



**Endumeni Local Municipality**

**Annual Financial Statements**

**for the year ended**

**30 June 2023**

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**Endumeni Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

**General information**

**Members of the Council**

Cllr S Ndlovu	Mayor
Cllr A Nsibandé	Speaker
Cllr SB Mdluli	Member of the Executive Committee
Cllr M Abdool	Member of the Executive Committee
Cllr N Gopie	MPAC
Cllr M Ngcobo	Member
Cllr A Sadeck	Member
Cllr M Phakathi	Member
Cllr S Kheswa	Member
Cllr Z Shelembe	Member
Cllr X Msezane	Member
Cllr F Mithethwa	Member
Cllr L Zulu	Member

**Accounting Officer**

Mr S Ntombela (Appointed February 2023)

**Chief Financial Officer**

Ms CB Mkhize (Appointed August 2023)

**Grading of Local Authority**

3

**Auditors**

Auditor-General

**Bankers**

FNB Bank

**Endumeni Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

**General Information (continued)**

<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
<b>Nature of business and principal activities:</b>	The provision of services (electricity and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
<b>Legislation governing the municipality's operations:</b>	Constitution of the Republic of South Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)
<b>Registered Office:</b>	Endumeni Local Municipality
<b>Business address:</b>	64 Victoria Street Civic Centre Dundee 3000
<b>Postal address:</b>	Private Bag X2024 Dundee 3000
<b>Telephone number:</b>	034 212 2121
<b>Fax number:</b>	034 212 3856
<b>E-mail address:</b>	<a href="mailto:pamm@endumeni.gov.za">pamm@endumeni.gov.za</a>
<b>Website address:</b>	<a href="http://www.endumeni.gov.za">www.endumeni.gov.za</a>

**Endumeni Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

**Accounting Officer's Responsibilities and Approval**

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

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit. The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2023 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. These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The municipality however faces challenges of debtor non-payment and the high rate of electricity losses due to theft.

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 61, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Accounting Officer: Mr S Ntombela

31 August 2023

**Endumeni Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

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**Abbreviations**

MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
MSCOA	Municipal Standard Chart of Accounts
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MIG	Municipal Infrastructure Grant

**Endumeni Local Municipality**  
**Statement of Financial Position**  
as at 30 June 2023

	Note	2023	2022 RESTATED
		R	R
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories		92 727 380	156 930 482
Cash and cash equivalents	2	9 357 446	8 767 097
Current portion of non-current receivables	3	26 956 562	29 180 662
Receivables from exchange transactions	4	-	-
Receivables from non-exchange transactions	5	22 768 870	45 216 312
	6	33 644 503	73 766 410
<b>Non-current assets</b>			
Property, plant and equipment		462 722 626	457 147 755
Intangible assets	7	336 921 785	336 747 662
Investment property	8	1 339 841	1 920 093
	9	124 461 000	118 480 000
<b>Total assets</b>		<b>555 450 005</b>	<b>614 078 237</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables from exchange transactions		198 169 578	160 674 891
Consumer deposits	10	177 940 573	137 859 305
Construction contract payable	11	5 727 075	5 517 891
VAT payable	15	3 919 893	316 205
Provisions	12	266 997	5 660 103
Employee Benefit Obligations	13	2 006 836	1 947 448
Unspent conditional grants and receipts	43	3 474 748	3 629 078
	14	4 833 454	5 744 861
<b>Non-current liabilities</b>			
Provisions		67 094 038	63 995 861
Employee Benefit Obligations	13	14 740 599	14 230 101
	43	52 353 439	49 765 760
<b>Total liabilities</b>		<b>265 263 616</b>	<b>224 670 752</b>
<b>NET ASSETS</b>			
		<b>290 186 389</b>	<b>389 407 484</b>
Housing Development Fund			
Accumulated surplus / (deficit)	16	5 075 421	4 894 320
		285 110 968	384 513 164
<b>Total net assets</b>		<b>290 186 389</b>	<b>389 407 484</b>

**Endumeni Local Municipality**  
**Statement of Financial Performance**  
for the year ending 30 June 2023

	Note	2023	2022 RESTATED
		R	R
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
Service charges		161 367 559	167 999 186
Rental of facilities and equipment	19	141 534 703	155 978 689
Interest earned - external investments	20	1 106 678	3 867 981
Interest earned - outstanding receivables	21	2 003 280	811 958
Construction revenue	22	0	0
Licences and permits	15	11 676 629	4 004 451
Operational revenue from exchange transactions	23	3 815 984	2 935 461
		1 230 285	400 645
<b>Revenue from non-exchange transactions</b>			
Property rates		189 413 135	192 759 119
Property rates - penalties and collection charges	18	95 287 699	94 435 506
Fines		1 947 112	6 764 003
Transfers and subsidies		3 443 231	2 456 167
Public contributions and donations	22	88 735 094	88 894 248
	23	-	209 195
<b>Total revenue</b>		<b>350 780 694</b>	<b>360 758 305</b>
<b>EXPENSES</b>			
Employee related costs	24	138 598 459	135 678 381
Remuneration of councillors	25	4 644 290	4 484 263
Debt Impairment	6	54 690 356	(24 202 496)
Municipal services cost		5 513 996	6 718 683
Depreciation	26	15 244 960	14 778 538
Amortisation	26	580 252	677 724
Bulk purchases electricity	27	136 334 811	145 803 039
Contracted services	28	19 361 305	12 699 877
Construction expenditure	15	11 676 629	4 004 451
Operational costs	29	61 323 681	48 228 195
Retirement and long services benefits	43	6 352 650	2 494 568
<b>Total expenses</b>		<b>454 321 388</b>	<b>351 365 224</b>
Gain / (loss) on write-off of assets	30	(51 851)	(205 711)
Gain / (loss) on fair value adjustment	32	5 981 000	6 448 000
Contribution to landfill site provision (Increase)/ Decrease	13	(649 210)	1 591 537
Assets: (Impairment loss) / Reversal of impairment loss	31	(1 009 372)	(281 571)
Inventories: (Impairment loss)/ Reversal of impairment loss	31	(114 033)	(10 444)
<b>Surplus / (deficit) for the period</b>		<b>(99 384 160)</b>	<b>16 934 892</b>

