43,966	432,101
Executive Committee	1,193,245	263,746	175,864	1,632,855
	9,351,186	2,571,801	1,494,844	13,417,831
2023	Basic Salary	Travel Allowance	Cellphone Allowances	Total
Mayor	705,157	223,967	45,504	974,628
Speaker	736,304	1,500	45,504	783,308
Councillors	6,396,391	1,898,964	1,226,408	9,521,763
Chief Whip	295,423	92,750	45,504	433,677
Executive Committee	1,245,717	271,714	182,016	1,699,447
	9,378,992	2,488,895	1,544,936	13,412,823

The Mayor and Speaker are full-time. They are provided with secretarial support, office and a municipal motor vehicle.

31. Depreciation and amortisation

Property, plant and equipment	34,862,804	37,785,026
Investment property	479,099	479,099
Intangible assets	247,187	140,484
	35,589,090	38,404,609
Impairment loss		
Work-in-progress	4,359,145	9,995,312
Roads infrastructure	9,298,861	716,556
Buildings	4,579,415	-
Investment property	13,488	-
	18,250,909	10,711,868

32. Finance charges

Employee benefits	916,000	697,000
Current borrowings	2,157,263	-
Landfill site provision	3,431,135	3,471,822
Finance leases	171,900	8,580
	6,676,298	4,177,402

33. Debt impairment

Debt impairment	20,629,965	14,036,410
Bad debts written off	3,693,883	3,402,557
	24,323,848	17,438,967

34. Bulk purchases

Electricity	32,028,659	27,312,969
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ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
34. Bulk purchases (continued)		
Bulk purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.		
35. Contracted services		
Accounting and Auditing	2,225,087	2,149,278
Audit Committee	1,002,856	702,144
Catering Services	1,137,196	1,518,655
Dumping sites	-	3,544,701
Electrical	13,447,962	13,610,941
Internal Auditors	-	281,704
Drivers Licence Cards	201,213	162,345
Legal Services	1,957,361	1,365,468
Maintenance of Buildings and Facilities	9,033,175	11,490,549
Organisational	2,915,952	3,010,884
Personnel and Labour	9,408,684	5,889,834
Professional Staff	2,036,489	1,867,284
Research and advisory	4,937,801	1,186,450
Security Services	8,895,020	7,565,954
Other Contracted Services	2,213,053	1,323,354
Disconnection of electricity	580,648	458,861
Decorations	96,760	74,345
	60,089,257	56,202,751
36. Transfers and Subsidies		
Transfers and Subsidies	5,495,648	5,531,558
Transfers and Subsidies	2024	2023
Indigent Support - Eskom Electricity	4,312,648	4,352,558
Elundini Cooperative Development Centre	1,015,000	1,085,000
Indigent Support - Other Energy Sources	168,000	94,000
	5,495,648	5,531,558
37. Sale of goods/ inventory		
Inventory consumed	651,373	1,434,429
38. (Gain) Loss on disposal of non-monetary assets		
(Gain) or loss on disposal of non-current assets	1,497,724	(851,243)

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
39. General expenses		
Advertising publicity and marketing	1,721,223	1,055,226
Bank charges	718,351	689,082
Commission paid	684,991	1,512,302
Computer expenses	9,478,102	6,795,306
Learnership and internship	648,993	593,392
Insurance	4,109,209	3,034,763
Lease rentals	564,839	538,154
Fuel and oil	5,214,528	5,356,068
Printing and stationery	1,701,476	1,999,604
Protective clothing	993,076	795,910
Skills Development levy	1,202,668	1,125,551
Professional bodies, membership and subscription	1,704,827	1,510,225
Telephone and fax	1,298,479	1,596,142
Training	2,235,785	1,321,304
Travel and subsistence	7,666,500	7,210,941
External audit fees	5,586,840	5,568,334
Ward committees and other stipends	3,936,588	4,274,962
Motor vehicle licenses	461,598	287,836
Electricity	1,874,363	1,752,348
Employee wellness	-	37,800
Other sundries and consumables	1,064,504	3,171,704
	52,866,940	50,226,954

40. Cash generated from operations

Deficit	(20,440,635)	(12,703,409)
Adjustments for:		
Depreciation and amortisation	35,589,092	38,404,609
Actuarial gains or loss	1,233,994	(1,047,668)
Loss/ (Gain) on disposal of non current assets	1,497,724	(851,243)
Donations	-	(2,551,882)
Impairment loss	18,250,909	10,711,868
Debt impairment	24,323,847	17,438,967
Movement in employee benefits obligation	2,433,298	1,397,116
Movements in provisions	-	-
Interest on Landfill sites	3,431,135	3,471,822
Interest on LSA	916,000	697,000
Other non-cash items	-	-
Net income (losses) recognised directly in net assets	(144,823)	-
Changes in working capital:		
Receivables from exchange transactions	(24,940,111)	(17,127,769)
Other receivables from non-exchange transactions	(2,597,117)	(8,476,186)
Payables from exchange transactions	(3,799,919)	11,618,972
VAT Receivable	3,089,970	691,044
Unspent conditional grants and receipts	11,935,830	(5,480,788)
	50,779,194	36,192,453

41. Financial instruments disclosure

Categories of financial instruments

June 2024

Financial assets

	At amortised cost	Total
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ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
41. Financial instruments disclosure (continued)		
Trade and other receivables from exchange transactions	11,406,462	11,406,462
Other receivables - deposits	581,480	581,480
Other receivables - Office of the Premier	119,842	119,842
Other debtors	751,338	751,338
Other receivables - Joe Gqabi District Municipality	456,572	456,572
Cash and cash equivalents	49,725,520	49,725,520
	63,041,214	63,041,214

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	50,146,244	50,146,244
Consumer deposits	402,450	402,450
Loans and borrowings	24,241,006	24,241,006
Finance lease obligation	1,576,622	1,576,622
	76,366,322	76,366,322

June 2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	10,790,198	10,790,198
Other receivables - deposits	581,480	581,480
Other receivables - Office of the Premier	119,842	119,842
Other debtors	1,671,177	1,671,177
Other receivables - Joe Gqabi District Municipality	456,572	456,572
Cash and cash equivalents	45,752,319	45,752,319
	59,371,588	59,371,588

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	53,946,161	53,946,161
Consumer deposits	402,450	402,450
	54,348,611	54,348,611

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	23,203,535	15,959,855
Total capital commitments		
Already contracted for but not provided for	23,203,535	15,959,855
This expenditure will be financed from:		
• Own revenue	70,900	2,183,617
• Municipal Infrastructure Grant	22,023,479	11,610,885
• Office of the Premier Grant	-	2,165,353
• Municipal Disaster Recovery Grant	1,109,156	-
	23,203,535	15,959,855

43. Contingencies

Council has the following contingent liabilities.

