



**KUMKANI MHLONTLO  
LOCAL MUNICIPALITY**

Annual Financial Statements  
for the year ended 30 June 2024

**AUDITOR GENERAL  
PROCESSED**

30 NOV 2024

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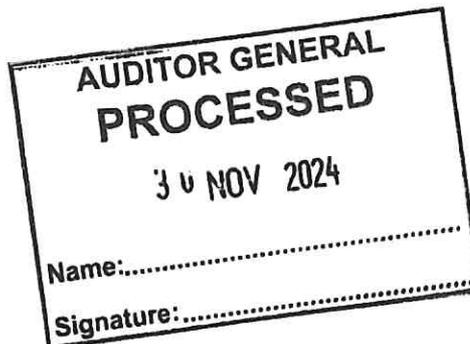
# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Nature of business and principal activities</b>	Mhlontlo Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)The municipality's operations are governed by:- Municipal Finance Management act 56 of 2003- Municipal Structure Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations
<b>Mayor</b>	Cllr M.G. Jara
<b>Speaker</b>	Cllr E. Pula
<b>Whip of Council</b>	Cllr N. Gcaba
<b>Executive Committee</b>	Cllr N.M Mvanyashe Cllr L. Yalezo (Resigned - 02 April 2024) Cllr L. Dlova (Ward 11) Cllr S. Voko: Cllr N. Sayiti Cllr S. Kahla (Ward 5) Cllr M. Funo Cllr N. Zikolo Cllr S. Matshoba (Resigned - 31 August 2024) Cllr U. Socikwa (From September 2023) Cllr MN. Mpheleli (From May 2023)
<b>PR Councillors</b>	Cllr M.R. Giyose Cllr V.G. Mazitshana Cllr Z. Makinana Cllr N. Mbujana Cllr B. Rasimeni Cllr B. Madikida Cllr N. Walaza Cllr Z. Nondaka Cllr K. Jubase (Resigned - 31 January 2024) Cllr M. Libazi Cllr K. Mpula Cllr L. Boyana Cllr S. Bontsa Cllr P.Tiwani Cllr S. Makhu



# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Councillors</b>	Cllr S. Mngcotana (Ward 1) Cllr N. Ranga (Ward 2) Cllr S. Mbola (Ward 3) Cllr S. Sophangisa (Ward 4) Cllr M. Vunguvungu (Ward 6) Cllr T.S. Guga (Ward 7) Cllr V. Nododana (Ward 8) Cllr A. Nombewu (Ward 9) Cllr S. Mtwazi (Ward 10) Cllr S. Ntukuntezi (Ward 12) (MPAC Chairperson) Cllr T. Titshana (Ward 13) Cllr B. Gigi (Ward 14) Cllr Z. Renene (Ward 15) Cllr B. Mthitshana (Ward 16) Cllr M.P. Bontsa (Ward 17) Cllr T. Magugu (Ward 18) Cllr M. Jikijela (Ward 19) Cllr A.M. Thembela (Ward 20) Cllr N. Khemtshe (Ward 21) Cllr S.M. Hlanti (Ward 22) Cllr M. Khonza (Ward 23) Cllr S. Hlekwa (Ward 23) Cllr B. Ntamo (Ward 24) Cllr N.V. Ncaphayi (Ward 25) Cllr C. Maqebula (Ward 26)
<b>Traditional leaders</b>	Nkosi S. Mcelu Nkosi M. Ranuga (Resigned - 31 July 2023) Nkosi S.P. Bikwe
<b>Grading of local authority</b>	3
<b>Chief Finance Officer (CFO)</b>	N. Sibobi (From 12 April 2024)
<b>Accounting Officer</b>	L. Ndabeni
<b>Registered office</b>	96 LG Mabindla Avenue Qumbu 5180
<b>Business address</b>	96 LG Mabindla Avenue Qumbu 5180
<b>Postal address</b>	5180 Qumbu 5180
<b>Bankers</b>	First National Bank - QUMBU
<b>Auditors</b>	Auditor General South Africa
<b>Contact details</b>	(043) 553 7000

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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

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**Abbreviations used:**

COID	:	Compensation for Occupational Injuries and Diseases
GRAP		Generally Recognised Accounting Practice
HDF		Housing Development Fund
IAS		International Accounting Standards
IPSAS		International Public Sector Accounting Standards
MFMA		Municipal Finance Management Act
MIG		Municipal Infrastructure Grant (Previously CMIP)
VAT		Value Added Tax



# **Kumkani Mhlontlo Local Municipality**

Annual Financial Statements for the year ended 30 June 2024

## **Accounting Officer's Responsibilities and Approval**

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I am required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and I am responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is my responsibility as 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 were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with (GRAP) and the MFMA 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 council 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 dependent on National Treasury 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 management is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 6 to 76 which have been prepared on the going concern basis, were approved and signed by the Accounting Officer on 25 November 2024.

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**L. Ndabeni**  
**Municipal Manager**

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Report

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

### 1. Review of activities

#### Main business and operations

The municipality's operations are governed by Municipal Finance Management Act (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems Act (Act 32 of 2000), and various other Acts and Regulations and operates principally in South Africa

The net deficit of the municipality is R14 665 732 (2023: R21 900 892).

### 2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 566 055 247 and that the municipality's total assets exceed its liabilities by R 566 055 247.

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

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance that require adjustment or disclosure in the annual financial statements arising since the end of the financial year.

### 4. Corporate governance

#### General

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

The annual financial statements set out on pages 6 to 76, which have been prepared on the going concern basis, were approved by the accounting officer on 25 November 2024 and were signed on its behalf by:

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L. Ndabeni  
Municipal Manager



# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Restated	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	230 919	1 039 269
Receivables from non-exchange transactions	4	2 872 016	3 303 376
VAT receivable	5	2 832 282	5 184 023
Cash and cash equivalents	6	113 552 380	127 381 261
		<b>119 487 597</b>	<b>136 907 929</b>
<b>Non-Current Assets</b>			
Investment property	7	14 250 621	5 982 621
Property, plant and equipment	8	514 099 275	489 533 480
Intangible assets	9	42 137	80 985
		<b>528 392 033</b>	<b>495 597 086</b>
<b>Total Assets</b>		<b>647 879 630</b>	<b>632 505 015</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	10	22 437 867	16 288 650
Employee benefit obligation	11	17 580 531	16 868 962
Unspent conditional grants and receipts	12	28 524 062	5 120 495
		<b>68 542 460</b>	<b>38 278 107</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	11	6 938 762	6 501 967
Provisions	13	6 343 161	5 854 653
		<b>13 281 923</b>	<b>12 356 620</b>
<b>Total Liabilities</b>		<b>81 824 383</b>	<b>50 634 727</b>
<b>Net Assets</b>		<b>566 055 247</b>	<b>581 870 288</b>
Accumulated surplus		566 055 247	581 870 288



\* See Note 43

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Restated	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	14	2 491 302	2 440 712
Rental of facilities and equipment	15	49 626	36 685
Agency services	16	1 242 354	1 584 703
Licences and permits	17	1 294 173	1 259 347
Transfers and Subsidies (INEP)	18	11 618 262	23 450 436
Other income	19	155 310	218 457
Interest earned - Investments	20	11 063 763	10 126 344
Fair value adjustments		8 327 000	-
Actuarial gains		1 064 974	892 568
<b>Total revenue from exchange transactions</b>		<b>37 306 764</b>	<b>40 009 252</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	21	33 460 823	33 875 730
<b>Transfer revenue</b>			
Government grants & subsidies	22	297 977 605	273 740 142
Recoveries		451 015	142 509
Fines	23	688 993	762 260
Commission received		374 167	312 851
Public contributions and donations	24	-	2 250 000
<b>Total revenue from non-exchange transactions</b>		<b>332 952 603</b>	<b>311 083 492</b>
<b>Total revenue</b>	<b>25</b>	<b>370 259 367</b>	<b>351 092 744</b>
<b>Expenditure</b>			
Employee related costs	26	(104 425 699)	(113 213 234)
Remuneration of councillors	27	(21 858 437)	(21 343 030)
Depreciation and amortisation	28	(32 482 798)	(47 669 798)
Impairments loss	29	(2 542 483)	(1 906 111)
Finance costs	30	(740 583)	(795 137)
Lease rentals on operating lease	31	(1 085 866)	(1 184 310)
Debt Impairment	32	(17 558 334)	(14 496 120)
Bad debts written off		(711 333)	-
Contracted services	33	(21 541 596)	(17 417 501)
Transfers and subsidies	34	(20 738 440)	(28 296 869)
Loss on disposal of assets	35	(3 685 595)	(236 174)
Movement in (interest)/change in estimate on Landfill Site	13	(488 508)	(925 634)
General expenses	36	(157 065 426)	(125 509 718)
<b>Total expenditure</b>		<b>(384 925 098)</b>	<b>(372 993 636)</b>
<b>Deficit for the year</b>		<b>(14 665 737)</b>	<b>(21 900 892)</b>



\* See Note 43

**Kumkani Mhlontlo Local Municipality**  
Annual Financial Statements for the year ended 30 June 2024

**Statement of Changes in Net Assets**

Restated	Accumulated surplus	Total net assets
Opening balance as previously reported	622 026 451	622 026 451
Adjustments		
Correction of errors	(18 255 271)	(18 255 271)
<b>Restated balance at 01 July 2022</b>	<b>602 621 870</b>	<b>602 621 870</b>
Changes in net assets		
Deficit for the year	(21 900 892)	(21 900 892)
Total changes	(21 900 892)	(21 900 892)
<b>Restated* Balance at 01 July 2023</b>	<b>580 720 978</b>	<b>580 720 978</b>
Changes in net assets		
Surplus for the year	(14 665 731)	(14 665 731)
Total changes	(14 665 731)	(14 665 731)
<b>Balance at 30 June 2024</b>	<b>566 055 247</b>	<b>566 055 247</b>

Note(s)

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\* See Note 43

**Kumkani Mhlontlo Local Municipality**  
Annual Financial Statements for the year ended 30 June 2024

**Cash Flow Statement**

Restated	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates taxes		18 585 375	21 491 587
Grants		321 381 172	286 190 287
Interest income		11 063 763	10 126 344
Other receipts		16 455 864	3 164 145
		<u>367 486 174</u>	<u>320 972 363</u>
<b>Payments</b>			
Employee costs		(125 135 772)	(123 611 765)
Suppliers		(195 968 514)	(179 665 812)
		<u>(321 104 286)</u>	<u>(303 277 577)</u>
<b>Net cash flows from operating activities</b>	<b>38</b>	<b><u>46 381 888</u></b>	<b><u>17 694 786</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(62 825 484)	(62 827 068)
Proceeds from sale of property, plant and equipment	8	2 614 715	-
Purchase of other intangible assets	9	-	(116 223)
<b>Net cash flows from/(used in) investing activities</b>		<b><u>(60 210 769)</u></b>	<b><u>(62 943 291)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(13 828 881)</b>	<b>(45 248 505)</b>
Cash and cash equivalents at the beginning of the year		127 381 261	172 629 766
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b><u>113 552 380</u></b>	<b><u>127 381 261</u></b>