**Endumeni Local Municipality**  
Statement of Changes in Net Assets  
as at 30 June 2023

	Housing Development Fund R	Accumulated Surplus/(Deficit) R	Total: Net Assets R
<b>Opening balance as previously reported 2021</b>			
Investment Property (Note 36)	4 754 170	359 583 290	364 337 460
<b>Restated Balance as at 30 June 2021</b>	-	8 025 222	8 025 222
Restated Surplus for the year (Refer to Note 36)	4 754 170	367 608 512	372 362 682
Transactions for the year	140 150	16 934 891	16 934 891
Reclassification of Insurance reserve to surplus	-	( 30 239)	140 150
Effect of rounding in the financial statements	-	1	( 30 239)
<b>Restated Balance as at 30 June 2022</b>			
Surplus / (deficit) for the period	4 894 320	384 513 164	389 407 484
Transactions for the year	-	( 99 384 160)	( 99 384 160)
Transfers from Insurance reserve to surplus	181 101	9 895	181 101
Reclassification of Insurance reserve to surplus	-	( 27 930)	9 895
Effect of rounding in the financial statements	-	( 1)	( 27 930)
<b>Balance at 30 June 2023</b>	<b>5 075 421</b>	<b>285 110 968</b>	<b>290 186 389</b>

Refer to note 17 for ring fenced reserves within accumulated surplus



**Endumeni Local Municipality**  
**Cash Flow Statements**  
as at 30 June 2023

	Note	2023	2022 RESTATED
		R	R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Sales of goods and services		344 380 410	308 701 624
Transfers and subsidies		256 920 359	217 690 975
		87 460 051	91 010 649
<b>Payments</b>			
Employee costs		(332 187 697)	(269 442 773)
Suppliers		(146 625 955)	(141 209 831)
		(185 561 741)	(128 232 942)
<b>Cash generated from operations</b>	33	<u>12 192 713</u>	<u>39 258 850</u>
Interest received		2 003 280	811 958
Interest paid		-	-
<b>Net cash flows from operating activities</b>		<u>14 195 993</u>	<u>40 070 808</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (PPE)	7	(16 480 305)	(24 625 086)
Proceeds from sale of fixed assets		-	-
Proceeds from sale of investments		-	-
Purchase of intangibles	8	-	-
Decrease/(Increase) in Long term receivables		(148 972)	(125 112)
<b>Net cash flows from investing activities</b>		<u>(16 629 277)</u>	<u>(24 750 197)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		-	-
(Decrease)/Increase in Consumer deposits		209 184	221 883
<b>Net cash flows from financing activities</b>		<u>209 184</u>	<u>221 883</u>
Net increase / (decrease) in cash and cash equivalents		(2 224 100)	15 542 494
Net cash and cash equivalents at beginning of period		29 180 662	13 638 168
<b>Net cash and cash equivalents at end of period</b>	34	<u>26 956 562</u>	<u>29 180 662</u>

**Endumeni Municipality**  
Statement of Comparison of Budget and Actual Information  
as at 30 June 2023

	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	2 022 Audited Outcome
<b>Financial Performance</b>													
Property rates	98 460 286	( 2)	98 460 284		98 460 284	95 287 699	( 3 172 585)	97	97				94 435 096
Service charges	181 938 146	9 915 000	191 853 146		191 853 146	141 534 703	( 50 318 443)	74	78				155 978 689
Investment revenue	2 940 000	( 940 000)	2 000 000		2 000 000	2 003 280	3 280	100	66				811 959
Constructional revenues	90 528 001	2 735 504	93 263 505		93 263 505	11 676 629	( 81 586 876)	13	78				4 004 451
Transfers received - operational	42 846 501	( 11 415 000)	31 431 501		31 431 501	70 933 698	( 39 502 197)	225	56				75 448 787
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>416 712 934</b>	<b>295 502</b>	<b>417 008 436</b>		<b>417 008 436</b>	<b>338 960 298</b>	<b>( 78 048 138)</b>	<b>81</b>	<b>81</b>				<b>353 551 648</b>
Employee costs	145 791 354	1 016 125	146 807 479		146 807 479	138 598 459	( 8 209 020)	94	81				135 678 381
Remuneration of councillors	6 223 681	( 7 000 000)	( 776 319)		6 223 681	4 644 290	( 1 579 391)	75	95				4 684 263
Debt impairment	17 746 668	( 7 000 000)	10 746 668		10 746 668	54 690 356	43 943 688	509	308				( 24 202 496)
Provision & asset impairment	16 764 309	( 11 789 359)	4 974 950		16 764 309	16 834 585	70 276	100	100				15 737 833
Materials & stock purchases	162 417 240	( 11 789 359)	150 627 881		150 627 881	136 943 235	( 13 684 647)	91	84				147 385 988
Construction expenditure	1 258 548	762 000	2 020 548		2 020 548	11 676 629	( 9 656 081)	58	113				4 004 451
Transfers and grants	82 168 531	11 551 772	93 720 303		93 720 303	92 756 301	( 964 002)	99	107				66 551 920
<b>Total Expenditure</b>	<b>432 370 331</b>	<b>( 5 469 461)</b>	<b>426 900 870</b>		<b>426 900 870</b>	<b>456 145 854</b>	<b>29 244 984</b>	<b>107</b>	<b>105</b>				<b>350 271 413</b>
Surplus/(Deficit)	( 15 657 397)	5 764 963	( 9 892 434)		( 9 892 434)	( 117 165 556)	( 107 263 122)	105	102				3 260 232
Transfers recognised - capital assets	16 636 000	17 483 900	17 483 900		17 483 900	17 801 396	317 496	102	108				13 445 461
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>1 178 603</b>	<b>5 764 963</b>	<b>7 591 466</b>		<b>7 591 466</b>	<b>( 95 384 160)</b>	<b>( 106 975 626)</b>	<b>- 1 309</b>	<b>- 8 432</b>				<b>209 195</b>
Share of surplus/(deficit) of associate													16 934 891
<b>Surplus/(Deficit) for the year</b>	<b>1 178 603</b>	<b>5 764 963</b>	<b>7 591 466</b>		<b>7 591 466</b>	<b>( 95 384 160)</b>	<b>( 106 975 626)</b>	<b>- 1 309</b>	<b>- 8 432</b>				<b>16 934 891</b>
<b>Capital expenditure</b>	<b>17 566 900</b>	<b>1 773 229</b>	<b>19 340 129</b>		<b>19 340 129</b>	<b>16 480 306</b>	<b>( 2 859 823)</b>	<b>85</b>	<b>94</b>				<b>24 834 281</b>
Transfers recognised - capital	16 066 900	1 417 000	17 483 900		17 483 900	16 480 306	( 1 003 594)	94	103				13 445 461
Public contributions & donations													209 195
Internally generated funds	1 500 000	356 229	1 856 229		1 856 229	1 856 229	-	-	-				11 178 626
<b>Total sources of capital funds</b>	<b>17 566 900</b>	<b>1 773 229</b>	<b>19 340 129</b>		<b>19 340 129</b>	<b>16 480 306</b>	<b>( 2 859 823)</b>	<b>85</b>	<b>94</b>				<b>24 834 281</b>
<b>Cash flows</b>													
Net cash from (used) operating	6 329 500	( 18 209 451)	( 11 879 951)		( 11 879 951)	14 195 993	26 075 944	( 119)	224				40 070 808
Net cash from (used) investing	( 9 566 900)	15 201 900	5 635 000		5 635 000	( 16 629 277)	( 22 264 277)	-295	174				( 24 750 197)
Net cash from (used) financing	10 400 768	6 968 497	17 369 265		17 369 265	26 956 562	9 587 297	155	259				29 180 662