Contingent liabilities

Alleged breach of contract	1,250,000	1,250,000
The plaintiff is claiming for damages arising from an alleged unlawful arrest by Municipal Officials.	200,000	200,000
The plaintiff's claim is for damages resulting from alleged unlawful confiscation of his drivers' license by the Municipal Traffic Police.	800,000	800,000
Plaintiff is claiming from the Municipality an amount of R3 035 000 in respect of injuries she allegedly suffered after she allegedly fell into a trench that was left uncovered at night where roadworks were being carried out at Back Street, Tlokoeng.	3,035,000	3,035,000
Claim for fees for professional services rendered to the Municipality. The Municipality felt that the fees were excessive and requested that their bill be subjected to taxation.	103,371	103,371
A contractor failed to fulfill its contractual obligations and therefore the Municipality, after following due process, terminated the contract in March 2014. A summons was received on 23 September 2014 claiming for loss of profit of the said termination amounting to R1 250 000.	-	1,250,000
Summons were served to the Municipality in relation to non-payment of services alleged to have been rendered to the Municipality by the travelling agent.	-	268,268
An employee of the Municipality was dismissed pursuant to a disciplinary hearing. The employee approached the Bargaining Council and the Commissioner reinstated the employee.	-	691,025
Total estimated Contingent liabilities	5,388,371	7,597,664

44. Risk management

Financial risk management

The municipality is potentially exposed to the following risks

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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44. Risk management (continued)

Liquidity risk

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

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

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

30 June 2024	Within 1 Year	Two to Five Years	After Five years	Total
Finance leases	681,076	895,546	-	1,576,622
Payables from exchange transactions	50,146,244	-	-	50,146,244
Consumer deposits	402,450	-	-	402,450
Loans and borrowings	9,607,152	14,633,854	-	24,241,006
	60,836,922	15,529,400	-	76,366,322
30 June 2023	Within 1 Year	Two to five years	After five years	Total
Payables from exchange transactions	53,946,161	-	-	53,946,161
Consumer deposits	402,450	-	-	402,450
	54,348,611	-	-	54,348,611

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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44. Risk management (continued)

Credit risk

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

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

Financial instrument	30 June 2024	30 June 2023
Cash and Cash Equivalents	49,725,520	45,752,319
Receivable from Exchange transactions	11,406,462	10,790,198
Other receivables - deposits	581,480	581,480
Other receivables - Office of the Premier	119,842	119,842
Other debtors	751,338	1,671,177
Other receivables - Joe Gqabi District Municipality	456,572	456,572

Cash and Cash Equivalent

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. An amount of R3 000 000 is held as security over the midterm loan for the duration of the loan period which is 36 months..

Receivables

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

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payables within 30 days. All receivables outstanding for more than 30 days are considered past due date.

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be past due.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits)

The following service receivables are past due, but not impaired

1 month past due	1,226,285	969,681
2 months past due	1,099,965	1,346,381
3 months past due	319,347	825,920
4 months past due	927,571	993,145
5 months past due	1,056,895	733,144
6 - 12 months past due	5,685,081	4,719,846
	10,315,144	9,588,117

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

44. Risk management (continued)

Long Term Receivables (including current portion)

Long Term Receivables are disclosed after taking into account any provision for impairment raised against the outstanding balance. Each outstanding balance are individually assessed for impairment.

No receivables were pledged as security for liabilities and no collateral is held from any of the counter parties.

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following are exposed to interest rate fluctuations.

Cash and Cash equivalents	49,725,520	45,752,319
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Other price risk (Market Risk)

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

The municipality is not exposed to other price risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

45. Fruitless and wasteful expenditure

Opening balance as previously reported	103,740	102,578
Add: Fruitless and wasteful expenditure identified - current	-	1,162
Closing balance	103,740	103,740

46. Irregular expenditure

Opening balance as previously reported	-	118,556
Opening balance as restated	-	118,556
Less: Amount written off - current	-	(118,556)
Closing balance	-	-

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,642,958	1,478,189
Refund and discount received	(82,148)	(51,737)
Amount paid - current year	(1,560,810)	(1,426,452)
	-	-

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

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

Audit fees

Opening balance	380,142	-
Current year subscription / fee	6,424,865	6,403,584
Amount paid - current year	(6,805,007)	(6,023,442)
	-	380,142

The amounts on the table above are VAT inclusive.

PAYE, SDL and UIF

Opening balance	1,424,622	1,543,912
Current year subscription / fee	24,530,062	22,702,161
Amount paid - current year	(24,503,276)	(22,821,451)
	1,451,408	1,424,622

Pension and Medical Aid Deductions

Opening balance	(6,487)	(6,484)
Current year subscription / fee	21,625,566	20,035,492
Amount paid - current year	(21,625,566)	(20,035,495)
	(6,487)	(6,487)

VAT

VAT receivable	5,749,522	8,839,492
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VAT output payables and VAT input receivables are shown in note 5.

VAT is payable on the receipt basis. Only once payment has been received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

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

Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr P. Cawe	399	1,450	1,849
Cllr V. Hokwana	16,847	-	16,847
Cllr T. Mfono	9,611	90,851	100,462
Cllr L.S. Ndumndum	399	677	1,076
Cllr Z. Mampintsha	96	-	96
	27,352	92,978	120,330

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr P. Cawe	428	2,873	3,301
Cllr V. Hokwana	14,404	-	14,404
Cllr T. Mfono	8,448	71,003	79,451
	23,280	73,876	97,156