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\* See Note 43

# Kumkani Mhlontlo 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
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	1 981 000	(259 000)	1 722 000	2 491 302	769 302	49.1
Rendering of services	29 000	-	29 000	-	(29 000)	
Rental of facilities and equipment	16 000	-	16 000	49 626	33 626	49.2
Interest received (trading)	80 000	-	80 000	-	(80 000)	
Agency services	1 728 000	-	1 728 000	1 242 354	(485 646)	49.3
Licences and permits	1 578 000	-	1 578 000	1 294 173	(283 827)	49.4
Revenue from service concession arrangements	-	-	-	11 618 262	11 618 262	
Other income	-	-	-	155 310	155 310	49.5
Interest received - investment	6 148 000	5 500 000	11 648 000	11 063 763	(584 237)	49.6
<b>Total revenue from exchange transactions</b>	<b>11 560 000</b>	<b>5 241 000</b>	<b>16 801 000</b>	<b>27 914 790</b>	<b>11 113 790</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	36 791 000	-	36 791 000	33 460 823	(3 330 177)	49.7
<b>Transfer revenue</b>						
Government grants & subsidies	305 274 000	44 034 000	349 308 000	297 977 605	(51 330 395)	49.8
Fines, Penalties and Forfeits	76 000	-	76 000	688 993	612 993	49.10
Commission received	-	-	-	374 167	374 167	49.11
Recoveries	-	-	-	451 015	451 015	
<b>Total revenue from non-exchange transactions</b>	<b>342 141 000</b>	<b>44 034 000</b>	<b>386 175 000</b>	<b>332 952 603</b>	<b>(53 222 397)</b>	
<b>Total revenue</b>	<b>353 701 000</b>	<b>49 275 000</b>	<b>402 976 000</b>	<b>360 867 393</b>	<b>(42 108 607)</b>	
<b>Expenditure</b>						
Personnel	(97 827 000)	(18 481 000)	(116 308 000)	(104 425 699)	11 882 301	49.12
Remuneration of councillors	(20 690 000)	(1 174 000)	(21 864 000)	(21 858 437)	5 563	49.13
Depreciation and amortisation	(49 421 000)	-	(49 421 000)	(32 482 798)	16 938 202	49.14
Impairment loss/ Reversal of impairments	-	-	-	(2 542 483)	(2 542 483)	49.15
Finance costs	-	-	-	(740 583)	(740 583)	49.16
Lease rentals on operating lease	-	-	-	(1 085 866)	(1 085 866)	49.17
Debt Impairment	(15 121 000)	10 469 000	(4 652 000)	(17 558 334)	(12 906 334)	49.18
Bad debts written off	-	-	-	(711 333)	(711 333)	
Contracted Services	(58 567 000)	4 167 000	(54 400 000)	(21 541 596)	32 858 404	49.19
Transfers and Subsidies	(2 402 000)	-	(2 402 000)	(20 738 440)	(18 336 440)	
General Expenses	(107 604 000)	(24 721 000)	(132 325 000)	(157 065 426)	(24 740 426)	49.20
<b>Total expenditure</b>	<b>(351 632 000)</b>	<b>(29 740 000)</b>	<b>(381 372 000)</b>	<b>(380 750 995)</b>	<b>621 005</b>	
<b>Operating deficit</b>	<b>2 069 000</b>	<b>19 535 000</b>	<b>21 604 000</b>	<b>(19 883 602)</b>	<b>(41 487 602)</b>	
Loss on disposal of assets	-	-	-	(3 685 595)	(3 685 595)	49.21
Fair value adjustments	-	-	-	8 327 000	8 327 000	

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# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Restated						
Actuarial gains/losses	-	-	-	1 064 974	<b>1 064 974</b>	49.22
Movement in (interest)/change in estimate on Landfill Site	-	-	-	(488 508)	<b>(488 508)</b>	49.23
	-	-	-	<b>5 217 871</b>	<b>5 217 871</b>	
<b>Surplus (Deficit) for the year</b>	<b>2 069 000</b>	<b>19 535 000</b>	<b>21 604 000</b>	<b>(14 665 731)</b>	<b>(36 269 731)</b>	



# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Receivables from exchange transactions	2 958 000	426 000	3 384 000	230 919	(3 153 081)	49.25
Receivables from non-exchange transactions	18 970 000	7 227 000	26 197 000	2 872 016	(23 324 984)	49.26
VAT receivable	1 763 000	(79 000)	1 684 000	2 832 282	1 148 282	49.27
Cash and cash equivalents	104 548 000	22 693 000	127 241 000	113 552 380	(13 688 620)	49.28
	<b>128 239 000</b>	<b>30 267 000</b>	<b>158 506 000</b>	<b>119 487 597</b>	<b>(39 018 403)</b>	

##### Non-Current Assets

Investment property	5 983 000	-	5 983 000	14 250 621	8 267 621	49.29
Property, plant and equipment	581 481 000	10 230 000	591 711 000	514 099 275	(77 611 725)	49.30
Intangible assets	157 000	(76 000)	81 000	42 137	(38 863)	49.31

	<b>587 621 000</b>	<b>10 154 000</b>	<b>597 775 000</b>	<b>528 392 033</b>	<b>(69 382 967)</b>	
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#### Total Assets

	<b>715 860 000</b>	<b>40 421 000</b>	<b>756 281 000</b>	<b>647 879 630</b>	<b>(108 401 370)</b>	
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#### Liabilities

##### Current Liabilities

Payables from exchange transactions	17 294 000	96 451 000	113 745 000	22 437 869	(91 307 131)	49.33
VAT payable	1 455 000	247 000	1 702 000	-	(1 702 000)	
Employee benefit obligation	24 390 000	4 836 000	29 226 000	17 580 531	(11 645 469)	49.34
Unspent conditional grants and receipts	3 125 000	588 000	3 713 000	28 524 062	24 811 062	49.35

	<b>46 264 000</b>	<b>102 122 000</b>	<b>148 386 000</b>	<b>68 542 462</b>	<b>(79 843 538)</b>	
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##### Non-Current Liabilities

Employee benefit obligation	-	-	-	6 938 762	6 938 762	49.38
Provisions	-	-	-	6 343 161	6 343 161	49.39

	-	-	-	<b>13 281 923</b>	<b>13 281 923</b>	
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#### Total Liabilities

	<b>46 264 000</b>	<b>102 122 000</b>	<b>148 386 000</b>	<b>81 824 385</b>	<b>(66 561 615)</b>	
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#### Net Assets

	<b>669 596 000</b>	<b>(61 701 000)</b>	<b>607 895 000</b>	<b>566 055 245</b>	<b>(41 839 755)</b>	
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#### Net Assets

Accumulated surplus	669 596 000	(61 701 000)	607 895 000	566 055 245	(41 839 755)	All above
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# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Restated						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates taxes	22 443 000	-	22 443 000	18 585 375	(3 857 625)	49.40
Service charges	1 208 000	-	1 208 000	-	(1 208 000)	49.41
Grants - Capital and Operating	297 437 000	37 183 000	334 620 000	321 381 172	(13 238 828)	49.42
Interest income	6 148 000	5 500 000	11 648 000	11 063 763	(584 237)	49.43
Other receipts	3 425 000	-	3 425 000	16 455 864	13 030 864	49.45
	<b>330 661 000</b>	<b>42 683 000</b>	<b>373 344 000</b>	<b>367 486 174</b>	<b>(5 857 826)</b>	
<b>Payments</b>						
Employee costs and suppliers	(257 273 000)	41 227 000	(216 046 000)	(321 104 286)	(105 058 286)	49.46
<b>Net cash flows from operating activities</b>	<b>73 388 000</b>	<b>83 910 000</b>	<b>157 298 000</b>	<b>46 381 888</b>	<b>(110 916 112)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(101 969 000)	(31 792 000)	(133 761 000)	(62 825 484)	70 935 516	49.50
Proceeds from sale of property, plant and equipment	-	-	-	2 614 715	2 614 715	49.51
<b>Net cash flows from investing activities</b>	<b>(101 969 000)</b>	<b>(31 792 000)</b>	<b>(133 761 000)</b>	<b>(60 210 769)</b>	<b>73 550 231</b>	
Net increase/(decrease) in cash and cash equivalents	(28 580 000)	52 117 000	23 537 000	(13 828 881)	(37 365 881)	All above
Cash and cash equivalents at the beginning of the year	170 390 000	(45 408 000)	124 982 000	127 381 261	2 399 261	49.52
<b>Cash and cash equivalents at the end of the year</b>	<b>141 810 000</b>	<b>6 709 000</b>	<b>148 519 000</b>	<b>113 552 380</b>	<b>(34 966 620)</b>	



# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of 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.

These accounting policies are consistent with the previous period, except for the changes set out in note 33 Changes in accounting policy.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern.

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

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

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

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

The impairment for receivables is calculated on a individual basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Impairment testing

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

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

## Accounting Policies



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

#### Allowance for doubtful debts

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables were assessed individually where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The impairment is calculated by calculating historic payments ratios for the individual assets and by assuming that the future payment ratios would be similar to the historic payment ratios.

In determining the recoverability of receivables from non-exchange and receivables from exchange transactions the municipality considers any change in the credit quality of the debtor from the date that credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of debtors impairment.

#### 1.4 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 recognised at cost. Transaction costs are included in the initial measurement.

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

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

#### Fair value

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

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

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

### 1.5 Property, plant and equipment

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.

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

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

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

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

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

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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. Land is measured at cost.

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

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

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Item	Depreciation method	Average useful life
Infrastructure:		
Roads, paving, kerbs, slabs, gabions, signs, guard rails	Straight line	10-50 years
Stormwater, culverts, grid inlets	Straight line	10-50 years
Electrical, LV Networks, High Mast Lights, Street Lights	Straight line	30-40 years
Bridges	Straight line	50-80 years
Community:		
Recreational facilities etc	Straight line	10-50 years
Cemeteries, perimeter protection, security	Straight line	20-25 years
Halls, steel cover, protections	Straight line	10-50 years
Libraries, footpaths, diesel tanks etc	Straight line	10-50 years
Centres, slabs, containers, plastics	Straight line	15-50 years
Other property, plant and equipment:		
Vehicles, trucks, buses, tractors, trailers	Straight line	4-15 years
Machinery and equipment	Straight line	5-7 years
Furniture and office equipment	Straight line	4-8 years
Computer equipment, printers, machines	Straight line	4-8 years
Landfill sites	Straight line	10-50 years
Land	Not depreciated	Not depreciated
Buildings:		
Municipal offices, training centres, motor gates	Straight line	10-50 years

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.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies



### 1.6 Intangible assets

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.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Amortisation method	Average useful life
Computer software	Straight line	3-6 years

### 1.7 Heritage assets

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.7 Heritage assets (continued)

#### Impairment

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

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

### 1.8 Financial instruments

#### Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange Transactions	Financial asset measured at amortised cost
Cash and Cash equivalents	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

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

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

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

**AUDITOR GENERAL  
PROCESSED**

**30 NOV 2024**

Name:.....  
Signature:.....

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.8 Financial instruments (continued)

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

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

### 1.9 Statutory receivables

#### Identification

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Impairment losses

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

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

Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

AUDITOR GENERAL  
PROCESSED

30 NOV 2024

Name:.....

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.9 Statutory receivables (continued)

Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

### Derecognition

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

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

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

### 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Operating leases - lessor

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

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

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

#### Operating leases - lessee

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

## **Accounting Policies**

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### **1.11 Impairment of cash-generating assets**

#### **Identification**

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

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

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**

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

#### **Recognition and measurement (individual asset)**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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



# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

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

#### Identification

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

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

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

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

### 1.13 Employee benefits

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

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

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

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

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

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

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

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

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.13 Employee benefits (continued)

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

#### Short-term employee benefits

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

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

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

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

#### Post-employment benefits

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

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

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

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

### 1.14 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

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

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

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

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

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an municipality:

has a detailed formal plan for the restructuring, identifying at least:

- the activity/operating unit or part of an activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:  
necessarily entailed by the restructuring; and  
not associated with the ongoing activities of the municipality

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

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

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

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

### 1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

At the end of each financial period the Municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitments note to the financial statements.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.16 Revenue from exchange transactions

#### Measurement

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

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.16 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. .