Refer to Note 49 for explanations on significant variances

Erdulmen Municipality Reportable Segments for the year ending 30 June 2023							2 023	2 022				
	Community and Public Safety	Economic and Environmental Services	Trading Services	Other	Unallocated	Total	Community and Public Safety	Economic and Environmental Services	Trading Services	Other	Unallocated	Total
<b>Segment Revenue</b>												
External revenue from non-exchange transactions	7 153 567	19 718 123	11 662 264	126 144 540	30 715 642	195 394 135	6 275 168	17 986 462	18 362 989	133 225 253	23 347 238	199 207 119
External revenue from exchange transactions	1 082 190	3 799 191	141 538 647	427 116	12 517 135	159 364 279	1 225 498	2 929 493	165 976 906	2 838 391	212 488	163 182 776
Revenue from transactions with other segments	-	-	-	-	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total segment revenue	8 235 757	23 517 314	153 200 911	126 571 656	45 236 066	356 761 694	7 500 666	20 925 954	174 339 904	136 063 645	24 371 664	363 201 853
<b>Segment Expenses</b>												
Total segment expenses	48 612 024	43 737 165	210 606 060	6 431 393	130 934 000	440 320 642	48 420 454	41 135 328	155 107 851	6 632 329	79 514 737	330 810 699
Depreciation and amortisation	4 286 254	5 226 571	2 362 628	184 106	3 765 653	15 825 212	3 701 367	6 438 476	2 829 143	166 287	2 320 990	15 456 262
Interest expenses	-	-	-	-	-	-	-	-	-	-	-	-
Internal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total segment expenses	52 898 278	48 963 736	212 968 688	6 615 500	134 699 653	456 145 854	52 121 821	47 573 804	157 936 994	6 798 616	81 835 727	346 266 962
Surplus/(Deficit) for the year	(44 662 521)	(25 446 422)	(59 767 776)	119 956 156	(89 463 587)	(99 384 160)	(44 621 155)	(26 647 850)	16 402 910	129 365 028	(57 464 042)	16 934 892
<b>Other Information</b>												
Segment assets	57 447 149	3 766 918	463 840 668	26 086 409	4 308 816	585 449 960	68 123 554	154 062 957	248 437 564	-	143 454 162	614 079 236
Segment liabilities	11 929	(178 745)	(2 106 823)	(2 271 128)	(260 718 804)	(265 263 570)	(9 591 103)	(180 925)	(16 229 011)	-	(198 669 712)	(224 670 751)
Additions to non-current assets	30 800	40 500	15 983 611	-	425 378	16 480 288	1 680 003	16 482 551	5 024 717	-	1 427 815	24 625 086
Net cash from (used) operating	-	-	-	-	14 195 993	14 195 993	-	-	-	-	40 070 808	40 070 808
Net cash from (used) investing	-	-	-	-	(16 629 277)	(16 629 277)	-	-	-	-	(24 750 197)	(24 750 197)
Net cash from (used) financing	-	-	-	-	209 184	209 184	-	-	-	-	221 883	221 883
Impairment loss/(reversal) recognised in surplus/deficit	-	-	-	-	(1 009 372)	(1 009 372)	-	-	-	-	(281 571)	(281 571)
Impairment loss/(reversal) recognised in net assets	-	-	-	-	-	-	-	-	-	-	-	-

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance.

The four key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services;
- Trading services which includes energy sources and waste management services;
- Other which support other segment and other ad-hoc services to the member of the public.

Basis of measurement and aggregation

The Erdulmen local municipality has 7 wards within its jurisdiction. The aggregation of these segments is consistent with the functional classification in compliance with MSCOA. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units. The functional classification considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any). Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

**Endumeni Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
as at 30 June 2023

**1 ACCOUNTING POLICIES**

**1 BASIS OF ACCOUNTING**

**BASIS OF PRESENTATION**

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**PRESENTATION CURRENCY**

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

**GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The municipality however faces challenges of debtor non-payment for municipal services and a high rate of electricity losses due to theft. This may have future implications on the operations of the municipality.

**COMPARATIVE INFORMATION**

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2022 to 30 June 2023.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.1 SIGNIFICANT JUDGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amount represented in the financial statements and related disclosures. Use of available information and 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 financial statements. Significant judgements include:

**1.1.1 PROVISIONS**

Management determined an estimate for provisions for the rehabilitation of the landfill site based on the engineers estimate of the landfill site. Additional disclosure of these estimates are included in Note 13 Current and Non-current provisions

**1.1.2 USEFUL LIVES OF PROPERTY PLANT EQUIPMENT AND INTANGIBLE ASSETS**

The municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the asset become available for use. The useful lives and residual values are based on industry knowledge and are reviewed annually.

**1.1.3 DEFINED BENEFIT PLAN LIABILITIES**

The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post retirement medical benefit obligations and long service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 41 to the financial statements.

#### 1.1.4 REVENUE RECOGNITION

Management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 Revenue from Exchange Transactions and GRAP 23 Revenue from Non Exchange Transactions and in particular, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### 1.1.5 PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

The provision for impairment is measured as the difference between the asset's carrying amount and the recoverable amount. The recoverable amount is calculated based on the default history of debtors. Debtors are categorised per service type and a combination of the collection rate and age analysis per service type is used to calculate the recoverable amount. For property rates, past payment trends are used to calculate the recoverable amount since these debtors have a longer prescription period.

#### 1.1.6 IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT AND INVENTORIES

In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

#### 1.1.7 FINANCIAL ASSETS AND LIABILITIES

The classification of financial assets and liabilities into categories is based on relevant accounting standards as assessed by management.

#### 1.2 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following Standards of GRAP and interpretations of Standards of GRAP approved have been issued but are not yet effective and have not been early adopted by the municipality:

Guideline - Accounting for Landfill sites

Management have considered the above-mentioned GRAP guidelines approved or issued but not yet effective and anticipates that the adoption of these guidelines will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

#### 1.3 PROPERTY, PLANT AND EQUIPMENT

##### INITIAL RECOGNITION

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

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

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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

##### INITIAL MEASUREMENT

Items of property, plant and equipment are initially measured at cost at the acquisition date.

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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.