Relationships to the person of the state not considered to be related parties

Director	Relationship to the person of the state	Amount
Nomasiza Winnie Chaka (Imbokodo Women Trading Enterprise)	Fundiswa Chaka (Child)	32,179
Ndiafhi Rerani (Munsoft)	Spouse of Mary Renani (Department of Justice)	9,339,341
Oko Mhlwempu (Sivs Arch)	Brother of Mawande Gobeni (Unit Head of Elundini Local Municipality) Spouse of Abongille Mhlwempu (SAPS)	724,326
Litha Mpeqeka (Bralt Holdings)	Elundini Local Municipality experiential learner (SCM)	209,999
Anele Thembaletu Nodikana (Maclear and Ugie Big Four)	Brother of Vuyokazi Nodikana (Elundini Local Municipality)	67,163
Sydwell Maqula (SMS ICT Choice)	Spouse of N.J. Majula (Department of Human Settlements)	1,941,777
Mbodla Matshutsha Vumi (Amatshutsha Logistics)	Spouse of Nqobile (Chief of staff KZN Office of the Premier)	767,641
Nosipho Kholutsoana (Lereku Trading)	Spouse of Moeketsi Kholutsoana (Forman of Structures at Elundini Local Municipality)	6,000
Total		13,088,426

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

48. Deviation from supply chain management regulations

Deviations from, and ratifications of minor breaches of the Procurement Processes due to Sole Providers, Specialised Services, Emergencies and Variation Orders:

Section 36 (1) (a) (1)	-	23,800
Section 36(1) (a) (iii)	6,000	-
Section 36 (1) (a) (v)	33,442,322	15,042,316
Section 36 (1) (b)	-	304,579
	33,448,322	15,370,695

Municipal Manager Office	117,702	1,595,942
Budget and Treasury Office	279,580	1,493,411
Infrastructure Planning and Development	31,616,956	8,416,877
Corporate Services	1,129,025	3,183,565
Community Services	292,210	625,750
Strategic Planning and Development	12,849	55,150
	33,448,322	15,370,695

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

49. Statutory receivables

In accordance with the principle of GRAP108, Statutory Receivables of the municipality are classified as follows.

Property Rates	40,194,507	32,832,117
Traffic fines	3,807,914	3,615,414
VAT Receivables	5,749,522	8,839,492

Property Rates are levied in term of the Municipal Property Rates Act 2004 (Act 6 of 2004) Refer to note 23 for property rates levied for the year and basis for interest rate used on outstanding balances.

Traffic fines are issued in terms of the Criminal procedure Act, 1997. Refer to note 26 or Traffic fines issued for the year. No interest is levied on outstanding traffic fines.

VAT receivable represents the refunds claimable from SARS by the municipality for value added tax paid or claimed on the services or goods acquired by the municipality. VAT receivable is claimed when input VAT for the period exceeds output VAT declared.

Refer to note 4 for determining the recoverability of property rates and traffic fines.

Statutory receivables that are past due at the reporting date, and have been impaired

Property Rates	22,992,501	18,650,994
Traffic Fines	3,807,914	3,615,414
	26,800,415	22,266,408

Statutory receivables that are past due that have not been impaired

Property Rates	17,177,003	16,820,669
Traffic Fines	-	-
	17,177,003	16,820,669

Rates - payment percentage of receivables are used to assess whether the receivable is impaired.

Refer to note 4 for more detail on the impairment and ageing of the statutory receivable past due not impaired.

Fines - all fines are impaired.

Refer to note 4 for more detail on the impairment provision and ageing of the statutory receivable past due not impaired.

VAT - VAT receivable from SARS is not impaired as South African Receiver of Revenue has sufficient funds to pay any outstanding amounts. VAT on output is provision assessed with the debtors impairment provision and included therein.

Refer to note 3 for more detail on the impairment provision.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

50. Related parties

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public.

Other related parties transactions relate to the acquisition of goods under terms and conditions applicable to open market trading on a willing buyer and seller principles. The payment terms are not favourable to other transactions (other related parties) and are not secured or encumbered. Settlement terms are in accordance with the general terms of trade with no guarantees received or given. The provision for doubtful debts is not made as the municipality is not owed by the supplier and no bad debts expense was recognised on these parties.

Related party loans

There are no loans outstanding to any related party. Since 1 July 2004 loans to councilors and senior management are not permitted.

Compensation of Management Personnel

Remuneration of related parties are disclosed in note 28 and 29.

Relationship to the person of the state.

Director	Relationship to the person of the state	Amount
Nontuthuzelo Nkalitshana (Timzo and Ntuthu Manufacturing and cleaning Services)	Councilor at Elundini Local Municipality in past 12 months	32,001
Total		32,001

51. Prior-year adjustments

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

Statement of financial position

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
VAT Receivable		8,846,322	(6,830)	-	8,839,492
Motor vehicles		8,579,022	64,675	-	8,643,697
Computer equipment		5,222,241	10,466	(686)	5,232,021
Furniture and office equipment		2,165,273	4,529	686	2,170,489
Receivables from exchange transactions		13,976,984	(2,493,025)	(653,927)	10,830,032
Receivables from non-exchange transactions		19,649,740	(2,679,386)	653,927	17,624,281
Current provisions		(3,431,137)	-	3,431,137	-
Non-current provisions		(27,167,123)	-	(3,431,137)	(30,598,260)
Accumulated surplus		(579,799,060)	5,071,467	67,636	(574,659,957)
Trade payables		(11,649,264)	-	(82,000)	(11,731,264)
Retentions		(13,868,353)	-	82,000	(13,786,353)
Buildings		130,844,544	328,701	(7,471,104)	123,702,141
Work-in-progress		55,280,135	-	(923,800)	54,356,335
Roads infrastructure		265,101,104	(310,488)	8,327,268	273,117,884
Electricity infrastructure		63,880,633	9,891	-	63,890,524
		(62,368,939)	-	-	(62,368,938)

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023		
51. Prior-year adjustments (continued)					
Statement of financial performance					
2023					
	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	17	(32,615,693)	(45,535)	-	(32,661,228)
Depreciation and Amortization	31	38,468,459	(63,850)	-	38,404,609
Construction contracts		-	-	(14,400,000)	(14,400,000)
Government grants and subsidies		(244,947,411)	-	14,400,000	(230,547,411)
Loss on Disposal of non-monetary assets		9,904,548	(43,924)	(9,860,624)	-
Gain on disposal of non-monetary assets	38	-	-	(851,243)	(851,243)
Impairment (loss) reversal		-	-	10,711,867	10,711,867
Insurance refunds		138,880	-	(138,880)	-
Other income		769,005	-	138,880	907,885
Surplus for the year		(228,282,212)	(153,309)	-	(228,435,521)

Prior Period Error : Correction of reassessments performed in 2023

Reassessments of useful lives was performed for all movable assets (this includes motor vehicles, computer equipment, furniture and office equipment) in the 2023 financial year.