#### Interest

Revenue arising from the use by others of entity assets yielding interest or similar distributions is recognised when:  
It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and  
The amount of the revenue can be measured reliably.

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.17 Revenue from non-exchange transactions

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

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

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

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Fines

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

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

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

### 1.18 Accounting by principals and agents

#### Identification

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

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

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

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

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

The assessment of whether 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.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.18 Accounting by principals and agents (continued)

#### Binding arrangement

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

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

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

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

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

It does not have the power to determine the significant terms and conditions of the transaction.

It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.

It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that 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.

#### Recognition

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

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

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

### 1.19 Comparative figures

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

### 1.20 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) and includes:

overspending of the total amount appropriated in the municipality's approved budget;

overspending of the total amount appropriated for a vote in the approved budget;

expenditure from a vote unrelated to the department or functional area covered by the vote;

expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;

spending of an allocation referred in bullet points 2, 3 and 4 of the definition of "allocation" otherwise than in accordance with any conditions of allocation; or

a grant by the municipality otherwise than in accordance with this Act.

All expenditure relating to unauthorised expenditure must be disclosed in the note to the annual financial statements.

### 1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as expenditure that was made in vain and would have been avoided had reasonable care been exercised..

All expenditure relating to fruitless and wasteful expenditure must be disclosed in the note to the annual financial statements.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.22 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

- (a) expenditure incurred by the municipality in contravention of, or not in accordance with, a requirement of this Act, and has not been condoned in terms section 170;
- (b) expenditure incurred by the municipality in contravention of, or not in accordance with a requirement of the municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by the municipality in contravention of, or that is not in accordance with a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by the municipality in contravention of, or not in accordance with, a requirement of supply chain management policy of the municipality, or any municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure is recognised when a payment is made.

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.23 Segment information

A segment is an activity of an entity:

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

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

The reportable segments identified are those functional segments reported in the Government Finance Statistics (GFS's) format and the Municipal Vote (Departmental) format per the Monthly Section 71 Management Reports. The information that will be reported is aligned to the monthly section 71 reports which are reviewed by the executive management. The Government Finance Statistics (GFS's) format allows for universal comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the separate revenue or service delivery components.

The Municipality uses the Municipal Vote (Departmental) as Primary, secondary and tertiary levels.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.23 Segment information (continued)

#### Measurement

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

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

### 1.24 Budget information

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

### 1.25 Related parties

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.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 2. New standards and interpretations

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact
GRAP 104 (amended): Financial Instruments	April 1, 2025	Unlikely there will be a material impact
IGRAP 21: The effect on past decisions on materiality	April 1, 2025	Unlikely there will be a material impact

### 3. Receivables from exchange transactions

Refuse Removal	16 153 872	15 325 628
Allowance for Impairment	(15 983 816)	(14 347 222)
Prepaid expenses	60 863	60 863
	<b>230 919</b>	<b>1 039 269</b>

#### Summary of debtors by customer classification: Consumers

Current (0-30 days)	264 670	393 066
31 - 60 days	262 222	129 652
61 - 90 days	130 052	129 360
91 - 120 days	130 006	129 171
121 - 365 days	11 120 395	10 808 241
	<b>11 907 345</b>	<b>11 589 490</b>

#### Commercial/Business

Current (0 - 30 days)	108 070	157 339
31 - 60 days	100 590	47 764
61 - 90 days	50 148	47 671
91 - 120 days	48 290	46 629
121 - 365 days	2 848 639	2 472 481
	<b>3 155 737</b>	<b>2 771 884</b>



# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
<b>3. Receivables from exchange transactions (continued)</b>		
<b>National and provincial government</b>		
Current (0 - 30 days)	32 613	43 469
31 - 60 days	29 145	13 143
61 - 90 days	13 028	12 590
91 - 120 days	12 072	12 590
121 - 365 days	1 003 932	882 461
	<b>1 090 790</b>	<b>964 253</b>
<b>Total</b>		
Current (0 - 30 days)	405 353	593 873
31 - 60 days	391 957	190 558
61 - 90 days	193 228	189 621
91 - 120 days	190 369	188 390
121 - 365 days	14 972 965	14 165 184
Less: Allowance for impairment	(15 983 817)	(14 347 222)
	<b>170 055</b>	<b>980 404</b>
<b>Reconciliation of allowance for impairment</b>		
Opening balance	14 347 222	12 521 573
Provision for impairment	1 636 595	1 825 649
	<b>15 983 817</b>	<b>14 347 222</b>

No debtors have been pledged as a collateral.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
<b>4. Receivables from non-exchange transactions</b>		
Consumer debtors - Rates	89 230 166	74 354 717
Sundry Debtors	3 386 532	2 771 601
Allowance for impairment - Rates	(87 656 708)	(72 035 019)
Allowance for impairment - Sundry debtors	(2 087 974)	(1 787 923)
	<b>2 872 016</b>	<b>3 303 376</b>
<b>Summary of debtors by customer classification: Consumers</b>		
Current (0 - 30 days)	552 114	852 664
31 - 60 days	537 173	272 457
61 - 90 days	266 803	272 061
91 - 120 days	261 415	270 600
121 - 365 days	21 454 020	19 950 291
	<b>23 071 525</b>	<b>21 618 073</b>
<b>Industrial/Commercial</b>		
Current (0 - 30 days)	420 885	573 745
31 - 60 days	352 191	165 045
61 -90 days	175 610	165 045
91 -120 days	173 734	164 208
121 - 365 days	23 979 920	21 323 662
	<b>25 102 340</b>	<b>22 391 705</b>
<b>Rates</b>		
<b>National and provincial government</b>		
Current (0 - 30 days)	39 640	44 486
31 - 60 days	93 238	14 829
61 - 90 days	15 584	14 829
91 - 120 days	15 584	14 829
121 - 365 days	40 892 255	30 266 781
	<b>41 056 301</b>	<b>30 355 754</b>
<b>Total</b>		
Current (0 - 30 days)	1 012 639	1 460 895
31 - 60 days	982 602	452 331
61 - 90 days	457 996	451 934
91 - 120 days	450 733	449 637
121 - 365 days	86 326 195	71 539 921
Less: impairment	(87 656 708)	(72 035 019)
	<b>1 573 457</b>	<b>2 319 699</b>
<b>Sundry debtors</b>		
Traffic fines	2 964 188	2 538 220
Payroll debtors	422 344	233 381
Less: Impairment	(2 087 974)	(1 787 923)
	<b>1 298 558</b>	<b>983 678</b>

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 4. Receivables from non-exchange transactions (continued)

#### Reconciliation of allowance for impairment - Rates

Opening balance	72 035 019	59 364 549
Provision for impairment	15 621 688	12 670 470
	<u>87 656 707</u>	<u>72 035 019</u>

No debtors have been pledged as a collateral.

### 5. VAT receivable

#### Transaction(s) arising from statute

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

The municipality accounts for VAT on the accrual basis of accounting thus giving rise to statutory receivables in terms of GRAP108.

VAT	2 832 282	5 184 023
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An amount of R29 294 865 has been received in the current year and therefore recoverability of the amount receivable from SARS is not remote.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 200	3 327
Bank balances	1 579 160	4 251 020
Short-term deposits	111 970 020	123 126 914
	<b>113 552 380</b>	<b>127 381 261</b>

There are no cash and cash equivalents pledged as collateral by the municipality.

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FNB - Business Call account Revolving Fund - 61399068117	80 988 931	112 546 485	141 571 382	80 988 931	112 546 485	141 571 382
FNB - Business NSTD call: Equitable share - 62027945809	714 063	118 478	717 837	714 063	118 478	717 837
FNB - Public Sector Cheque - Gqunu Lots - 62020395390	557 306	558 449	559 985	557 306	558 449	559 985
FNB - Public sector Cheque Account - MIG: 62170844221	162 098	142 147	19 752 745	162 098	142 147	19 762 745
FNB - Commercial Call Account: FMG - 62280641244	14 421	14 421	14 769	14 422	14 421	14 769
FNB - Commercial Call Account: LED - 62075571713	1 197 101	1 197 101	1 197 449	1 197 101	1 197 101	1 197 449
FNB - Commercial Call Account: EPWP GRANT - 62075570137	52 699	52 699	188 414	52 699	52 699	188 414
FNB - Commercial Money Market Investment: Housing Projects - 62280645345	734 183	734 183	734 531	734 183	734 183	734 531
FNB - Money Market Investment: MDR GRANT - 62280642416	25 045 515	5 108 276	8 624	25 045 513	5 108 276	8 625
FNB - Maturity Notice: Electrification program: 74638477254	46 927	139 740	427 285	46 927	139 740	427 285
FNB - Public sector Cheque Account: DOT- 62023382526	1 472 837	4 135 356	5 005 175	1 579 160	4 251 020	5 200 095
FNB - Public sector Cheque Account: DOT- 62869688617	2 428 166	2 514 934	2 243 570	2 456 777	2 514 934	2 243 934
Cash on hand	-	-	-	3 200	3 327	-
<b>Total</b>	<b>113 414 247</b>	<b>127 262 269</b>	<b>172 421 766</b>	<b>113 552 380</b>	<b>127 381 260</b>	<b>172 627 051</b>

**AUDITOR GENERAL  
PROCESSED  
30 NOV 2024**

Name:.....  
Signature:.....

**Kumkani Mhlontlo Local Municipality**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

Restated	2024	2023
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**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	14 250 621	-	14 250 621	5 982 621	-	5 982 621

**Reconciliation of investment property - 2024**

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	5 982 621	(59 000)	8 327 000	14 250 621

**Reconciliation of investment property - 2023**

	Opening balance	Total
Investment property	5 982 621	5 982 621

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. No properties have been pledged as securities.

**Details of valuation**

Valuations was performed by an independent valuer not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

The municipality performed a fair value adjustment in the value of properties in the current year 2023/24. The independent valuer is Henk Butler.



**Kumkani Mhlontlo Local Municipality**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

Restated

**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	14 065 591	-	14 065 591	14 065 591	-	14 065 591
Buildings	71 142 134	(20 141 331)	51 000 803	71 145 405	(18 094 207)	53 051 198
Strategic asset	3 294 733	(255 314)	3 039 419	3 294 733	(204 168)	3 090 565
Infrastructure	1 400 801 972	(1 146 552 989)	254 248 983	1 366 118 057	(1 120 954 501)	245 163 556
Community	61 137 468	(28 393 892)	32 743 576	64 282 949	(26 630 928)	37 652 021
Other property, plant and equipment	46 819 536	(14 137 990)	32 681 546	50 563 307	(14 226 925)	36 336 382
Work in progress	121 781 438	-	121 781 438	95 470 945	-	95 470 945
Landfill Site	8 854 512	(4 316 593)	4 537 919	8 683 712	(3 980 490)	4 703 222
<b>Total</b>	<b>1 727 897 384</b>	<b>(1 213 798 109)</b>	<b>514 099 275</b>	<b>1 673 624 699</b>	<b>(1 184 091 219)</b>	<b>489 533 480</b>

**AUDITOR GENERAL  
PROCESSED**  
30 NOV 2024  
Name:.....  
Signature:.....

**Kumkani Mhlontlo Local Municipality**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

Restated

**8. Property, plant and equipment (continued)**

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

	Opening balance	Additions	Disposal through Derecognition	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	14 065 591	-	-	-	-	-	-	14 065 591
Buildings	53 051 198	90 000	(27 681)	-	-	(2 112 714)	-	51 000 803
Strategic asset	3 090 565	-	-	-	-	(51 146)	-	3 039 419
Infrastructure	245 163 556	13 924 345	(51 687)	-	22 201 785	(25 456 019)	(1 532 997)	254 248 983
Community	37 652 021	-	(2 318 546)	-	-	(1 665 655)	(924 244)	32 743 576
Other assets	36 336 382	3 100 193	-	(3 847 484)	-	(2 863 908)	(43 637)	32 681 546
Work-in-progress	95 470 945	48 512 278	-	-	(22 201 785)	-	-	121 781 438
Landfill site	4 703 222	170 800	-	-	-	(294 510)	(41 593)	4 537 919
	<b>489 533 480</b>	<b>65 797 616</b>	<b>(2 397 914)</b>	<b>(3 847 484)</b>	<b>-</b>	<b>(32 443 952)</b>	<b>(2 542 471)</b>	<b>514 099 275</b>