## SUBSEQUENT EXPENDITURE

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

## SUBSEQUENT MEASUREMENT

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

## DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an assets' residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	3 - 100 years	Machinery and equipment	3 - 20 years
Electricity	3 - 80 years	Furniture and Equipment	3 - 50 years
Other	10 - 30 years	Motor Vehicles	4 - 20 years
		Buildings	5 - 30 years

At each reporting date the municipality will assess whether there has been an indication that the expectation of the remaining useful lives of assets have changed. Such reviews are completed on Infrastructure, movable, intangible and leased assets. Any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

## DERECOGNITION

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

## SITE REHABILITATION AND RESTORATION COSTS

Where the Municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the Municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As the related asset is measured using the cost model: -

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

## 1.4 INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it Either:

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

## INITIAL RECOGNITION

Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential;
- the municipality has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

#### **SUBSEQUENT MEASUREMENT**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **AMORTISATION**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	2 - 5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

#### **IMPAIRMENT**

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### **DERECOGNITION**

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.5 INVESTMENT PROPERTY**

#### **INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### **SUBSEQUENT MEASUREMENT**

Investment property is subsequently measured at fair value model. 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.

#### **DERECOGNITION**

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

## 1.6 INVENTORIES

### INITIAL RECOGNITION AND MEASUREMENT

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of determining cost is the weighted-average method.

### DERECOGNITION

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

## 1.7 FINANCIAL INSTRUMENTS

### INITIAL RECOGNITION

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

### INITIAL MEASUREMENT

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

#### INVESTMENTS AT AMORTISED COSTS

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### INVESTMENT AT FAIR VALUE

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

#### INVESTMENT AT COST

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

#### TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.



Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

## **TRADE PAYABLES AND BORROWINGS**

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

## **CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## **1.8 IMPAIRMENT OF FINANCIAL ASSETS**

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

### **IMPAIRMENT FOR FINANCIAL ASSETS HELD AT AMORTISED COST**

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

### **IMPAIRMENT OF FINANCIAL ASSETS HELD AT COST**

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

## **DERECOGNITION**

A financial asset is derecognised only when:

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

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

## **1.9 UNAUTHORISED EXPENDITURE**

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

## 1.10 IRREGULAR EXPENDITURE

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

## 1.11 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.12 PROVISIONS

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

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

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

## 1.13 BUDGET INFORMATION

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts. The approved budget covers the period 1 July 2022 to 30 June 2023.

## 1.14 LEASES

### MUNICIPALITY AS LESSEE

#### RECOGNITION

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### MEASUREMENT

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

#### **DERECOGNITION**

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

#### **MUNICIPALITY AS LESSOR**

##### **RECOGNITION**

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

##### **MEASUREMENT**

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

##### **DERECOGNITION**

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

#### **1.15 REVENUE**

##### **REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

##### **RECOGNITION**

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

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

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

## MEASUREMENT

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to electricity are based on consumption by consumers as is recorded on each consumer's meter. Meters are read each month and revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods when meter readings have not been able to be made. The revenue from provisional estimates of consumption is recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised in the period in which cash is received.

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

Interest revenue is recognised on a time proportion basis.

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

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

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sale of consumables and sundry items is recognised when the risk is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

## EXPENDITURE FROM EXCHANGE

Expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

## REVENUE FROM NON-EXCHANGE TRANSACTIONS

### RECOGNITION

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

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

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

## MEASUREMENT

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from spot fines and summons are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.



## EXPENDITURE RELATING TO NON-EXCHANGE TRANSACTIONS

Expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

### 1.16 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms on the Housing Act (Act 107 of 1997)

Sections 15 (5) and 16 of the Housing Act, which came into effect on 1 April 1998, required the Entity to maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund and is fully cash-backed.

In terms of section 14(4)(d)(ii)(aa), read with inter alia section 16(2), the Housing Act required that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, to be paid into a separate operating account, and be utilised by the Entity for housing development in accordance with the National Housing Policy.

### 1.17 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

### 1.18 RETIREMENT BENEFITS

#### SHORT TERM EMPLOYEE BENEFITS

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

### 1.19 POST-EMPLOYMENT BENEFITS

The Municipality operates various pension schemes. These schemes are funded through trustee administered funds. The Municipality has both defined benefit and defined contribution plans.

#### DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### DEFINED BENEFIT PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a defined contribution funds

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

## POST RE-TIREMENT HEALTH CARE BENEFITS

The liability recognised in the Statement of Financial Position is in respect of defined benefit plan for post employment health care benefits. The fund is actuarially valued each year using the discounted cash flow method. Any deficits identified by the actuary are recovered from the municipality in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable. Valuations of these obligations are carried out every year by independent qualified actuaries.

### 1.20 IMPAIRMENT OF NON-FINANCIAL ASSETS

#### RECOGNITION

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

#### MEASUREMENT

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Where the asset is a non-cash generating asset the value in use is determined through depreciated replacement cost, restoration cost approach or service units approach. The decision to the approach to use is dependent on the nature of the identified impairment.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

#### REVERSAL OF IMPAIRMENT

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

### IMPAIRMENT OF SPECIFIC NON-FINANCIAL ASSETS

#### PROPERTY, PLANT AND EQUIPMENT

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

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

#### INTANGIBLE ASSETS

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

## INVESTMENT PROPERTY HELD AT COST

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

### 1.21 RELATED PARTIES

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. The municipality applies GRAP 20 for related parties.

### 1.22 VALUE ADDED TAX (VAT)

The municipality accounts for VAT on the accrual basis.

Based on approval received from the Commissioner for South African Revenue Services, the municipality has been given permission to remit or claim for VAT on the payments basis for debtors and creditors.

### 1.23 SERVICE CONCESSION ARRANGEMENT

Service concession arrangement is a contractual arrangement between a grantor and the operator in which an operator uses the service concession asset to provide a mandated function on behalf of a grantor for a specified period. Where the operator is compensated for its services over the period of service concession arrangement. A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate. An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

#### RECOGNITION

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life.

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability. The entity does not recognise a liability where an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

#### MEASUREMENT

The entity initially measures the service concession asset at its fair value where the asset is not an existing asset of the entity. Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment Property, Property plant and equipment, Intangible assets, or Heritage assets as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

#### Financial liability model

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability.

The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

#### **Grant of a right to the operator model**

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator. The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

#### **Dividing the arrangement**

If the entity pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

#### **Other liabilities, contingent liabilities and contingent assets**

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

#### **Other revenues**

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

#### **Recognition of the performance obligation and the right to receive a significant interest in a service concession asset**

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration are recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements

The municipality has assessed the transactions and for the period under assessment does not have any such arrangements.

## **1.24 ACCOUNTING BY PRINCIPALS AND AGENTS**

### **IDENTIFICATION**

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

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

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

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

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

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

#### **Binding arrangement**

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

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



### **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.

## **1.25 STATUTORY RECEIVABLES**

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means and are settled in cash or another financial asset. The municipality accounts for statutory receivables which arise from the implementation of:

The Municipal Property Rates Act 6 of 2004 (MPRA) whose purpose is to regulate the power of a municipality to impose rates on property, to exclude certain properties from rating in the national interest and to make provision for municipalities to implement a transparent and fair system of exemptions, reductions and rebates through their rating policies.