The Depreciation figures contained casting and calculation errors which had resulted in the following effects on the financial statements for the 2023 financial year:

Decrease in Depreciation and Amortization by	(R 50 388)
Decrease in Property, Plant and Equipment : Accumulated Depreciation by	R 50 388

The impact of correction of reassessment of infrastructure assets resulted in the following effects on the financial statements :

Decrease in Depreciation by	(R 101 952)
Decrease in Accumulated Depreciation by	R 101 952

Prior Period Error : Correcting prior year disposal

Motor Vehicles an ISUZU DCAB with a cost of R330 079 and Accumulated depreciation of R286 155.86 which was written off in 2023 financial year was reversed as it was auctioned in the 2024 financial year, so a depreciation figure was recalculated which amounted to R 14 641.18. lastly on Motor Vehicle there was depreciation calculated which amounted to R 35 392.77 which relates to Isuzu which was disposed in 2024, was reversed.

This resulted in the following effects on the Financial Statements for the 2023 financial year

Increase in Property, Plant and Equipment : Cost by	R 330 079
Increase in Property, Plant and Equipment : Accumulated Depreciation by	(R 286 155)
Increase In Gains on disposal of non-monetary assets by	(R 43 924)
Increase In Depreciation Expense by	R 14 641
Increase in Property, Plant and Equipment : Accumulated Depreciation by	(R 14 641)

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

51. Prior-year adjustments (continued)

Prior Period Error : Revenue recognition in the incorrect period

Electricity Sales from Contour Technology (Pty) Ltd amounting to R 52 365.26 (incl VAT) for the month of June 2023 was recorded in July 2023 on the receipt date instead of being recorded on 30 June 2023 when the actual event took place.

This resulted in the following effects on the Financial Statements for the 2023 financial year :

Revenue increased by	(R 45 535.01)
Sundry receivables increased by	R 52 365.26
VAT Receivables decreased by	(R 6 830.25)

Payables from exchange transactions

In the previous Financial Year suppliers for two infrastructure projects were overpaid by a net amount of R82 000.

This resulted in a variance of R82 000 when comparing the G.L. to the Trade creditors aging. Another issue is that the Trade creditors vote was debited after the suppliers had already been paid.

We then found that the Municipality had withheld retentions from the suppliers. We then corrected this issue by reducing the suppliers' retention accounts by the amounts that they were overpaid.

This resulted in the following effects on the Financial Statements for the 2023 Financial year:

Trade payables increased by R82 000; and
Retentions decreased by R82 000

Correction of error: Disclosure notes

Additional disclosures in terms of Municipal Finance Management Act

Audit fees - The prior year fee and the amount paid disclosed in the note excluded VAT. This resulted in the prior year fee being understated by (R6 403 584 - R5 237 775) R1 165 809. This also resulted in the amount paid being understated by (R6 023 442 - R5 568 334) R455 108. This was then corrected.

This prior period correction then resulted in the following effects on the Financial Statements for the 2023 Financial year:

Payments due to SARS increased by R1 165 809 to arrive at an amount of R6 403 584;

Amount paid - current year increased by R455 108 to arrive at an amount of R6 023 442;and

As a result of the adjustments, the closing balance also changed to R380 142

PAYE/UIF and SDL - The prior year actual amount due to SARS was understated by the UIF deductions from the employees. This resulted in the payments due to SARS as per the note being understated by an amount of (R22 702 161 - R22 039 053) R663 108. This was then corrected.

This prior period correction resulted in the following effects on the Financial Statements for the 2023 Financial year:

Payments due to SARS increased by R663 108 to arrive at an amount of R22 702 161; and

As a result of this adjustment, the closing balance also changed to R1 424 622

Change of accounting policy disclosure - The accounting policy disclosed in the previous year did not reflect the accounting policy that was actually approved. In the current year, the disclosure has been corrected to align with the approved accounting policy and the National Treasury Capital Asset Guide.

The principal agent arrangement that the Municipality has with Contour Technology (Pty) Ltd was not disclosed in the prior Financial Year. The principal agent arrangement has now been disclosed. Refer to note 54 for the disclosure.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

51. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1: Projects transfered back to Work-in-progress

Transfer of completed projects back to Work-in progress

In the prior years, three assets were capitalised even though they were not in their intended conditions. This is because practical completion certificates for the projects were provided. Upon later inspection, it was found that the assets were not usable as they were not in their intended conditions.

These assets were then removed from the asset register and returned to Work-in-progress. This is because, although the projects have practical completion certificates, in substance the projects are still not in their intended conditions.

The effects of this prior year adjustment are as follows on the Financial Statements:

Buildings have decreased by R7 234 463;

Work-in-progress has increased by R7 593 638.4; and

As a result of the reversals of depreciation for the assets that have been moved back to WIP, the accumulated surplus has increased by R122 533 and depreciation for the prior year decreased by R236 640

Reclassification 2 : Completed WIP not recorded in previous years

Transfer of Work-in-progress to completed projects

A project that was completed was not moved from Work-in-progress to completed projects

The effects of this reclassification are as follows on the Financial Statements :

Increase in Depreciation expense by	R 310 488
Decrease in Accumulated Surplus by	R 190 170
Increase in Accumulated Depreciation by	R 500 658)
Increase in Roads infrastructure by	R8 517 438
Decrease in Work-in-progress by	(R8 517 438)

Reclassification 3: Impairment loss clasified as loss on disposal of non-monetary asset.

An impairment loss on Work-in-progress (R9 995 321) and on Roads infrastructure (R716 555) was previously mapped under the Loss on disposal of non-monetary line item in the prior year. The impairment loss on Work-in-progress was also disclosed as disposals in note 8. These errors have been corrected.

The effects of this prior year adjustment is as follows in the Financial Statements:

Decrease in Loss on disposal of non-monetary assets by R9 860 624;

Increase in Gain on disposal of non-monetary asset by R851 243;

Increase in Impairment loss by R10 711 867; and

Change in Work-in progress Disposals of R9 995 321 to impairment loss in note 8.

Reclassification 4: Insurance refunds to Other income.

Insurance refunds have been mapped under Other income

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

51. Prior-year adjustments (continued)

Insurance refunds were a stand alone line item in the Financial Statements. They have now been mapped under Other income

The impact of this prior year adjustment on the Financial Statements is as follows:

A decrease in Insurance refunds by an amount of R138 880; and

An increase in Other income by an amount of R138 880..