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

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	14 065 591	-	-	-	-	-	14 065 591
Buildings	50 067 850	3 047 831	(35 250)	2 022 654	(2 049 191)	(2 696)	53 051 198
Strategic asset	3 141 572	-	-	-	(51 007)	-	3 090 565
Infrastructure	250 908 825	24 383 630	(1 275 272)	13 940 830	(41 234 419)	(1 560 038)	245 163 556
Community	30 335 688	-	(337 765)	9 208 620	(1 554 404)	(118)	37 652 021
Other assets	23 350 318	15 647 132	(874 627)	905 983	(2 349 165)	(343 259)	36 336 382
Work-in-progress	97 617 898	23 931 134	-	(26 078 087)	-	-	95 470 945
Landfill Site	4 942 357	-	-	-	(239 135)	-	4 703 222
	<b>474 430 099</b>	<b>67 009 727</b>	<b>(2 522 914)</b>	<b>-</b>	<b>(47 477 321)</b>	<b>(1 906 111)</b>	<b>489 533 480</b>

**Kumkani Mhlontlo Local Municipality**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

Restated	2024	2023
<b>8. Property, plant and equipment (continued)</b>		
<b>The below capital projects are included in the above work-in-progress:</b>		
<b>Project 1 - Qumbu Sports field</b>		
Start Date: 19 November 2018		
Planned completion date: 29 November 2019		
The contract was terminated due to the poor performance of the contractor.		
Cost to date	30 977 317	30 977 317
<b>Project 2 - Tsolo Sports Field</b>		
Start Date: 01 November 2018		
Planned completion date: 20 November 2019		
Revised completion date: 31 December 2020		
Challenges were associated the disaster that washed away some of the work that was completed, differences between the joint venture parties and the delays in delivery of materials.		
Cost to date	20 418 627	17 781 127
<b>Project 3 - Mvumelwano Sports Field</b>		
Start Date: 23 October 2017		
Planned completion date: 23 February 2019		
Revised completion date: 30 November 2020		
The project had been delayed by the variances from the original scope that needed additional funding which delayed to be approved by council.		
Cost to date	24 517 566	24 517 566
<b>Project 4 - Vehicle Testing Centre</b>		
Start Date: 23 October 2017		
Planned completion date: 23 February 2019		
Revised completion date: 30 November 2020		
The project was not budgted for in 2023/2024 Financial period. Phase 2 of the project will commence in the 2024/2025 Financial period.		
Cost to date	4 115 443	4 115 443

**AUDITOR GENERAL  
PROCESSED**  
30 NOV 2024  
Name:.....  
Signature:.....

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 8. Property, plant and equipment (continued)

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

	Included within Infrastructure	Included within Community	Total
Opening balance	32 167 792	63 303 149	95 470 945
Additions/capital expenditure	56 439 715	5 996 532	62 436 247
Transferred to completed items	(36 125 754)	-	(36 125 754)
	<b>52 481 753</b>	<b>69 299 681</b>	<b>121 781 438</b>

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

	Included within Infrastructure	Included within Community	Total
Opening balance	32 988 092	62 238 410	95 226 502
Additions/capital expenditure	37 503 975	10 273 359	47 777 334
Transferred to completed items	(38 324 271)	(9 208 620)	(47 532 891)
	<b>32 167 796</b>	<b>63 303 149</b>	<b>95 470 945</b>

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

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

Repairs and maintenance	64 407 722	20 693 933
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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. No properties have been pledged as securities.

### 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	116 223	(74 086)	42 137	116 223	(35 238)	80 985

#### Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	80 985	(38 848)	42 137

#### Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	157 238	116 223	(192 476)	80 985

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
<b>10. Payables from exchange transactions</b>		
Trade payables	5 238 851	2 229 420
Retention	11 592 846	8 620 726
Payments received in advance	845 106	1 127 055
Unallocated deposits	1 468 532	1 407 039
Creditor Accruals	3 051 880	2 436 659
Department of Transport	240 652	467 751
	<b>22 437 867</b>	<b>16 288 650</b>

### 11. Employee benefit obligation

#### Bonuses

Bonuses are paid out to all employees, excluding some senior managers, in the month of their birthdays each year and are based on a 13th monthly basic salary.

#### Defined Benefit Plan

##### Long service awards

The obligation in respect of the long service awards is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2024 by One Pangaea Financial using the Projected Unit Credit Method. Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the municipality's policy which complies with the minimum thresholds per the collective agreement of 01 February 2018, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

#### Current service costs

Current service cost	991 215	805 335
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# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 11. Employee benefit obligation (continued)

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	2 016 466	1 840 152
Present value of the defined benefit obligation-partly or wholly funded	15 106 090	14 394 013
Fair value of plan assets	7 396 737	7 136 764
	<b>24 519 293</b>	<b>23 370 929</b>

Non-current liabilities	(6 938 762)	(6 501 967)
Current liabilities	(17 580 531)	(16 868 962)
	<b>(24 519 293)</b>	<b>(23 370 929)</b>

#### Reconciliation of employee benefits - 2024

	Opening balance	Additions	Utilised during the year	Total
Bonus accrual	1 840 153	176 313	-	2 016 466
Leave pay accrual	14 394 012	1 912 287	(1 200 209)	15 106 090
Long service awards	7 136 764	666 824	(406 851)	7 396 737
	<b>23 370 929</b>	<b>2 755 424</b>	<b>(1 607 060)</b>	<b>24 519 293</b>

#### Reconciliation of employee benefits - 2023

	Opening balance	Additions	Utilised during the year	Total
Bonus accrual	1 533 131	307 022	-	1 840 153
Leave pay accrual	12 516 686	2 977 074	(1 099 748)	14 394 012
Long service awards	7 732 937	707 904	(1 304 077)	7 136 764
	<b>21 782 754</b>	<b>3 992 000</b>	<b>(2 403 825)</b>	<b>23 370 929</b>

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

Opening balance	7 136 764	7 732 937
Contributions by plan participants	(406 851)	(1 304 077)
Net expense recognised in the statement of financial performance	666 824	707 904
	<b>7 396 737</b>	<b>7 136 764</b>

#### Net expense recognised in the statement of financial performance

Current service cost	991 215	805 335
Interest cost	740 583	795 137
Past service cost	(1 064 974)	(892 568)
	<b>666 824</b>	<b>707 904</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,78 %	10,86 %
CPI	5,10 %	5,46 %
Salary increase rate	6,10 %	6,46 %
Net discount rate	4,42 %	4,13 %



# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 11. Employee benefit obligation (continued)

#### Other assumptions

The valuation basis assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 6.46% less than the corresponding discount rate in the long term. The effect of one percent increase or decrease in salary inflation rates is as follows:  
Cost trends rates would have the followings:

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

	2024	2023	2022	2021	2020
	R	R	R	R	R
Defined benefit obligation	7 396 737	7 136 764	7 732 937	-	6 146 196

### 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

LED	15 000	15 000
LG SETA Training Grant	480 000	-
Municipal Disaster Relief Grant	25 025 050	5 100 000
Department of Transport (Surface road rehabilitation fund)	3 000 000	-
Human Settlements Graduate stipend Grant	4 012	5 495
	<b>28 524 062</b>	<b>5 120 495</b>

#### Movement during the year

Balance at the beginning of the year	5 120 495	19 632 856
Additions during the year	105 547 173	86 966 495
Income recognition during the year	(82 143 606)	(101 478 856)
	<b>28 524 062</b>	<b>5 120 495</b>

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

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

See note 19 for reconciliation of grants from National/Provincial Government.

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

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023	
<b>13. Provisions</b>			
<b>Reconciliation of provisions - 2024</b>			
	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	5 854 653	488 508	6 343 161
<b>Reconciliation of provisions - 2023</b>			
	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	4 929 019	925 634	5 854 653
<b>Environmental rehabilitation provision</b>			
<p>The rehabilitation cost provision is for the current operational site which is evaluated each year-end to reflect the best estimate at reporting date. The site under consideration is Qumbu landfill site. The valuation was performed by A.J. Bowers from EMS Advisory. Mr Bowers is a waste management specialist and professional engineer.</p>			
<p>Key financial assumptions used were a CPI of 5.92%, a discount rate of 11.530% . The adjustment made to the discounting rate was made due to various risks pertaining to the specific landfill site which influences the cash flows and therefore the discounting rate.</p>			
<p>The landfill site closure provision is calculated as the net present value of future cash flows based on the expected remaining life and on the size of the area that has been used for waste removal as at 30 June 2024.</p>			
<b>14. Service charges</b>			
Refuse Charges -Business	810 217	769 439	
Refuse charges - Households	1 503 131	1 502 280	
Refuse charges - Government	177 954	168 993	
	<b>2 491 302</b>	<b>2 440 712</b>	
<b>15. Rental of facilities and equipment</b>			
<b>Facilities and equipment</b>			
Commonage	36 194	19 337	
Municipal Hall	13 432	17 348	
	<b>49 626</b>	<b>36 685</b>	
<b>16. Agency services</b>			
Driver's Licences and vehicle registrations	1 242 354	1 584 703	
<b>17. Licences and permits</b>			
Business licences	135 572	82 815	
DLTC learners and drivers licences	1 158 601	1 176 532	
	<b>1 294 173</b>	<b>1 259 347</b>	
<b>18. Transfers and Subsidies (INEP)</b>			
Revenue transfer from INEP	11 618 262	23 450 436	



# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
<b>19. Other income</b>		
Advertising fees	90 122	84 397
Sundry income	28 493	102 616
Clearance certificates	44	-
Cemetery fees	31 827	23 801
Building plan fees	4 824	7 643
	<b>155 310</b>	<b>218 457</b>
<b>20. Interest earned - Investments</b>		
<b>Interest revenue</b>		
Bank	11 063 763	10 126 344
<b>21. Property rates</b>		
<b>Rates received</b>		
Residential	4 091 968	4 166 095
Commercial	5 631 922	5 671 090
Government	24 218 404	24 497 121
Small holdings and farms	262 944	248 357
Less: Income forgone	(744 415)	(706 933)
	<b>33 460 823</b>	<b>33 875 730</b>
<b>Valuations</b>		
Residential	421 769 000	421 769 000
Commercial	259 378 000	259 378 000
Government	879 081 000	879 081 000
Municipal	91 652 001	91 652 001
Small holdings and farms	271 699 003	271 699 003
Places of public worship	15 722 000	15 722 000
Vacant Land	14 992 000	14 992 000
Public Benefit Organisation	4 739 000	4 739 000
	<b>1 959 032 004</b>	<b>1 959 032 004</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The next valuation roll will be implemented on the 1st July 2024.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
<b>22. Government grants and subsidies</b>		
<b>Operating grants and subsidies</b>		
Equitable share	229 195 000	217 726 856
Library Assistance	550 000	550 000
Financial Management Grant	2 300 000	2 300 000
EPWP casual workers	1 754 000	2 300 000
Human Settlements training grant	137 609	124 179
LG SETA Training Grant	1 070 046	446 107
Human Settlements Housing Grant	585 000	-
	<b>235 591 655</b>	<b>223 447 142</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	48 947 000	50 293 000
Municipal Disaster relief Grant	13 438 950	-
	<b>62 385 950</b>	<b>50 293 000</b>
	<b>297 977 605</b>	<b>273 740 142</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	82 143 606	82 981 287
Unconditional grants received	229 195 000	217 726 856
	<b>311 338 606</b>	<b>300 708 143</b>
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	-	19 617 856
Current-year receipts	48 947 000	50 293 000
Conditions met - transferred to revenue	(48 947 000)	(50 293 000)
Withheld by National Treasury	-	(19 617 856)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
<b>LED</b>		
Balance unspent at beginning of year	15 000	15 000
There was no movement during the current financial period.		
<b>Finance Management Grant</b>		
Current-year receipts	2 300 000	2 300 000
Conditions met - transferred to revenue	(2 300 000)	(2 300 000)
	-	-