The National Road Traffic Act 93 of 1996 (NRTA) whose purpose is to provide for road traffic matters which shall apply uniformly throughout the republic and for matters connected therewith.

### **Determination of transaction amount**

Transaction amounts for these statutory are determined as follows:

Property rates - billed amount with reference to property values taking into consideration any exemptions, rebates and reductions as per policy, excluding any receipts

Traffic fines - with reference to the schedules as per the act and offence.

### **Penalties and other charges levied/charged**

Penalties on outstanding balances is charged on overdue property rates balances and form part of statutory receivables at 1% per month on the outstanding balance excluding penalties.

### **Basis used to assess the test whether a statutory receivables is impaired**

All balances outstanding is assessed at reporting date whether there is an indication that a statutory receivable or a group of statutory receivables may be impaired.

### **RECOGNITION**

#### **INITIAL MEASUREMENT**

The Municipality initially measures statutory receivable at their transaction amount

#### **SUBSEQUENT MEASUREMENT**

The municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the statutory receivables is charged subsequently to reflect any:

Interest or other charges that may have accrued on the receivables (where applicable) Impairment losses, and Amount derecognised.

### **DERECOGNITION**

Statutory Receivable is derecognised when amounts are settled, expire or are waived; and when there is a transfer substantially all of the risks and rewards of ownership to another party ; or

Retains some significant risks and rewards of ownership but transfers control. In this case, the entity shall;

Derecognise the receivable and Recognise separately any rights and obligations created or retained in the transfer.

## **1.26 CAPITAL COMMITMENTS**

A capital commitment is a binding agreement to undertake capital expenditure at some time in the future which has not yet become an actual liability

An approved and contracted for commitment is where expenditure has been approved and the contract has been awarded at the end of the financial year.

An approved and not yet contracted for commitment is where the expenditure has been approved but the contract has not yet been awarded or is awaiting the finalisation at the end of the reporting date.

## 1.27 CONSTRUCTION CONTRACTS

Construction contracts are those contracts entered between the municipality and a customer (or third party) whereby the municipality delivers a constructed asset in terms of an agreement with such party. The construction can be done by the municipality or through the use of a sub-contractor. The benefit of the constructed item (or group of items) must be received by such party and not the municipality.

Revenue from such contracts shall comprise the agreed value in terms of the contract plus any agreed variations to such contract on the conditions that these variations will result in an inflow of economic resources that can be measured reliably. Contract costs are costs that directly relate to the contract as well as costs that are attributable to the execution of the construction work and any additional costs as agreed between the municipality and the party obtaining the final goods. Attributable costs are only assigned to the contract costs if these can be assigned on a systematic and rational basis. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

The municipality assessed all of the contracts in place and found that those contracts pertaining to the Integrated National electrification programme (INEP) where the Municipality is not licensed would meet the definition in terms of construction contracts Construction Contracts. All of these contracts for the municipality are fixed-price contracts. Revenue and costs are therefore recognised with reference to the stage of completion provided that the conditions for contract revenue and contract costs are met and the stage of contract completion can be measured.

In exceptional cases, if any, for a cost-plus or cost-based contract, the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits or service potential associated with the contract will flow to the entity and the contract costs can be clearly identified and measured reliably. An expected deficit on a construction contract shall be recognised as an expense immediately based on the stage of completion. Future losses are only accounted for when these losses are incurred in terms of the stage of completion. This implies that only the proportional loss of a contract would be recognised based on the percentage of completion.

As the percentage or stage of completion is an estimate at year-end, any subsequent changes to the estimate would be accounted for as a change in estimate in terms of the relevant municipal accounting policy.

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2023

	Note	2023	2022
		R	R
<b>2 INVENTORIES</b>			
Material and supplies - electricity			
Consumable - general		7 022 045	6 379 677
Consumable - fuel and oils		1 854 812	1 943 149
Mechanical spares		388 865	440 902
Closing balance of inventories		91 723	3 370
		<b>9 357 446</b>	<b>8 767 097</b>
Inventories recognised as an expense during the year		2 478 098	3 738 187
Write down of inventory		75 914	77 310
Inventory has been impaired for redundant and obsolete items			
Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority. The stock write down for the current year is still subject to council approval			
<b>3 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents consist of the following:			
Cash on hand		15 300	15 300
Cash book Balances		11 642 226	10 198 897
Short-term deposits			
Deposits - General Account		18 321	9 855 557
Deposits - Museum Trust Fund		10 412	1 006
Deposits - Government Grants and Subsidies		15 270 303	9 109 902
		<b>26 956 562</b>	<b>29 180 662</b>
The Municipality has the following bank accounts: -			
<b><u>Current Account (Primary Bank Account)</u></b>			
First National Bank Account - Dundee Branch Account Number 62025460651: Cheque Account			
Cash book balance at beginning of year		9 348 470	2 414 616
Cash book balance at end of year		11 642 226	9 348 470
Bank statement balance at beginning of year		4 636 017	6 211 139
Bank statement balance at end of year		6 728 207	4 636 017
The municipality has the following Short-term deposit accounts			
<b><u>ACCOUNT DESCRIPTION - Short-term deposits (MFMA requirement)</u></b>			
<b>Investment General Account</b> First National Bank Account - Dundee Branch Account Number 62113431390 : Money Market Account			
Bank statement balance at the beginning of the year		3 107 332	10 910
Bank statement balance at the end of the year		7 332	3 107 332
<b>Investment General Account</b> Grindrod Bank - Durban Branch Account Number 11000207002 Call Account			
Bank statement balance at the beginning of the year		6 748 225	6 507 787
Bank statement balance at the end of the year		10 989	6 748 225
<b>TOTAL INVESTMENTS (CURRENT ACCOUNT) :</b>		<b>18 321</b>	<b>9 855 557</b>
<b>Investment Museum Trust Fund</b> First National Bank Account - Dundee Branch Account Number 62127781236 : Money Market Account			
Bank statement balance at the beginning of the year		1 006	2 013
Bank statement balance at the end of the year		10 412	1 006
<b>TOTAL INVESTMENT (MUSEUM TRUST FUND) :</b>		<b>10 412</b>	<b>1 006</b>