Receivables from exchange transaction and non-exchange transactions

Interest on property rates was previously mapped under Receivables from exchange transactions. Interest on property rates has now been mapped under receivables from exchange transactions as income received from property rates is a non-exchange transaction.

The impact of this prior year adjustment on the Financial Statements is as follows:

Increase in interest from non-exchange transactions by an amount of R3 120 977

Decrease in Interest from exchange transactions by R3 120 977

Impairment on interest on property rates was previously lumped under impairment on interest from receivables from exchange transactions. A journal has been passed to ensure that impairment on interest on property rates is under receivables from non-exchange transactions.

The impact of this prior year adjustment on the Financial Statements is as follows:

Increase in impairment on interest on property rates by R2 467 050

Decrease in impairment on interest from recievables from exchange transactions by R2 467 050

Receivables from exchange transactions and from non-eexchange transactions had balances that were greater than the agings. These balances arise from issues when the Municipality migrated to Munsoft. These balances have been removed so that the debtors balances will agree with the agings.

The effect of this prior year adjustment on the Financial Statements is as follows:

A decrease in Receivables from exchange transactions by R2 545 390;

A decrease in Receivables from non-exchange transactions by R2 679 386; and

An increase in Accumulated surplus by R5 224 776.

Provisions

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

51. Prior-year adjustments (continued)

The methodology for the estimation of the current portion of the provision for landfill sites has changed to the Present Value of the next year's amount that is to be spent on post-closure monitoring and maintenance in terms of the General Landfill Closure Costing Model. The methodology for estimation of the current portion was previously the interest charge for the next Financial Year.

The impact of this prior year adjustment on the Financial Statements is as follows:

A decrease in current provisions by R3 431 137; and

An increase in non-current provisions by R3 431 137.

Construction contracts revenue

The Office of the Accountant General issued guidelines on how to account for revenue and expenditure incurred on the construction of infrastructure that will then be handed over to Eskom once completed. This brought changes to how Municipalities have been accounting for transactions related to the INEP Grant allocations.

In compliance with the requirements of the guidelines, the Municipality has had to separately disclose revenue recognised from the allocation related to the work performed where the resulting infrastructure will not belong to the Municipality as construction contracts revenue to reflect the nature of the activity carried out for the revenue to be recognised rather than the source of the fund which has always been the case.

The impact of this prior year adjustment on the Financial statements is as follows:

An increase in construction contracts revenue by R14 400 000; and

A decrease in Government grants and subsidies by R14 400 000

52. Accumulated surplus

Accumulated surplus

Accumulated surplus

Closing balance	554,074,496	574,659,954
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53. Events after the reporting date

The Municipality has no events after reporting date to report

54. Principals- Agent Arrangements

The Municipality acts as an agent for the Department of Transport and manages the issuing of vehicle licences for a commission.

The municipality does not incur any expenses on behalf of the principal.

The municipality does not hold any resources on behalf of the principal that is recognised in the financial statements of the municipality.

The following transactions were undertaken by the Municipality as part of principal-agent arrangement:

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

54. Principals- Agent Arrangements (continued)

Revenue collected from third parties on behalf of the department	10,037,897	11,613,497
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Income from Agency Services

Commission earned on vehicle registrations	1,975,315	2,325,298
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Liabilities

Revenue due to the principal and not paid over at year end included in Payables from Exchange transactions	2,045,611	1,595,116
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The Municipality (Principal) entered into an agreement with Contour Technology (Pty) Ltd (Agent) to provide the hosting, vending, data management and supplementary support services to the Municipality. Contour Technology (Pty) Ltd distributes the prepaid electricity (by way of vendors) to third parties and pays the revenue received over to the Municipality. The company does not use any of the Municipality's resources.

This contract will terminate after 90 days written notice and written acknowledgement of such notice by the other party.

Termination or cancelation of this contract will not affect any rights or duties arising under it with respect to Proprietary information or payment of charges.

Fees paid to Contour Technology (Pty) Ltd	691,740	579,781
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Revenue due to the principal and not paid at year end included in Sundry Receivables.	118,307	52,365
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55. Non- Living Resources

Other than land, the Municipality identified an aquifer as the only non-living resource of which the water is being extracted with the use of a 150 meter borehole.

56. Private Public Partnerships (PPP)

Council entered into a Private Public Partnership with Interwaste (Pvt) Ltd ("Operator ") on 13 May 2013.

In terms of the PPP the operator will be responsible for the maintenance and operation of the landfill sites in the Ulgie and Maclear, as well as Mt Fletcher from 2015/16. The municipality is still responsible for the collection of refuse at the consumers' premises.

The duration of the contract is 10 years and the actual payments (including VAT) are as follows:

Year	Amount Paid
2023/24	R 750 430

There are no current obligations for the current year as the contract was terminated and there is no new operator appointed

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

56. Private Public Partnerships (PPP) (continued)

In terms of the PPP, the operator is required to provide their own movable assets in order to fulfil their function.

The PPP does make provision for the transfer of the movable assets to the Municipality at the end of the contract.

The operator is not required to build any new assets, but only to maintain the current assets belonging to the Municipality.

The performance of the Private Company is reviewed on an annual basis. The contract may be terminated based on performance. There is also no renewal clause after the 10 years.

A meeting was held on 17th August 2022 and it was noted that there was a breach of Private Public Partnership due to the landfill sites managed by Interwaste not being compliant due to a number of factors. Furthermore, the contract ended in 31 May 2023 and there were no further amendments/variations to the original contract entered.

57. Impact of Covid-19 and Financial Sustainability

Elundini Municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far possible, the Municipality factored in the effect of the lockdown levels had on its economic environment. At this stage, the uncertainty still remains as to how long the economy will take to recover from lockdown levels.

58. Unauthorised expenditure

Unauthorised expenditure relates to expenditure in excess of the approved budget. No unauthorised expenditure has been reported in the current financial year 2024.