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 22. Government grants and subsidies (continued)

#### Expanded Public Work Program

Current-year receipts	1 785 000	2 300 000
Conditions met - transferred to revenue	(1 785 000)	(2 300 000)
	-	-

#### Library Assistance Grant

Current-year receipts	550 000	550 000
Conditions met - transferred to revenue	(550 000)	(550 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

#### LG SETA

Current-year receipts	1 550 046	446 107
Conditions met - transferred to revenue	(1 070 046)	(446 107)
	<b>480 000</b>	-

#### Integrated Electrification Program

Current-year receipts	13 361 000	26 968 000
Conditions met - transferred to revenue	(13 361 000)	(26 968 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

#### Municipal Disaster Relief/Recovery Grant

Balance unspent at beginning of year	5 100 000	-
Current-year receipts	33 364 000	5 100 000
Conditions met - transferred to revenue	(13 438 950)	-
	<b>25 025 050</b>	<b>5 100 000</b>

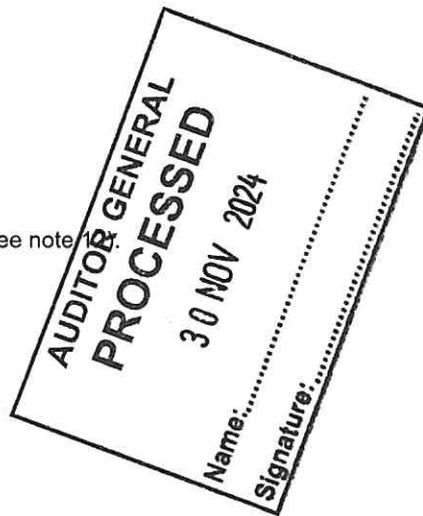
The R33 364 000 Municipal Disaster Relief Grant was received on the 28th February 2024.

#### Department of Transport (Surface road rehabilitation Grant)

Current-year receipts	3 000 000	-
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Conditions still to be met - remain liabilities (see note 12).

The municipality has signed a memorandum of understanding with the Department of Transport to act an implementing agent for the rehabilitation of the surface road N2 to Shawbury. Part of that memorandum of understanding included the department making a deposit in advance for professional fees.



# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 22. Government grants and subsidies (continued)

#### Human Settlements Training Grant

Balance unspent at beginning of year	5 495	-
Current-year receipts	148 075	129 674
Conditions met - transferred to revenue	(149 558)	(124 179)
	<b>4 012</b>	<b>5 495</b>

Conditions still to be met - remain liabilities (see note 12).

The department has placed a number of Graduate interns within the LED department in order to gain work experience. This Grant is used to pay their stipends.

#### Human Settlements housing Grant

Current-year receipts	585 400	-
Conditions met - transferred to revenue	(585 400)	-
	-	-

Conditions still to be met - remain liabilities (see note 12).

The municipality has signed a memorandum of understanding with Human Settlements to act an implementing agent on RDP houses to built within the jurisdiction of the municipality.

### 23. Fines, Penalties and Forfeits

Traffic Fines	526 500	301 950
Pound Sales	143 191	419 957
Pound fees	19 302	40 353
	<b>688 993</b>	<b>762 260</b>

### 24. Public contributions and donations

Public contributions and donations	-	2 250 000
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# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
<b>25. Revenue</b>		
Service charges	2 491 302	2 440 712
Rental of facilities and equipment	49 626	36 685
Agency services	1 242 354	1 584 703
Licences and permits	1 294 173	1 259 347
Actuarial gain/loss	1 064 974	892 568
Transfers and Subsidies (INEP)	11 618 262	23 450 436
Fair value adjustments	8 327 000	-
Other income	155 310	218 457
Interest received - investment	11 063 763	10 126 344
Property rates	33 460 823	33 875 730
Government grants & subsidies	297 977 605	273 740 142
Public contributions and donations	-	2 250 000
Fines, Penalties and Forfeits	688 993	762 260
Commission on payroll	374 167	312 851
Recoveries	451 015	142 509
	<b>370 259 367</b>	<b>351 092 744</b>

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

Service charges	2 491 302	2 440 712
Rental of facilities and equipment	49 626	36 685
Agency services	1 242 354	1 584 703
Licences and permits	1 294 173	1 259 347
Transfers and Subsidies (INEP)	11 618 262	23 450 436
Actuarial gain/loss	1 064 974	892 568
Fair value adjustment	8 327 000	-
Other income	155 310	218 457
Interest received - investment	11 063 763	10 126 344
	<b>37 306 764</b>	<b>40 009 252</b>

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

<b>Taxation revenue</b>		
Property rates	33 460 823	33 875 730
<b>Transfer revenue</b>		
Government grants & subsidies	297 977 605	273 740 142
Public contributions and donations	-	2 250 000
Fines, Penalties and Forfeits	688 993	762 260
Commission on payroll	374 167	312 851
Recoveries	451 015	142 509
	<b>332 952 603</b>	<b>311 083 492</b>

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
<b>26. Employee related costs</b>		
Basic	59 183 429	70 391 886
Bonus	4 527 497	5 324 265
Medical aid - company contributions	6 408 517	5 917 733
UIF	585 513	728 106
SDL	1 123 660	1 220 115
Other payroll levies	32 318	32 136
Leave pay provision charge	1 912 287	2 848 935
Backpay	59 465	43 748
Defined contribution plans	8 453 354	7 646 173
Travel allowance	10 378 625	10 217 731
Overtime payments	2 039 521	1 791 564
Long-service awards	991 215	(304 697)
Acting allowances	999 269	319 739
Housing benefits and allowances	3 314 898	3 206 598
Allowance- standby	2 125 447	2 255 070
Temporal employees	1 804 422	1 088 977
Allowance -cellphone	486 262	485 155
	<b>104 425 699</b>	<b>113 213 234</b>

### Remuneration of Municipal Manager (Mr L. Ndabeni)

Acting allowance	-	168 304
Basic salary	722 531	257 214
Backpay	50 381	-
Car allowance	305 429	107 173
Contributions to Medical and Pension Funds	61 086	21 435
Residential allowance	61 086	21 435
	<b>1 200 513</b>	<b>575 561</b>

### Remuneration of Chief Financial Officer (Mr. BK. Benxa)

Basic salary	135 951	-
Car allowance	33 988	-
	<b>169 939</b>	<b>-</b>

Mr B. Benxa was the Chief Financial Officer from 8 August 2023 until 30 September 2023.

### Remuneration of Chief Financial Officer (Ms. N.K Sibobi)

Basic salary	155 772	-
Car allowance	45 331	-
Contributions to Medical and Pension Funds	9 066	-
Residential allowance	9 066	-
	<b>219 235</b>	<b>-</b>

Ms N.K Sibobi was appointed Chief Financial Officer from 12 April 2024.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 26. Employee related costs (continued)

#### Remuneration of Chief Financial officer (Mrs. N. Boti)

Basic salary	-	487 307
Backpay	-	43 748
Car allowance	-	170 557
Leave encashment	-	372 588
Residential allowance	-	37 042
	-	<b>1 111 242</b>

The Chief Financial Officer's contract ended on the 28th February 2023.

#### Remuneration of Senior Manager - Corporate Services (Mr. W. Zwane)

Basic salary	126 888	733 691
Backpay	52 018	43 748
Car allowance	45 317	256 792
Leave encashment	339 407	-
Residential allowance	9 063	55 692
	<b>572 693</b>	<b>1 089 923</b>

The senior manager's contract ended on the 31st August 2023.

#### Remuneration of Senior Manager - Corporate Services (Ms. T.T Madotyeni)

Basic salary	113 862	-
Car allowance	13 599	-
Contributions to Medical and Pension Funds	18 133	-
	<b>145 594</b>	-

Ms T.T. Madotyeni was appointed senior manager for the Corporate services department on the 2nd May 2024.

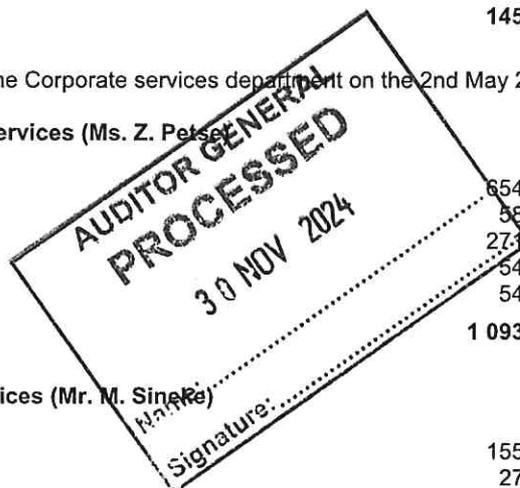
#### Remuneration of Senior Manager - Infrastructure Services (Ms. Z. Petse)

Basic salary	654 152	628 878
Backpay	58 362	43 745
Car allowance	271 902	196 973
Contributions to Medical and Pension Funds	54 381	57 608
Residential allowance	54 381	106 000
	<b>1 093 178</b>	<b>1 033 204</b>

#### Remuneration of Senior Manager - Community Services (Mr. M. Sineke)

Basic salary	155 772	-
Car allowance	27 198	-
Contributions to Medical and Pension Funds	36 265	-
	<b>219 235</b>	-

Mr M. Sineke was appointed senior manager for the Community services department from 12 April 2024.



# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 26. Employee related costs (continued)

#### Remuneration of Senior Manager - Local Economic Development (Mr. S.C. Ntinzi)

Basic salary	113 862	-
Car allowance	13 599	-
Contributions to Medical and Pension Funds	18 133	-
	<b>145 594</b>	-

Mr S.C. Ntinzi was appointed senior manager for the Local Economic Development department on the 2nd May 2024.

#### Remuneration of Senior Manager - Local Economic Development (Ms. S. Bhatyi)

Acting allowance	-	9 186
Annual bonus	-	52 016
Basic salary	-	367 673
Backpay	-	43 748
Car allowance	-	101 382
Leave encashment	-	163 418
Residential allowance	-	42 233
	-	<b>779 656</b>

The senior manager's contracted ended on the 31st January 2023.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
<b>27. Remuneration of councillors</b>		
Mayor	1 002 349	959 686
Speaker	811 535	774 800
Whip of Council	763 833	729 474
Executive Committee Members	5 172 890	5 056 137
Ordinary Councillors	14 107 830	13 822 933
	<b>21 858 437</b>	<b>21 343 030</b>
<b>Mayor</b>		
Basic salary	914 763	884 533
Backpay	40 794	29 532
Cell allowance	43 004	41 922
Data allowance	3 788	3 699
	<b>1 002 349</b>	<b>959 686</b>
<b>Speaker</b>		
Basic salary	548 859	530 720
Backpay	32 931	21 552
Cell allowance	43 004	41 922
Data allowance	3 788	3 699
Car allowance	182 953	176 907
	<b>811 535</b>	<b>774 800</b>
<b>Whip of council</b>		
Basic salary	514 556	497 551
Backpay	30 967	20 452
Cell allowance	43 004	41 922
Data allowance	3 788	3 699
Car allowance	171 519	165 850
	<b>763 834</b>	<b>729 474</b>
<b>Executive committee</b>		
Basic salary	3 504 962	3 378 072
Backpay	213 496	141 452
Cell allowance	379 836	377 298
Data allowance	33 458	33 291
Car allowance	1 041 138	1 126 024
	<b>5 172 890</b>	<b>5 056 137</b>
<b>Ordinary councillors</b>		
Basic salary	8 969 016	8 758 356
Backpay	539 043	469 538
Car allowance	2 798 280	2 819 631
Cell allowance	1 655 654	1 631 456
Data allowance	145 838	143 952
	<b>14 107 831</b>	<b>13 822 933</b>

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 27. Remuneration of councillors (continued)

#### In-kind benefits

The Mayor, Speaker and Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Speaker and Chief Whip have use of a Council owned vehicle for official duties. The Mayor has three full-time bodyguards and the Speaker has three full-time bodyguards.