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2023

	Note	2023	2022
		R	R
<b>Investment Projects</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62047254941 : Call Account</i>			
Bank statement balance at the beginning of the year		3 186 948	2 913 817
Bank statement balance at the end of the year		<u>5 746 950</u>	<u>3 186 948</u>
<b>Investment Interest Earned</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62509652419 : Call Account</i>			
Bank statement balance at the beginning of the year		3 634 804	3 273
Bank statement balance at the end of the year		<u>7 720 764</u>	<u>3 634 804</u>
<b>Investment VAT</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62509650851 : Call Account</i>			
Bank statement balance at the beginning of the year		708 109	12 475
Bank statement balance at the end of the year		<u>51 326</u>	<u>708 109</u>
<b>Investment Sibongile Hostel</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62045928069 : Call Account</i>			
Bank statement balance at the beginning of the year		561 951	547 202
Bank statement balance at the end of the year		<u>593 026</u>	<u>561 951</u>
<b>Investment Sithembile Hostel</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62063967718 : Call Account</i>			
Bank statement balance at the beginning of the year		457 478	445 364
Bank statement balance at the end of the year		<u>483 098</u>	<u>457 478</u>
<b>Investment Training of Councillors</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62310958098 : Call Account</i>			
Bank statement balance at the beginning of the year		-	11 102
Bank statement balance at the end of the year		<u>-</u>	<u>-</u>
<b>Investment Sibongile Library internet</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62173631948 : Call Account</i>			
Bank statement balance at the beginning of the year		1 062	158 993
Bank statement balance at the end of the year		<u>83 460</u>	<u>1 062</u>
<b>Investment Housing Operating Account</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62412969084 : Call Account</i>			
Bank statement balance at the beginning of the year		559 550	544 512
Bank statement balance at the end of the year		<u>591 679</u>	<u>559 550</u>
<b>Investment Rural Horse Riding</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62599265876 : Money Market Account</i>			
Bank statement balance at the beginning of the year		-	20 494
Bank statement balance at the end of the year		<u>-</u>	<u>-</u>
<b>Investment Small Town Rehabilitation</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62521487894 : Money Market Account</i>			
Bank statement balance at the beginning of the year		-	30 310
Bank statement balance at the end of the year		<u>-</u>	<u>-</u>
<b>TOTAL INVESTMENTS (GOVERNMENT GRANTS AND SUBSIDIES) :</b>		<u>15 270 303</u>	<u>9 109 802</u>
<b>TOTAL CURRENT INVESTMENTS</b>		<u>15 299 036</u>	<u>18 966 466</u>

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2023

Note	2023	2022
	R	R
<b>4 NON-CURRENT RECEIVABLES</b>		
Housing - Selling scheme loans	538 535	538 535
Housing - Sibongile	1 818 567	1 669 595
Housing - Individual selling scheme loans	140 507	140 507
Less : Provision for housing receivables	2 497 610	2 348 638
Current Portion of Non-Current Receivables	( 2 497 610)	( 2 348 638)
	-	-

**HOUSING SELLING SCHEME LOANS**

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Human Settlements programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%. Title deeds for many of these properties have been handed over to the beneficiaries in the 2015/16 financial year.

**5 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Trade and Other Receivables from Exchange

	R	R
Electricity		
Refuse	13 054 148	27 473 481
Estate	32 790 765	33 064 381
Interest	61 339	62 181
Deposit Housing	22 279 889	10 942 716
Deposit Electricity	34 432	8 300
Housing Levy	85 594	6 045
Val	1 134 176	1 041 008
Sundry Adjustments	6 887 382	-
Total Service Debtors	5 565 949	6 412 942
Provision for Doubtful Debts	81 893 674	79 011 054
Total	( 59 124 804)	( 33 794 742)
	<b>22 768 870</b>	<b>45 216 312</b>

Electricity: Ageing

Current (0 – 30 days)		
31 - 60 Days	5 203 463	7 806 920
61 - 90 Days	2 032 201	6 441 044
91 - 120 Days	1 434 491	5 645 938
Greater than 120 days	779 056	1 772 378
Total	3 604 936	5 807 201
	<b>13 054 148</b>	<b>27 473 481</b>

Refuse: Ageing

Current (0 – 30 days)		
31 - 60 Days	1 694 672	2 161 550
61 - 90 Days	1 145 745	1 979 830
91 - 120 Days	904 003	1 448 284
Greater than 120 days	805 189	1 146 780
Total	28 241 157	26 327 937
	<b>32 790 765</b>	<b>33 064 381</b>

Estate: Ageing

Current (0 – 30 days)		
31 - 60 Days		-
61 - 90 Days		-
91 - 120 Days		-
Greater than 120 days		-
Total	61 339	62 181
	<b>61 339</b>	<b>62 181</b>

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
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	Note	2023	2022
		R	R
<b><u>Interest: Ageing</u></b>			
Current (0 – 30 days)			-
31 - 60 Days			-
61 - 90 Days			-
91 - 120 Days		4 181	-
Greater than 120 days			-
<b>Total</b>		<b>22 275 708</b>	<b>10 942 716</b>
		<b>22 279 889</b>	<b>10 942 716</b>
<b><u>Deposit Housing: Ageing</u></b>			
Current (0 – 30 days)			-
31 - 60 Days		9 500	-
61 - 90 Days		10 587	-
91 - 120 Days		4 800	-
Greater than 120 days		3 695	-
<b>Total</b>		<b>5 850</b>	<b>8 300</b>
		<b>34 432</b>	<b>8 300</b>
<b><u>Deposit Electricity: Ageing</u></b>			
Current (0 – 30 days)			-
31 - 60 Days		2 706	-
61 - 90 Days		12 504	-
91 - 120 Days		2 121	-
Greater than 120 days		13 427	-
<b>Total</b>		<b>54 836</b>	<b>6 045</b>
		<b>85 594</b>	<b>6 045</b>
<b><u>Housing Levy: Ageing</u></b>			
Current (0 – 30 days)			-
31 - 60 Days		21 141	50 071
61 - 90 Days		17 125	47 075
91 - 120 Days		16 839	25 062
Greater than 120 days		14 564	21 400
<b>Total</b>		<b>1 064 508</b>	<b>897 400</b>
		<b>1 134 176</b>	<b>1 041 008</b>
<b><u>Debtors for Value Added Taxation: Ageing</u></b>			
Current (0 – 30 days)			-
31 - 60 Days		1 035 421	-
61 - 90 Days		478 227	-
91 - 120 Days		352 184	-
Greater than 120 days		238 823	-
<b>Total</b>		<b>4 782 727</b>	-
		<b>6 887 382</b>	-
<b><u>Sundry Other Adjustments: Ageing</u></b>			
Current (0 – 30 days)			-
31 - 60 Days		1 085 548	( 371 000)
61 - 90 Days		7 352	783 429
91 - 120 Days		3 710	244 348
Greater than 120 days		-	753 486
<b>Total</b>		<b>4 469 338</b>	<b>5 002 679</b>
		<b>5 565 949</b>	<b>6 412 942</b>
Included in the Receivables from exchange balances and receivables from non-exchange transactions are the amounts owed by other spheres of Government:			
<b>6 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>			
Property Rates		110 859 956	124 049 691
Traffic Fines		17 234 224	14 789 349
Other Sundry Debtors		9 145 609	9 311 335
		<b>137 239 789</b>	<b>148 150 375</b>
Less provision for bad debts		( 103 595 286)	( 74 383 964)
<b>Total</b>		<b>33 644 503</b>	<b>73 766 410</b>