Unauthorised expenditure	2024 (Actual)	2024(Final Budget)	2024 (Unauthorised)
Vote 1- Executive and Council	52,836,901	62,099,254	-
Vote 2- Budget and Treasury	46,669,966	85,261,581	-
Vote 3- Corporate admin	47,607,037	60,679,932	-
Vote 4- Community services	53,768,126	67,577,956	-
Vote 5 Strategic Planning and Development	14,652,530	24,683,940	-
Vote 6- Infrastructure Planning and Development	152,894,267	247,618,512	-
	368,428,827	547,921,175	-

Unauthorised Expenditure	2023 (Actual)	2023 (Final budget)	2023 (Unauthorised)
Vote 1-Executive and Council	51,172,938	60,940,770	-
Vote 2- Budget and Treasury	85,702,686	87,369,056	-
Vote 3 Corporate Admin	44,445,432	54,804,747	-
Vote 4- Community services	52,426,393	64,327,167	-
Vote 5-Strategic Planning Development	10,240,288	20,219,431	-
Vote 6- Infrastructure Planning and Development	100,253,400	216,700,982	-
	344,241,137	504,362,153	-

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

59. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Other	Supply of overall governance and administrative services to the segments below.
Community services	Halls, cemeteries, parks, tourism and library services.
Electricity	Electricity services.
Public safety	Traffic control and animal pounds.
Planning and development	Town planning, building control and project management unit.
Roads	Construction and maintenance of roads and stormwater.
Refuse removal	Refuse removal services.

Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

59. Segment information (continued)

Geographic segment reporting

Although the Municipality operates in a number of geographical areas (i.e. wards), the geographical information is not considered to be relevant to management for decision making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

Measurement of specific segment information

The accounting policies of the respective segments are the same as those prescribed in the summary of significant accounting policies. Information about the surplus/(deficit) and capital expenditure of the respective segments are disclosed on the following page. The Municipality had no changes in the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year

Segment surplus or deficit, assets and liabilities

June 2024

	Other	Community Services	Electricity	Public Safety	Planning and development	Roads	Refuse removal	Total
Revenue								
Service charges (Exchange)	-	-	32,450,672	-	-	-	6,433,387	38,884,059
Construction contracts (Exchange)	-	-	15,459,000	-	-	-	-	15,459,000
Rental of facilities and equipment (Exchange)	798	60,587	2,005,974	-	-	221,782	-	2,289,141
Interest on Investments (Exchange)	6,267,229	-	-	-	-	-	-	6,267,229
Interest on Debtors (Exchange)	4,933,999	-	-	-	-	-	-	4,933,999
Licences and permits (Exchange)	36,369	-	-	3,569,997	-	-	-	3,606,366
Other income (Exchange)	1,420,461	42,614	-	130,149	-	-	-	1,593,224
Property rates (Non-exchange)	27,326,318	-	-	-	-	-	-	27,326,318
Government grants and subsidies (Non-exchange)	192,145,000	7,096,586	-	-	2,702,250	48,680,532	1,802	250,626,170
Electricity Availability Charges (Non-exchange)	-	-	9,982,142	-	-	-	-	9,982,142
Fine & Penalties (Non-exchange)	1,437,883	-	-	110,630	-	92,205	-	1,640,718
Interest Received- Rates (Non-exchange)	4,272,367	-	-	-	-	-	-	4,272,367
Total segment revenue	237,840,424	7,199,787	59,897,788	3,810,776	2,702,250	48,994,519	6,435,189	366,880,733
Entity's revenue								366,880,733

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

59. Segment information (continued)

Expenditure

Employee related costs	64,068,970	13,068,271	7,283,498	12,783,276	12,680,614	12,545,329	12,769,844	135,199,802
Remuneration of councillors	13,417,830	-	-	-	-	-	-	13,417,830
Debt impairment	24,323,847	-	-	-	-	-	-	24,323,847
Depreciation and amortisation	13,059,887	-	2,658,334	-	-	18,188,575	1,682,295	35,589,091
Impairment loss	-	4,592,903	-	-	-	13,658,006	-	18,250,909
Finance cost	6,676,298	-	-	-	-	-	-	6,676,298
Bulk purchases	-	-	32,028,659	-	-	-	-	32,028,659
Sale of goods	419,935	524	226,414	-	4,500	-	-	651,373
Contracted services	21,847,620	6,113,391	16,537,158	854,667	5,639,276	6,672,850	2,424,297	60,089,259
Transfers and subsidies	1,015,000	-	4,480,648	-	-	-	-	5,495,648
General expenses	40,789,102	1,118,069	2,486,239	1,324,982	1,599,259	4,607,923	941,361	52,866,935
Loss on disposal of non-monetary assets	1,497,724	-	-	-	-	-	-	1,497,724
Actuarial losses	1,233,994	-	-	-	-	-	-	1,233,994
Total segment expenditure	188,350,207	24,893,158	65,700,950	14,962,925	19,923,649	55,672,683	17,817,797	387,321,369
Total segmental surplus/(deficit)								(20,440,636)

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

59. Segment information (continued)

2023

	Other	Community Services	Electricity	Public Safety	Planning and development	Roads	Refuse Removal	Total
Revenue								
Service Charges (Exchange)	-	-	26,672,971	-	-	-	5,988,258	32,661,229
Contracts revenue (Exchange)	-	-	14,400,000	-	-	-	-	14,400,000
Rental of facilities and equipment (Exchange)	3,792	44,564	1,709,181	-	-	-	-	1,757,537
Licence and permits (Exchange)	26,981	-	-	3,716,921	-	-	-	3,743,902
Other Income	744,324	30,934	-	-	132,626	-	-	907,884
Interest - investments (Exchange)	9,767,463	-	-	-	-	-	-	9,767,463
Property rates (Non-exchange)	25,719,319	63,475	-	-	-	-	-	25,782,794
Electricity availability charges (Non-exchange)	-	-	8,731,134	-	-	-	-	8,731,134
Donation (Non-exchange)	-	2,551,882	-	-	-	-	-	2,551,882
Government grants and subsidies (Non-exchange)	182,034,000	3,777,327	-	-	2,566,278	42,169,806	-	230,547,411
Fines, penalties and forfeits (Non-exchange)	2,072,951	-	12,584	281,500	-	-	-	2,367,035
Interest received - property rates (Non-exchange)	3,197,115	-	-	-	-	-	-	3,197,115
Gain on disposal on non-monetary assets (Non-exchange)	851,243	-	-	-	-	-	-	851,243
Actuarial gains (Non-exchange)	1,047,668	-	-	-	-	-	-	1,047,668
Total segment revenue	225,464,856	6,468,182	51,525,870	3,998,421	2,698,904	42,169,806	5,988,258	338,314,297
Entity's revenue								338,314,297