The accounting officer confirms that the salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution.

### 28. Depreciation and amortisation

Property, plant and equipment	32 443 951	47 477 322
Intangible assets	38 847	192 476
	<b>32 482 798</b>	<b>47 669 798</b>

### 29. Impairment of assets

#### Impairments loss/ reversal

Property, plant and equipment	2 542 483	1 906 111
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### 30. Finance costs

Interest on long service awards	740 583	795 137
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### 31. Lease rentals on operating lease

Contractual amounts	1 085 866	1 184 310
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### 32. Debt impairment

Consumer debtors and traffic fines	17 558 334	14 496 120
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### 33. Contracted services

Security Services	11 724 783	10 299 320
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#### Consultants and Professional Services

Legal Cost	9 816 813	7 118 181
	<b>21 541 596</b>	<b>17 417 501</b>

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
<b>34. Transfers and subsidies</b>		
<b>Other subsidies</b>		
Electrification Program	11 618 261	23 450 435
Indigent Subsidy	9 120 179	4 846 434
	<b>20 738 440</b>	<b>28 296 869</b>
The electrification program is funded by INEP grant.		
The municipality subsidises indigent households with Free basic electricity of 50kW per month or provider alternative energy in the form of 20L of paraffin per quarter.		
<b>35. Loss on disposal of assets</b>		
Losses arising from disposal of property, plant and equipment	3 689 671	236 174
<b>36. General expenses</b>		
Advertising	1 679 879	805 185
Animal Feed	55 755	122 455
Audit committee expenses	729 942	537 974
Audit fees (Refer to note 27)	4 659 285	4 789 872
Bank Charges	160 652	326 155
Cleaning	946 045	768 560
Consulting and professional fees	6 313 594	4 242 389
Consumables/Cemetery tagging	1 119 471	915 801
EPWP stipends	5 591 858	4 181 969
Electricity purchases	2 647 404	2 724 941
Entertainment	4 752 273	3 382 797
Fines and penalties	-	23 222
Fuel and oil	3 020 124	3 312 746
Hiring charges	6 754 833	37 188 191
Insurance	854 562	2 361 693
Medical expenses	112 253	432 194
Motor vehicle expenses	266 282	267 726
Office expenses	51 253	37 865
Pound claims	30 395	36 090
Printing and stationery	2 329 270	1 204 758
Protective clothing	(303 856)	1 912 844
Repairs and maintenance	65 919 944	20 693 933
Software expenses	3 194 528	1 018 328
Special Projects	13 372 488	9 024 046
Subscriptions and membership fees	66 234	1 170 011
Survey and Planning	2 114 779	582 416
Telephone and fax	7 629 795	6 953 152
Tourism development	564 520	338 000
Training	5 599 744	1 698 671
Travel - local	8 842 020	7 675 713
Venue expenses	-	285 680
Ward committee stipend	7 990 100	6 494 341
	<b>157 065 426</b>	<b>125 509 718</b>
<b>37. Auditors' remuneration</b>		
Fees	4 659 285	4 789 872

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
<b>38. Cash generated from operations</b>		
Deficit	(14 665 731)	(21 900 892)
<b>Adjustments for:</b>		
Depreciation and amortisation	32 482 798	47 669 798
Loss on sale of assets and liabilities	3 685 595	236 174
Fair value adjustments	(8 327 000)	-
Impairment reversal/loss on assets	2 542 483	1 906 111
Debt impairment	17 558 334	14 496 120
Bad debts written off	711 333	-
Movements in employee benefit obligations	1 148 364	1 588 175
Movements in provisions	488 508	925 634
Increase in provisions relating to employee cost	(740 583)	(795 137)
Actuarial loss	(1 064 973)	(892 568)
Other non-cash items	(374 167)	(312 849)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(653 915)	(2 552 463)
Receivables from exchange transactions	(18 792 126)	(13 023 006)
Payables from exchange transactions	6 627 660	(3 052 570)
VAT	2 351 741	7 914 620
Unspent conditional grants and receipts	23 403 567	(14 512 361)
	<b>46 381 888</b>	<b>17 694 786</b>

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 39. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### Liquidity risk

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

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

#### Credit risk

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

Trade receivables are amounts owed by consumers and are presented net of impairment losses. The municipality's constitutional mandate compels the municipality to provide minimum basic services to all its residents without recourse of creditworthiness.

The municipality endeavours to collect all its debts by sending monthly invoices, and levying of penalties. All rates and services accounts are payable within 30 days from invoice date.

Cash and cash equivalents consist of short term investments, the primary bank account and petty cash of the municipality. Short term investments are held at First National Bank.

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

Financial instrument	2024	2023
Cash and cash equivalents	113 552 380	127 381 261
Receivables from exchange transactions	577 850	1 039 269
Receivables from non-exchange Transactions	422 344	233 381

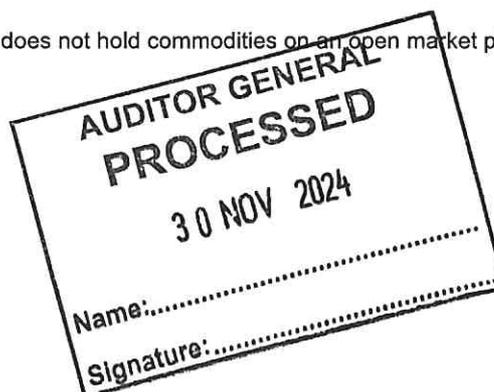
#### Market risk

#### Interest rate risk

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

#### Price risk

The municipality is not exposed to commodity price risk as it does not hold commodities on an open market platform.



# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 40. Financial instruments disclosure

#### Categories of financial instruments

##### 2024

#### Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	577 850	577 850
Receivables from non-exchange transactions	-	422 344	422 344
Cash and Cash equivalents	113 552 380	-	113 552 380
	<b>113 552 380</b>	<b>1 000 194</b>	<b>114 552 574</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	21 324 179	21 324 179

##### 2023

#### Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	1 039 269	1 039 269
Receivables from non-exchange transactions	-	233 381	233 381
Cash and cash equivalents	127 381 261	-	127 381 261
	<b>127 381 261</b>	<b>1 272 650</b>	<b>128 653 911</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	16 288 650	16 288 650

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 41. Contingencies

At year end the municipality had the following contingent assets and contingent liabilities.

#### Cases

Claims for damages arising out of the destruction of telkom lines, sewer spillages.	590 000	590 000
Claims for damages relating to inappropriate dress code by councillors	750 000	750 000
Claims relating to transfer of properties	-	125 000
Labour matters: Labour matters emanating from unlawfull deductions of salaries and claims for overtime.	700 000	1 480 000
Land matters: Claims for the provision of houses for the community.	1 350 000	1 350 000
Land Matters: Land claims, Eviction proceedings, Demolishing structures.	14 006 431	13 706 431
Breach of contractual obligations: Claim for damages for alleged breach of a contract.	53 543 279	54 843 279

<b>70 939 710</b>	<b>72 844 710</b>
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### 42. Related parties

#### Relationships

Accounting Officer

Mayor

Speaker

Whip of Council

Executive Councillors

Refer to accounting officer's report note

Cllr M. G. Jara

Cllr E. Pula

Cllr N. Gcaba

Cllr L. Yalezo (Resigned - 02 April 2024)

Cllr L. Dlova (Ward 11)

Cllr S. Voko

Cllr N. Sayiti

Cllr N.M. Mvanyashe

Cllr S. Matshoba (Resigned - 31 August 2023)

Cllr M. Fune

Cllr N. Zikolo

Cllr S. Kahla (Ward 5)

Cllr U. Socikwa

Cllr. MN. Mpheleli

PR Councillors

Cllr M. R. Giyose

Cllr V.G. Mazitshana

Cllr Z. Makinana

Cllr N. Mbunjana

Cllr B. Rasimeni

Cllr B. Madikida

Cllr N. Walaza

Cllr Z. Nondaka

Cllr K. Jubase (Resigned - 31 January 2024)

Cllr M. Libazi

Cllr K. Mpula

Cllr L. Boyana

Cllr S. Bontsa

Cllr N. Tiwani

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 42. Related parties (continued)

#### Councillors

Cllr S. Mngcotana (Ward 1)  
Cllr N. Ranga (Ward 2)  
Cllr S. Mbola (Ward 3)  
Cllr S. Sophangisa (Ward 4)  
Cllr M. Vunguvungu (Ward 6)  
Cllr T.S. Guga (Ward 7)  
Cllr V. Nododana (Ward 8)  
Cllr A. Nombewu (Ward 9)  
Cllr S. Mtwazi (Ward 10)  
Cllr S. Ntukuntezi (Ward 12)  
Cllr T. Titshana (Ward 13)  
Cllr B. Gigi (Ward 14)  
Cllr Z. Renene (Ward 15)  
Cllr B. Mthishana (Ward 16)  
Cllr M.P. Bontsa (Ward 17)  
Cllr T. Magugu (Ward 18)  
Cllr M. Jikijela (Ward 19)  
Cllr A.M. Thembela (Ward 20)  
Cllr N. Khemtshe (Ward 21)  
Cllr S.M. Hlanti (Ward 22)  
Cllr M. Khonza (Ward 23)  
Cllr M. Ntamo (Ward 24)  
Cllr N.V. Ncaphayi (Ward 25)  
Cllr C. Maqebula (Ward 26)

#### Traditional Leaders

Nkosi S. Mcelu  
Nkosi M. Ranuga (Resigned on the 31 July 2023)  
Nkosi S.P. Bikwe

#### Members of key management

##### Municipal Manager

##### Chief Financial Officer

Mr. L. Ndabeni  
Mr. B. Bhenxa (Resigned on the 30th September 2023)  
Ms. N.K Sibobi (Appointed on the 15th April 2024)  
Ms. Z. Petse  
Mr W. Zwane (Contract expired on the 31 August 2023)  
Ms. T.T. Madotyeni (Appointed on the 15th April 2024)  
Mr. S.C. Ntinzi (Appointed on the 2nd May 2024)  
Mr N.M. Sineke (Appointed on the 2nd May 2024)

##### Senior manager: Infrastructure services

##### Senior manager: Corporate services

##### Senior manager: Local Economic Development

##### Senior manager: Community Services

There were no related party transactions. Apart from the remuneration, no further transactions occurred with councillors and section 56 managers. Refer to Note 20 & 21.