**Endumeni Local Municipality**  
Notes to The Annual Financial Statements  
for the year ended 30 June 2023

	Note	2023	2022
		R	R
<b>STATUTORY RECEIVABLES</b>			
<b>PROPERTY RATES</b>			
Property Rates		110 859 956	124 049 691
Less Provision		( 84 907 287)	( 58 065 004)
<b>Total</b>		<b>25 952 669</b>	<b>65 984 687</b>
<b>FINES</b>			
Traffic fines		17 234 224	14 789 349
Less Provision		( 17 201 649)	( 14 775 940)
<b>Total</b>		<b>32 575</b>	<b>13 409</b>
<b><u>Rates: Ageing</u></b>			
Current (0 – 30 days)		5 717 015	6 044 061
31 - 60 Days		3 266 113	6 511 155
61 - 90 Days		2 359 944	5 152 781
91 - 120 Days		1 806 130	3 856 724
Greater than 120 days		97 710 755	102 484 970
<b>Total</b>		<b>110 859 956</b>	<b>124 049 691</b>

Statutory Receivables from non-exchange transactions pledged as security

No statutory receivables were pledged as security

**Property rates past due but not impaired**

Property rates which are less than 3 months past due are not considered to be impaired. At 30 June 2023 R6 995 841 (2022 R12 507 325) were past due but not impaired.

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

1 month past due	3 263 769	5 582 440
2 months past due	1 977 519	4 091 243
3 months past due	1 754 603	2 833 642

**Property rates impaired**

As of 30 June 2023, property rates of R81 255 387 (2022 R 73 139 137) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 4 months	1 588 582	5 126 090
Over 4 months	79 666 805	68 013 047

The fair value of property rates approximates their carrying amounts.

**Summary of Debtors by Customer Classification**

	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
<b>as at 30 June 2023</b>			
Current (0 – 30 days)			
31 - 60 Days	5 403 695	6 541 733	2 824 038
61 - 90 Days	3 485 453	2 391 817	1 092 582
91 - 120 Days	2 303 074	1 528 643	1 250 556
121+ Days	2 057 831	1 049 069	553 984
Sub-total	132 649 583	19 926 760	9 694 811
<b>Total debtors by customer classification</b>	<b>145 899 637</b>	<b>31 438 022</b>	<b>15 415 971</b>
			<b>192 753 630</b>
<b>as at 30 June 2022</b>			
Current (0 – 30 days)			
31 - 60 Days	5 940 937	7 314 459	2 592 563
61 - 90 Days	6 039 605	7 889 362	1 835 445
91 - 120 Days	4 530 569	6 329 311	1 656 930
121 + Days	3 863 291	2 480 102	1 202 934
Sub-total	113 744 675	17 234 130	20 406 431
<b>Total debtors</b>	<b>134 119 078</b>	<b>41 247 365</b>	<b>27 694 303</b>
<b>Total debtors by customer classification</b>			<b>203 060 745</b>
			<b>203 060 745</b>

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
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	Note	2023	2022
		R	R
<b><u>Reconciliation of the doubtful debt provision</u></b>			
<b><u>Reconciliation of the Bad Debt Provision</u></b>			
Balance at beginning of the year		110 527 344	134 729 840
Receivables from exchange		33 794 742	42 431 655
Non-current receivables		2 348 638	2 223 526
Receivables from non-exchange		74 383 964	90 074 659
Contribution to provision		54 690 356	( 24 202 496)
Receivables from exchange		25 330 061	( 8 636 913)
Non-current receivables		148 972	125 112
Receivables from non-exchange		29 211 322	( 15 690 695)
Receivables from exchange		59 124 804	33 794 742
Non-current receivables		2 497 610	2 348 638
Receivables from non-exchange		103 595 286	74 383 964
Balance at end of year		<b>165 217 700</b>	<b>110 527 344</b>
Bad debts written off		-	-



ENDUMENI LOCAL MUNICIPALITY  
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Figures in rands

7 Property, plant and equipment	2023			2022		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	68 510 244	-	68 510 244	68 510 244	-	68 510 244
Community Asset (Buildings)	108 642 804	(37 743 169)	70 899 635	108 465 564	(33 560 042)	74 905 521
Electricity	58 329 849	(24 486 428)	33 843 421	47 748 131	(22 516 204)	25 231 926
Road	207 086 433	(84 088 110)	122 998 322	192 654 125	(78 139 378)	114 514 747
Solid waste	6 548 507	(5 605 116)	943 391	6 548 507	(5 360 787)	1 187 720
Cemeteries	3 972 078	(2 034 713)	1 937 366	3 972 078	(1 789 001)	2 183 078
WIP Buildings	25 736	-	25 736	25 736	-	25 736
WIP Electricity	0	-	-	8 991 092	-	8 991 092
WIP Roads	6 789 882	-	6 789 882	17 492 548	-	17 492 548
WIP Cemeteries	10 410 042	-	10 410 042	-	-	-
Furniture and equipment	5 433 287	(4 314 638)	1 118 649	5 276 787	(3 942 775)	1 334 012
Computer equipment	7 268 034	(5 402 335)	1 865 699	7 137 225	(4 815 117)	2 322 108
Machinery and equipment	25 997 090	(14 032 364)	11 964 726	25 904 245	(12 409 036)	13 495 209
Transport Assets	16 983 415	(11 461 905)	5 521 510	16 983 415	(10 522 901)	6 460 515
Lease Assets	9 300	(9 194)	106	9 300	(9 141)	159
Housing letting schemes	307 630	(214 573)	93 057	307 630	(214 573)	93 057
	526 314 330	(189 392 545)	336 921 785	510 026 626	(173 278 955)	336 747 671

**Expenditure incurred to repair and maintain Property, plant and equipment**

Repairs and maintenances to the value of R 7 391 804 (R5 421 178 - 2022) was incurred to repair and maintain property plant and equipment.

Property, plant and equipment that is taking a significantly longer period of time to complete than expected

Infrastructure Assets	
Roads	6 789 881.51
Construction of Asphalt Road (Manikana) in Sithembile	

The Upgrading of gravel roads/ asphalt road in Sithembile (Manikana) was delayed as the contract was terminated. The project was re-advertised due to non performance of the contractor, the new contractor was appointed and is within the contract period.