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

	Other	Community Services	Electricity	Public Safety	Planning and development	Roads	Refuse Removal	Total
59. Segment information (continued)								
Expenditure								
Employee related costs	58,052,196	11,053,310	7,418,544	11,724,692	11,718,994	13,295,588	12,900,056	126,163,380
Remuneration of councillors	13,412,823	-	-	-	-	-	-	13,412,823
Debt impairment	17,438,967	-	-	-	-	-	-	17,438,967
Depreciation and amortisation	13,706,934	-	3,208,714	-	-	21,488,959	-	38,404,607
Finance costs	705,580	-	-	-	-	-	3,471,822	4,177,402
Bulk purchases	-	-	27,312,969	-	-	-	-	27,312,969
Sale of goods	829,055	81,352	514,204	-	9,817	-	-	1,434,428
Contracted services	23,060,377	3,962,212	16,414,534	500,510	2,969,099	3,720,326	5,575,690	56,202,748
Transfers and subsidies	1,085,000	-	4,446,558	-	-	-	-	5,531,558
General expenses	39,782,915	896,507	2,445,835	651,579	909,808	4,265,068	1,275,240	50,226,952
Impairment loss	9,995,312	-	-	-	-	716,556	-	10,711,868
Total segment expenditure	178,069,159	15,993,381	61,761,358	12,876,781	15,607,718	43,486,497	23,222,808	351,017,702
Total segmental surplus/(deficit)								(12,703,405)

60. Budget differences

Financial Performance

1. Sale of goods

There was no revenue from the sale of goods. Revenue from the sale of goods was erroneously budgeted for.

2. Service Charges- Electricity

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

60. Budget differences (continued)

The actual amount for electricity sales is almost in line with the budgeted estimates. The little difference is as a result of power outages experienced in the current financial period and the consumers opted to use other sources of energy. Electricity availability charges were budgeted for under service charges - electricity..

3. Service Charges-Solid Waste

The actual is less than budgeted, the budget is net of indigent relief.

4. Rental of facilities and equipment.

The actual is less than the budget due to tenants who moved out and were not replaced..

5. Interest revenue

Interest on investment, the interest is over collected due to investments that were kept and withdrawn after year end for the purpose of generating revenue and Interest rates that were higher than previous financial year.

Interest on receivables is collected more than what was anticipated.

6. Agency Services

There were agency fees budgeted, however the actual agency fees collected is disclosed under other revenue streams hence the variance and it will be corrected in the following Financial year..

7. Licences and permits

The budgeted amount was based on prior year actuals and the applicable increase. There is great improvement in collection this year as compared to the previous year. This is because the neighbouring traffic department has closed for the period under review, and as a result people are booking at Maclear for licences and permits..

8. Other income

An amount of R70.6 million that was budgeted for was to counter fund for depreciation and debt impairment costs. Even though they are non-cash items, they must be funded as per budget circular No.115. T.

9. Gains on disposal of assets

There was no gain on disposal but the municipality incurred a loss. The Municipality did not budget for a loss on disposal of non-monetary assets because it didnt anticipate to sell assets which were not fully depreciated.

10. Property rates

The budget was more than the actual due to the fact that the budget does not include the rebates..

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

60. Budget differences (continued)

11. Government grants & subsidies

All grants as per the DORA are received fully, all conditional grants are fully spent. Additional grants like Disaster Relief and DEDEA grant were allocated later on during the financial period. The INEP (Construction contracts) and the Disaster Relief Grant was budgeted for under capital grants.

12. Fines, Penalties and Forfeits

The budgeted amount was based on prior year actuals and the applicable increase. There is great improvement in collection this year as compared to the previous year.

13. Employee cost

The budgeted employee related costs includes 14% of the total package and of the basic salary for performance bonus, which was not paid during the year under review but only paid in the new year and vacant positions that were not filled.

14. Remuneration of councillors

Remuneration of councillors were budgeted for 7.3% whereas on the gazette for upper limits for Councillors there was no increase for the year under review.

15. Depreciation and amortisation

They were a number of disposals which were not anticipated.

16. Impairment loss

Impairment loss was not budgeted for because damage to infrastructure was not anticipated

17. Finance cost

Interest on finance leases was not budgeted for as there were no finance leases anticipated..

18. Debt impairment

Debt impairment was more than the budget due to low collection

19. Bulk Purchases

The budget was based on the prior year actuals. The actuals increased due to suspension of load shedding. There was a high demand for electricity because of winter season as well.

20. Contracted Services

Savings on projects.

21. Transfers and subsidies

The actuals are less due to a decrease in indigent status that was not anticipated due to non-renewal of indigent status by applicants.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

60. Budget differences (continued)

22. Sale of Inventories

Savings on consumables.

23. Other expenditure.

General expenditure is under spent due to savings on implemented projects and also due to projects that are not fully implemented during the year and over budgeting for some projects as we are budgeting on estimates . The Municipality incurred an unanticipated actuarial loss as there was an actuarial gain in the prior year

Financial Position

24. Current Assets

The budgeted receivables is more than the actual amount, because the budgeted figure does not take into account impairment, rebates and write offs that reduces the receivables balance. The budgeted cash was more than the actual due to cash outflow at year end.

25. Non-current Assets

The INEP Grant was budgeted for under non-current assets and the rural electrifications were expensed. There are also assets that have been unexpectedly impaired.

26. Current liabilities

Other current liabilities consist of current employee benefit obligations and current finance lease obligations. The actual payables are less than the budgeted figure, however the variance is less than 9% and is therefore reasonable.

27. Non-current liabilities

Other non-current liabilities consist of non-current employee benefit obligations and non-current finance lease obligations. The actual figure for Employee benefits was lower than the budget due to the fact that a portion of the actual Employee benefits being disclosed under Non-current liabilities and the Provisions figure depends on finance costs and changes in the provision due to changes in discount rates.

Cash Flow

28. Net Cashflow from Operating Activities

The actual was more than the budgeted due to collections for service charges and other revenue significantly lower than the budgeted.

29. Net Cashflow from Investing Activities

The variance was due to capital projects not implemented as budgeted for.

30. Net Cashflow from Financing Activities

The municipality budgeted for the whole amount of long term long excluding the repayments.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

61. Change in estimates

A change in the estimated useful life of various assets of the municipality has resulted in the following decrease in the depreciation of the mentioned assets during the 2023-2024 financial year. The effect will only affect the current year depreciation. The future periods will not be affected. The carrying amount of related assets is adjusted accordingly. The change in estimates performed is reasonable and is regarded essential in the preparation of the financial statements.