### Related party transactions

#### BTS Heritage Institute

1 790 000

-

The company was involved in facilitating the renaming of the municipality and design of the logo. The director of the company is a close family member to Ms. M. Mangcotywa who is a manager in the office of the mayor.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

AUDITOR GENERAL  
PROCESSED

30 NOV 2024

## Notes to the Annual Financial Statements

Restated

2024

2023

### 43. Prior period errors

The current year comparatives have been adjusted as follows

Statement of Financial Position	Previously stated	Adjustment	Reclassification	Restated Balance
Property, plant and equipment	507 370 113	(17 836 633)	-	489 533 480
VAT Receivable	8 210 202	(3 026 179)	-	5 184 023
Payables from exchange transaction	6 389 256	9 904 889	(5 495)	16 288 650
Unspent conditional grants	5 115 000	-	5 495	5 120 495
Opening Balance (Retained Income/Accumulated Surplus)	613 096 887	(9 325 707)	-	603 771 180
	<b>1 140 181 458</b>	<b>(20 283 630)</b>		<b>- 1 119 897 828</b>

#### Payables from exchange transaction

Trade payables were understated by R9 347 810, this was due to the salary control account (suspense) not be cleared at year-end, that error has now been corrected.

Trade payables were overstated by R 5 495, this was due to the Human Settlement Development Grant which was mapped incorrectly.

#### Unspent conditional grants

Unspent conditional grants were understated by R 5 495, this was due to the Human Settlement Development Grant which was mapped incorrectly to Payables from exchange transactions.

#### Property, plant and Equipment

Work-in-progress was overstated by an amount of R18 423 658 which was relating to long outstanding projects identified in the current year as fruitless and wasteful expenditure by Auditor General.

Work-in-progress was also understated by a retention amount of R537 242 relating to a project that was completed in the prior year.

#### VAT Receivable

VAT receivable was overstated by VAT output amount of R3 517 565 relating to revenue from INEP grant. This error has now be corrected. Management has adjusted for the last 2years as they deemed it Impracticable to determine period-specific effect beyond the 2years.

Statement of Financial Performance	Previously Stated	Adjustment	Reclassification	Restated Balance
Transfers and Subsidies (INEP)	-	-	23 450 436	23 450 436
Government Grants and subsidies	300 708 143	-	(26 968 001)	273 740 142
Employee Related Costs	103 856 910	9 356 324	-	113 213 234
Transfers and subsidies	23 450 435	-	4 846 434	28 296 869
General Expenditure	137 463 010	11 322	(11 964 615)	125 509 717
Contracted Services	10 299 320	-	7 118 181	17 417 501
Depreciations & Amortisation	47 575 776	5 634	-	47 581 410
Loss on disposal	244 080	(7 906)	-	236 174
	<b>623 597 674</b>	<b>9 365 374</b>	<b>(3 517 565)</b>	<b>629 445 483</b>

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated

2024

2023

### 43. Prior period errors (continued)

#### Transfers and subsidies (INEP)

Income from the Department of Mineral Resources and energy was incorrectly classified revenue from non-exchange. The municipality is constructing an asset that will later be transferred to Eskom, therefore any income should be classified as revenue from exchange transaction. Management has adjusted for the last 2 years as they deemed it impracticable to determine period-specific effect beyond the 2 years.

#### Government grants and subsidies

Income from the Department of Mineral Resources and energy was incorrectly classified revenue from non-exchange. The municipality is constructing an asset that will later be transferred to Eskom, therefore any income should be classified as revenue from exchange transaction. This resulted in government grant and subsidies being overstated, that error has now been corrected.

#### Employee Related Costs

Salary control account was overstated by R9 356 324, that error has now been corrected. The salary control account has now been cleared to Zero.

#### Transfers and subsidies

Subsidies paid for Free basic services were classified under general expenditure in prior year. They have been reclassified to the correct sub-heading in the current year.

#### Contracted Services

Legal costs have been reclassified from General Expenditure to Contracted services to ensure they disclosed accuracy in the annual financial statements.

#### General Expenditure

Subsidies paid for Free basic services were classified under general expenditure in prior year. They have been reclassified to the correct sub-heading in the current year.

Legal costs have been reclassified from General Expenditure to Contracted services to ensure they disclosed accuracy in the annual financial statements

Salary control account was overstated by R11 322, that error has now been corrected. The salary control account has now been cleared to Zero the amount moved to casual wages.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
<b>44. Unauthorised expenditure</b>		
Opening balance as previously reported	10 554 476	68 266 670
<b>Opening balance restated</b>	-	-
Add: Expenditure identified - current	1 925 000	-
Add: Expenditure identified - prior period	-	10 554 476
Less: Approved/condoned/authorised by council	-	(68 266 670)
<b>Closing balance</b>	<b>12 479 476</b>	<b>10 554 476</b>

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

Non-cash	-	10 554 475
Cash	1 925 000	-
	<b>1 925 000</b>	<b>10 554 475</b>

Analysed as follows: non-cash

Debt impairment	-	10 554 475
Legal Fees	1 925 000	-
	<b>1 925 000</b>	<b>10 554 475</b>

The current year unauthorised expenditure was identified in the 4th quarter of the financial year. It was reported to the relevant council committees and subsequently referred to MPAC for investigations by the council.

### 45. Fruitless and wasteful expenditure

Opening balance as previously reported	17 842	1 157 596
<b>Opening balance</b>	<b>17 842</b>	<b>1 157 596</b>
Add: Expenditure identified - current	-	17 842
Add: Expenditure identified by AG in current year - relating prior periods	18 875 850	-
Less: Amount written off - current	(17 842)	(1 157 596)
<b>Closing balance</b>	<b>18 875 850</b>	<b>17 842</b>

Fruitless and wasteful expenditure incurred of R18 875 850 relates long outstanding projects (Qumbu sports field and Tsolo sports). The projects have been vandalised and some materials stolen.

All registers from prior year Fruitless and wasteful expenditure were submitted to MPAC for investigation.

### 46. Irregular expenditure

Opening balance as previously reported	28 947 289	58 683 685
<b>Opening balance as restated</b>	<b>28 947 289</b>	<b>58 683 685</b>
Add: Expenditure identified by AG in current year - relating prior periods	13 329 101	-
Add: Irregular Expenditure - prior period	-	145 946
Less: Amounts recoverable - current	(10 500)	-
Less: Amount written off - current	-	(29 882 342)
<b>Closing balance</b>	<b>42 265 890</b>	<b>28 947 289</b>

**Kumkani Mhlontlo Local Municipality**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

Restated

**46. Irregular expenditure (continued)**

**Details of irregular expenditure**

The is R145 946 deemed recoverable, as the municipal manager has signed an acknowledgement of debt agreement and the overpayment is currently being deducted from his salary on a monthly basis until its fully paid.

All register were submitted to MPAC for investigation during the 2023/24 Financial year.

The MPAC committee has recommended that irregular expenditure of R2 852 243 be referred to the Financial Misconduct board for further investigation. The remaining irregular expenditure is being investigated by the committee.

Irregular expenditure of R6 611 974 relates to Mvumelwano stadium which declared irregular in prior years as the awarded contract was above the maximum contract value allowed for their grade as per CIDB regulations.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 47. Deviation from supply chain management regulations

Goods and services to the value of R0 (2023:R2 650 070) were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

A register containing the details of the deviations is available for inspection.

Supplier name	Number	Description	2024	2023	Reason for deviation
Makangela Ntungani Incorporated	9947	Legal services	- 1 336 007		The supplier was appointed as part of panel of legal services. The contract had initial expired and was extended by 3 months, which expired on the 14 March 2023. However, the appointment of a new panel had not been concluded at the time of case. Therefore, circumstance dictated that the current lawyer on the case must continue seating on the case. Hence the deviation is off exceptional circumstance.
Microsoft		Payment of microsoft office license	- 1 314 063		Microsoft office is a sole provider of microsoft office software.
			<u>-</u>	<u>2 650 070</u>	

### 48. Commitments

#### Already contracted for but not provided for

Already contracted for but not provided for  
Property, plant and equipment

85 062 762    23 937 899

This committed capital expenditure relates to roads and other infrastructure developments, building of town halls and other goods and services and will be financed by available bank facilities, retained surpluses, as well as Grant funding and existing cash resources.

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

#### Contributions to organised local government

Current year subscription / fee	1 410 449	1 069 369
Amount paid - current year	(1 410 449)	(1 069 369)
	-	-

#### Audit fees

Current year subscription / fee	4 659 285	4 789 872
Amount paid - current year	(4 659 285)	(4 789 872)
	-	-

#### PAYE, SDL and UIF

Current year subscription / fee	21 207 367	23 941 143
Amount paid - current year	(21 207 367)	(23 941 143)
	-	-

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
<b>49. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	25 930 003	22 171 149
Amount paid - current year	(25 930 003)	(22 171 149)
	<u>-</u>	<u>-</u>
<b>VAT</b>		
VAT receivable	<u>2 832 282</u>	<u>5 184 023</u>

All VAT returns have been submitted throughout the year. SARS has paid all VAT claims and no penalties have been incurred in the current year.

### Councillors' arrear consumer accounts

There were no councillors who had arrear accounts outstanding for more than 90 days at 30 June 2024:

### Supply chain management regulations

There were no deviation in the current year.



# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 50. Budget differences

#### Material differences between budget and actual amounts

Only variances exceeding 10% are considered material and have been explained below.

#### STATEMENT OF FINANCIAL PERFORMANCE

49.1 Variance is due to underbudgeting in service charges.

49.2 Variance is trivial and immaterial.

49.3 Variance is due to under collection in agency services as a result of loadshedding in the first half of the financial year.

49.4 Variance is due to under collection in agency services as a result of loadshedding in the first half of the financial year.

49.5 Variance is trivial and immaterial.

49.6 Interest received on investments increased due to the increased cash investments by the municipality.

49.7 Variance is as a result of revenue forgone which was not budgeted for correctly.

49.8 Variance is trivial and immaterial.

49.10 Fines, penalties and forfeits were underbudgeted.

49.12 Underspending on employee costs.

49.13 Variance is due to salary increment for councillor not been corrected adjusted for in the budget.

49.14 Budget was compiled using the fixed asset register before considering the change in estimates and other depreciation factors.

49.15 Budget was compiled using the fixed asset register before considering impairments.

49.16 Finance costs not budgeted for.

49.17 Leases are budgeted for under general expenditure.

49.18 Debt impairment is as a result of an increase in debtors in the current year and less collection in revenue.

49.19 Overbudgeting on contracted services. Some of the items budgeted for under contracted services were general expenditure items.

49.20 The variance is caused by repairs and maintenance on rural that were budgeted for under General expenditure, however, a portion of that amount was capitalised at year-end.

49.21 The municipality budgeted for a Gain on disposal of assets instead it made a loss hence the variance.

49.22 Actual gain or losses not budgeted for.

49.23 Movement in (interest)/change in estimate on Landfill Site not budgeted for.

#### STATEMENT OF FINANCIAL POSITION

49.25 The variance is due receivables from exchange transactions and receivables from non-exchange transactions being budgeted together as consumer debtors on the budget document.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 50. Budget differences (continued)

49.26 The variance is due to less collection of revenue in the current year which resulted in a huge increase in debt impairment provision and less net receivables.

49.27 Variance is Trivial and Immaterial.

49.28 Cash and cash equivalents variance is due to the municipality having spent more that was initial thought.

49.29 Variance is Trivial and immaterial.

49.30 Variance is Trivial and immateria.

49.31 Intangible assets cost was not budgeted for.

49.33 The variance is due to an increase in Retentions and accruals at year end.

49.34 The variance is due to provisions and Employee benefit obligation being budgted for under one line-item in the budget and disclosed separately in the AFS.

49.35 The variance is due to Disaster Relief Grant which was received on 29 February 2024, thus resulting in Unspent conditional grant and subsidies.

49.38 The variance is due to provisions and Employee benefit obligation being budgted for under one line-item in the budget and disclosed separately in the AFS.

49.39 The variance is due to provisions and Employee benefit obligation being budgted for under one line-item in the budget and disclosed separately in the AFS.

### CASH FLOW STATEMENT

49.40 The variance is due to additional schools that were valued and billed.

49.41 Low collection on refuse removal due to rural nature of the municipality.

49.42 Variance is due to overbudgeting.

49.43 Interest received on investment increased to the saving on equitable share that was generating increase.

49.44 Variance is trivial and immaterial.

49.46 Employee costs and payments of suppliers are budgeted in one place on the budget and the actuals in the financial statements were splitted for GRAP Financial compliance.

49.50 Purchase of Property, Plant and Equipment was overbudgeted.

49.52 Variance is due to the saving on equitable share expenditure and additional MIG funding that was received by the municipality.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 51. Change in estimate

#### Property, plant and equipment

The useful life of all assets were assessed and as a result certain infrastructure assets, bulidings and movable assets useful lives were changed in the current year. The effect of this revision has decreased the depreciation charges for the current and future periods. The impact on depreciation for the current period is as follows:

- Infrastructure assets depreciation has decreased by R14 018 715,08.
- Buildings depreciation has increased by R2 748,63.

The list of these assets is available on the asset register.

### 52. Events after the reporting date

No signifacant events have ocured after reporting date.

### 53. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 566 055 247 and that the municipality's total assets exceed its liabilities by R 566 055 247.

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.

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Restated	2024	2023
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### 54. Accounting by principals and agents

The Municipality is a party to a principal-agent arrangement(s).

Details of the arrangement(s) are as follows:

The municipality acts as an agent for the Department of Transport whereby it administers the provision of motor vehicle licences and registrations as well as driver's licences. It receives compensation for these services based on a binding arrangement with the department.

The municipality received funding from the Eastern Cape Department of Human Settlement to build houses on their behalf and thus the municipality is acting as an agent on behalf of the department.

The municipality received funding from the Eastern Cape Department of Transport for the rehabilitation of 13.8km of surface road from N2 towards Shawbury and thus the municipality is acting as an agent on behalf of the department.

The municipality is the principal or agent. Refer to note 1.18 for significant judgement applied in making this assessment.

#### Entity as agent

#### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R1 827 754 (2023: R1 584 703).

#### Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

#### Reconciliation of the carrying amount of payables

##### Category 1 - Motor Vehicle Licences and Registrations

Funds owing to the principal	240 652	467 751
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##### Category 2 - Principal liability (Human Settlement housing projects)

Funds received from Principal	585 400	-
Funds paid on behalf of the principal	(585 400)	-

##### Category 3 - Principal Liability (Department of Transport Surface road rehabilitation project)

Funds received from Principal	3 000 000	-
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#### All categories

Funds owing to the principal	240 652	467 751
Funds received from principal	3 585 400	-
Funds paid on behalf of the principal	(585 400)	-
	<b>3 240 652</b>	<b>467 751</b>

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 55. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of the following functional areas: Community and Social Services, Executive and council, Finance and administration, Planning and Development, Public Safety, Road Transport and Waste Management. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.

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

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

- Trading services (Refuse removal and property rates) (Primary segment)
- Public safety and Community services (Secondary segment)
- Technical services, roads and transport (Tertiary segment)

# Kumkani Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
<b>Revenue</b>						
Revenue from exchange transactions	2 491 302	-	-	2 491 302	-	2 491 302
Service charges	-	13 432	-	13 432	36 194	49 627
Rental of facilities and equipment	-	1 242 354	-	1 242 354	-	1 242 354
Agency services	-	1 158 601	-	1 158 601	135 572	1 294 173
Licences and permits	11 618 262	-	-	11 618 262	-	11 618 262
Transfers and Subsidies (INEP)	-	31 827	-	31 827	123 482	155 310
Other income	-	-	-	-	11 063 763	11 063 763
Interest earned - investments	-	-	-	-	8 327 000	8 327 000
FV adjustment	-	-	-	-	1 064 974	1 064 974
Actuarial gains	-	-	-	-	-	-
Revenue from non-exchange transactions	33 460 823	-	-	33 460 823	-	33 460 823
Property rates	31 514 313	42 996 914	106 860 830	181 372 057	116 605 548	297 977 605
Government grants & subsidies	-	688 993	-	688 993	-	688 993
Fines	-	-	-	-	451 015	451 015
Recoveries	-	-	-	-	374 167	374 167
Commission received	-	-	-	-	-	-
<b>T total municipality revenue</b>	<b>79 084 700</b>	<b>46 132 121</b>	<b>106 860 830</b>	<b>232 077 651</b>	<b>138 181 715</b>	<b>370 259 367</b>
<b>Municipality's revenue</b>						<b>370 259 367</b>

**Kumkani Mhlontlo Local Municipality**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

Restated

	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
<b>55. Segment information (continued)</b>						
<b>Expenditure</b>						
Employee related costs	(16 557 555)	(16 369 525)	(13 769 124)	(46 696 204)	(57 729 498)	(104 425 702)
Remuneration of councillors	-	-	-	-	(21 858 437)	(21 858 437)
Depreciation and amortisation	-	(1 628 073)	(25 792 187)	(27 420 260)	(5 062 538)	(32 482 798)
Impairments loss	-	-	(2 542 483)	(2 542 483)	-	(2 542 483)
Finance costs	-	-	-	-	(740 583)	(740 583)
Lease rentals on operating lease	-	-	-	-	(1 085 866)	(1 085 866)
Debt Impairment	(17 258 282)	(300 052)	-	(17 558 334)	-	(17 558 334)
Bad debts written off	(711 333)	-	-	(711 333)	-	(711 333)
Contracted services	-	(11 724 583)	-	(11 724 583)	(10 424 401)	(22 148 984)
Transfers and subsidies	(263 305)	-	(11 851 961)	(12 115 266)	(8 623 174)	(20 738 440)
Loss on disposal of assets	-	-	-	-	(3 689 671)	(3 689 671)
Movement in (interest)/change in estimate on Landfill Site	-	(488 508)	-	(488 508)	-	(488 508)
General expenses	(3 109 282)	(3 018 283)	(74 328 531)	(80 456 096)	(76 609 330)	(157 065 426)
<b>Total segment expenditure</b>	<b>(37 899 757)</b>	<b>(33 529 024)</b>	<b>(128 284 286)</b>	<b>(199 713 067)</b>	<b>(185 823 498)</b>	<b>(385 208 193)</b>
<b>Total municipality's surplus/(deficit)</b>						<b>(14 665 737)</b>
Total segment revenue						232 077 651
Total segment expenditure						(199 713 067)
<b>Segment surplus (deficit) for the year</b>						<b>32 364 584</b>
<b>Municipality's surplus (deficit) for the period</b>						<b>(14 665 737)</b>

**Kumkani Mhlontlo Local Municipality**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

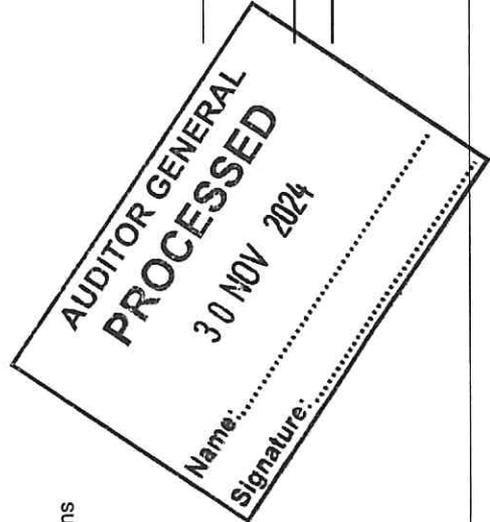
Restated

	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
<b>55. Segment information (continued)</b>						
<b>Assets</b>						
Receivables from exchange transactions	170 056	-	-	170 056	60 863	230 919
Receivables from non-exchange transactions	1 573 458	876 214	-	2 449 672	422 344	2 872 016
VAT Receivables	-	-	-	-	2 585 186	2 832 282
Cash and cash equivalents	-	-	-	-	113 552 380	113 552 380
Investment property	-	-	-	-	14 250 621	14 250 621
Property, plant and equipment	4 537 919	32 868 375	250 717 779	288 124 073	225 975 202	514 099 275
Intangible assets	-	-	-	-	42 138	42 138
<b>Total assets</b>	<b>6 281 433</b>	<b>33 744 589</b>	<b>250 717 779</b>	<b>290 743 801</b>	<b>356 888 734</b>	<b>647 879 631</b>
<b>Total assets as per Statement of financial Position</b>						<b>647 879 631</b>

<b>Liabilities</b>						
Payables from exchange transactions	-	-	(11 592 846)	(11 592 846)	(13 283 213)	24 876 059
Employee benefits	-	-	-	-	(24 519 293)	(24 519 293)
Unspent conditional grants	-	-	(25 025 050)	(25 025 050)	(3 499 012)	(28 524 063)
Provisions	-	(6 343 161)	-	(6 343 161)	-	(6 343 161)
<b>Total liabilities</b>	<b>-</b>	<b>(6 343 161)</b>	<b>(36 617 896)</b>	<b>(42 961 057)</b>	<b>(41 301 518)</b>	<b>(84 262 575)</b>
Total segment assets						290 743 801
Total segment liabilities						(42 997 057)
Net segment assets						<u>247 746 744</u>
<b>Municipalities' net assets</b>						<b>563 617 055</b>

2023

Total





**Kumkani Mhlontlo Local Municipality**  
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**Notes to the Annual Financial Statements**

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	Total	
<b>55. Segment information (continued)</b>		
<b>Total municipality's surplus/(deficit)</b>		<b>(21 900 892)</b>
Total segment revenue		219 205 074
Total segment expenditure		(195 923 007)
Segment surplus (deficit) for the year		<u>23 282 067</u>
<b>Municipality's surplus (deficit) for the period</b>		<b>(21 900 892)</b>
<b>Assets</b>		
Receivables from exchange transactions	978 406	60 863
Receivables from non-exchange transactions	2 319 698	233 381
VAT Receivables	750 297	5 184 023
Cash and cash equivalents	-	127 381 261
Investment property	-	5 982 621
Property, plant and equipment	4 703 222	229 109 717
Intangible assets	-	80 985
<b>Total assets</b>	<b>8 001 326</b>	<b>632 505 015</b>
<b>Total assets as per Statement of financial Position</b>	<b>29 175 332</b>	<b>632 505 015</b>
<b>Liabilities</b>		
Payables from exchange transactions	-	(7 667 924)
Employee benefit obligation	-	(23 370 929)
Unspent conditional grants and receipts	-	(5 120 495)
Provisions	(5 854 653)	(5 854 653)
<b>Total liabilities</b>	<b>(5 854 653)</b>	<b>(50 634 727)</b>
Total segment assets		264 472 164
Total segment liabilities		(19 575 379)
Total segments net assets		<u>244 896 785</u>
<b>Total liabilities as per Statement of financial Position</b>		<b>581 870 288</b>

**Kumkani Mhlontlo Local Municipality**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

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**55. Segment information (continued)**

**Measurement of Specific information**

The accounting policies of the respective segments are the same as the prescribed in the summary of accounting policies and therefore the basis of measurement between the segment reporting and the annual financial statements are consistent

The municipality has no changes to the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from prior year.

The municipality's has aggregated some of its reportable segment (Secondary and Tertiary segments) as they share similar economic activity.

**Basis of accounting for transactions between reportable segments**

The non-segment included above is the reconciliation between totals of segment revenues, reported segment surplus or deficit, segment assets and segment liabilities to the corresponding municipality amounts as per the statement of financial performance and statement of financial position.

**Geographic Segment Reporting**

Although the municipality's operations in a number of geographic areas (i.e. wards) in and around Qumbu and Tsolo area, the geographic information is not considered relevant to management 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 geographic area.