Assets	Old depreciation	New depreciation	Decrease		
Furniture and office equipment	89,350	36,523	52,827	-	-
Computer equipment	10,245	4,300	5,944	-	-
Machinery and equipment	2,781	962	1,819	-	-
	102,376	41,785	60,590	-	-

62. Material losses

Opening balance as restated	-	-
Units purchased (kwh)	17,805,656	17,892,864
Units sold (kwh)	13,178,213	14,432,200
Units lost during distribution	4,627,443	3,460,664
Percentage lost during distribution	26	19
Average cost per kwh unit (excl VAT)	2	1
Rand value of loss	10,681,757	5,093,375
	-	-

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Annexure 1

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
June 2023											
Financial Performance											
Property rates	35,898,000	(4,455,000)	31,443,000	-		31,443,000	27,326,317		(4,116,683)	87 %	76 %
Service charges	52,126,000	(12,324,000)	39,802,000	-		39,802,000	48,866,201		9,064,201	123 %	94 %
Interest revenue	7,338,000	-	7,338,000	-		7,338,000	15,473,595		8,135,595	211 %	211 %
Transfers and subsidies and construction contracts	202,177,000	350,000	202,527,000	-		202,527,000	218,357,420		15,830,420	108 %	108 %
Other revenue	118,543,000	20,837,000	139,380,000	-		139,380,000	9,129,449		(130,250,551)	7 %	8 %
Total revenue	416,082,000	4,408,000	420,490,000	-		420,490,000	319,152,982		(101,337,018)	76 %	77 %
Employee costs	(154,996,000)	(2,208,000)	(157,204,000)	-	-	(157,204,000)	(135,199,797)	-	22,004,203	86 %	87 %
Remuneration of councillors	(14,939,000)	-	(14,939,000)	-	-	(14,939,000)	(13,417,831)	-	1,521,169	90 %	90 %
Debt impairment	(6,655,000)	(12,346,000)	(19,001,000)			(19,001,000)	(24,323,847)	-	(5,322,847)	128 %	365 %
Depreciation and asset impairment	(54,564,000)	2,892,000	(51,672,000)			(51,672,000)	(53,839,999)	-	(2,167,999)	104 %	99 %
Finance charges	(65,000)	(5,623,000)	(5,688,000)	-	-	(5,688,000)	(6,676,298)	-	(988,298)	117 %	10,271 %
Materials and bulk purchases	(36,723,000)	7,962,000	(28,761,000)	-	-	(28,761,000)	(32,028,659)	-	(3,267,659)	111 %	87 %
Transfers and grants	(12,090,000)	4,451,000	(7,639,000)	-	-	(7,639,000)	(5,495,648)	-	2,143,352	72 %	45 %
Other expenditure	(136,051,000)	464,000	(135,587,000)	-	-	(135,587,000)	(116,339,288)	-	19,247,712	86 %	86 %
Total expenditure	(416,083,000)	(4,408,000)	(420,491,000)	-	-	(420,491,000)	(387,321,367)	-	33,169,633	92 %	93 %
Total revenue	416,082,000	4,408,000	420,490,000	-	-	420,490,000	319,152,982	-	(101,337,018)	76 %	77 %
Total expenditure	(416,083,000)	(4,408,000)	(420,491,000)	-	-	(420,491,000)	(387,321,367)	-	33,169,633	92 %	93 %
Surplus/(Deficit)	(1,000)	-	(1,000)	-		(1,000)	(68,168,385)		(68,167,385)	816,838 %	816,838 %

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Annexure 1

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	69,102,000	6,391,000	75,493,000	-		75,493,000	47,727,750		-	63 %	69 %
Surplus/(Deficit)	(1,000)	-	(1,000)	-	-	(1,000)	(68,168,385)	-	(13,019,717)	816,838 %	316,838 %
Capital transfers and contributions	69,102,000	6,391,000	75,493,000	-	-	75,493,000	47,727,750	-	-	63 %	69 %
Surplus (Deficit) after capital transfers and contributions	69,101,000	6,391,000	75,492,000	-		75,492,000	(20,440,635)		(13,019,717)	- %	- %

Financial Position

Total current assets	221,085,000	(63,841,000)	157,244,000	-		157,244,000	87,142,734		(70,101,266)	55 %	39 %
Total non-current assets	79,049,000	560,630,000	639,679,000	-		639,679,000	619,361,027		(20,317,973)	97 %	784 %
Total current liabilities	(85,582,000)	(18,289,000)	(103,871,000)	-		(103,871,000)	(91,665,723)		12,205,277	88 %	107 %
Total non-current liabilities	(79,151,000)	23,125,000	(56,026,000)	-		(56,026,000)	(60,763,542)		(4,737,542)	108 %	77 %
Net Assets	135,401,000	501,625,000	637,026,000	-		637,026,000	554,074,496		(82,951,504)	87 %	409 %

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Annexure 1

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	27,910,000	(8,733,000)	19,177,000	-		19,177,000	50,779,194		31,602,194	265 %	182 %
Net cash from (used) investing	(133,097,000)	(939,000)	(134,036,000)	-		(134,036,000)	(70,534,066)		63,501,934	53 %	53 %
Net cash from (used) financing	30,000,000	-	30,000,000	-		30,000,000	23,728,073		(6,271,927)	79 %	79 %
Net increase/(decrease) in cash and cash equivalents	(75,187,000)	(9,672,000)	(84,859,000)	-		(84,859,000)	3,973,201		88,832,201	(5)%	(5)%
Cash and cash equivalents at the beginning of the year	51,674,000	27,132,000	78,806,000	-		78,806,000	45,752,319		(33,053,681)	58 %	89 %
Net increase / (decrease) in cash and cash equivalents	(75,187,000)	(9,672,000)	(84,859,000)	-	-	(84,859,000)	3,973,201	-	(88,832,201)	(5)%	(5)%
Cash and cash equivalents at the beginning of the year	51,674,000	27,132,000	78,806,000	-	-	78,806,000	45,752,319	-	33,053,681	58 %	89 %
Cash and cash equivalents at year end	(23,513,000)	17,460,000	(6,053,000)	-		(6,053,000)	49,725,520		(55,778,520)	(822)%	(211)%