Reconciliation of property, plant and equipment - 2023

	Opening Balance	Additions	Donated Assets	Transfers	Disposals	Depreciation	Impairment (loss)	Total
Land	68 510 244	-	-	-	-	-	-	68 510 244
Community Asset (Buildings)	74 763 841	-	-	177 240	-	(3 602 373)	( 580 753)	70 757 955
Electricity	25 231 926	225 069	-	10 356 650	-	(1 619 484)	( 350 740)	33 843 421
Road	114 514 747	-	-	14 615 000	( 44 904)	(6 054 987)	( 31 535)	122 998 322
Solid waste	1 187 720	-	-	-	-	( 244 329)	-	943 391
Cemeteries	2 183 078	-	-	-	-	( 245 712)	-	1 937 366
WIP Buildings	167 416	-	-	-	-	-	-	167 416
WIP Electricity	8 991 083	1 542 808	-	(10 533 890)	-	-	-	0
WIP Roads	17 492 548	3 912 334	-	(14 615 000)	-	-	-	6 789 882
WIP Land Fill Site	-	-	-	-	-	-	-	-
WIP Cemeteries	-	10 410 042	-	-	-	-	-	-
Furniture and equipment	1 334 012	156 500	-	-	-	( 371 863)	-	10 410 042
Computer equipment	2 322 108	140 709	-	-	( 6 947)	( 590 172)	-	1 118 649
Machinery and equipment	13 495 209	92 845	-	-	-	(1 576 983)	( 46 345)	1 865 699
Transport Assets	6 460 515	-	-	-	-	( 939 004)	-	11 964 726
Lease Assets	159	-	-	-	-	( 53)	-	5 521 510
Housing letting schemes	93 057	-	-	-	-	-	-	106
	336 747 662	16 480 306	0	0	( 51 851)	(15 244 960)	(1 009 372)	336 921 785

Reconciliation of property, plant and equipment - 2022

	Opening Balance	Additions	Donations	Disposals	Transfers	Depreciation	Impairment (loss)	Total
Land	68 510 244	-	-	-	-	-	-	68 510 244
Community Asset (Buildings)	69 883 378	163 511	-	-	8 426 888	(3 474 287)	( 235 639)	74 763 841
Electricity	25 918 704	658 250	-	-	-	(1 322 749)	( 22 279)	25 231 926
Road	120 212 527	-	-	-	118 725	(5 816 471)	( 34)	114 514 747
Solid waste	1 471 887	-	-	-	-	( 284 167)	-	1 187 720
Cemeteries	2 430 186	-	-	-	(8 891 271)	( 247 108)	-	2 183 078
WIP Buildings	7 863 624	1 195 063	-	-	-	-	-	167 416
WIP Electricity	384 032	8 607 050	-	-	-	-	-	8 991 083
WIP Roads	5 242 149	12 250 398	-	-	-	-	-	17 492 548
WIP Land Fill Site	-	-	-	-	-	-	-	-
WIP Cemeteries	-	-	-	-	-	-	-	-
Furniture and equipment	1 359 722	184 707	-	-	-	-	-	-
Computer equipment	1 795 703	885 444	209 195	159 665	159 665	( 370 082)	-	1 334 012
Machinery and equipment	14 532 175	593 205	-	( 10 004)	-	( 556 822)	( 1 407)	2 322 108
Transport Assets	7 459 363	87 458	-	( 195 708)	185 993	(1 620 457)	-	13 495 209
Lease Assets	239	-	-	-	-	(1 086 306)	-	6 460 515
Housing letting schemes	115 268	-	-	-	-	( 80)	-	159
	327 179 201	24 625 086	209 195	( 205 711)	( 0)	(14 778 538)	( 22 211)	336 747 662

Details of property, plant and equipment are included in a register which is available for inspection at the municipal offices. Refer to Note 36 for prior period errors

ENDUMENI LOCAL MUNICIPALITY  
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8 INTANGIBLE ASSETS

	2023		2022	
	Cost	Accumulated amortisation and impairment	Cost	Accumulated amortisation and impairment
Computer software and other	4 306 648	(2 966 808)	4 306 648	(2 386 556)
	<u>4 306 648</u>	<u>(2 966 808)</u>	<u>4 306 648</u>	<u>(2 386 556)</u>
		Carrying value		Carrying value
		1 339 841		1 920 093
		<u>1 339 841</u>		<u>1 920 093</u>

Reconciliation of intangible assets - 2023

	Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment(loss)/reversal	Total
Computer software and other	1 920 093	-	-	-	(580 252)	-	1 339 841
	<u>1 920 093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(580 252)</u>	<u>-</u>	<u>1 339 841</u>

Reconciliation of intangible assets - 2022

	Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment(loss)/reversal	Total
Computer software and other	2 597 817	0	-	-	(677 724)	-	1 920 093
	<u>2 597 817</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>(677 724)</u>	<u>-</u>	<u>1 920 093</u>

ENDUMENI LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023

9 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

	2023		2022	
	Cost	Fair Value Adjustments Carrying value	Fair Value Adjustments	Carrying value
Investment properties	118 480 000	5 981 000	124 461 000	118 480 000
	<u>118 480 000</u>	<u>5 981 000</u>	<u>124 461 000</u>	<u>118 480 000</u>

Reconciliation of investment properties assets - 2023

	Opening Balance	Donated assets	Fair value adjustment	Disposals	Total
Investment properties	118 480 000	-	5 981 000	-	124 461 000
	<u>118 480 000</u>	<u>-</u>	<u>5 981 000</u>	<u>-</u>	<u>124 461 000</u>

Reconciliation of investment properties assets - 2022

	Opening Balance	Donated assets	Fair value adjustment	Disposals	Total
Investment properties	112 032 000	0	6 448 000	-	118 480 000
	<u>112 032 000</u>	<u>0</u>	<u>6 448 000</u>	<u>-</u>	<u>118 480 000</u>

Valuations were performed by an independent valuer, Mr Faiaz Shaik, Professional Valuer, Registration number 6498, of Terra Analytics. The valuer is not connected to the municipality and have recent experience in the location and category of the investment property being valued. The valuation was based on open market value.

Rental income from these properties amount to  
No amounts were expensed towards repairs and maintenance.

Details of investment properties are included in a register which is available for inspection at the municipal offices

1 106 678      3 867 981

**Endumeni Local Municipality**  
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	2023	2022
	R	RESTATED R
<b>10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade creditors	143 645 737	86 884 577
Payments received in advance	9 760 274	30 086 676
Retentions	6 025 952	3 221 305
Staff leave accrual	14 759 689	14 144 271
Deposits - other	99 833	148 769
Other creditors	3 649 088	3 373 707
<b>Total</b>	<b>177 940 573</b>	<b>137 859 305</b>
The fair value of trade and other payables approximates their carrying amounts.		
<b>11 CONSUMER DEPOSITS</b>		
Consumer deposits: electricity	5 727 075	5 517 891
Guarantees held in lieu of electricity deposits	153 210	153 210
<b>12 VAT PAYABLE/ (VAT RECEIVABLE)</b>		
VAT	266 997	5 660 103
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
<b>13 PROVISIONS</b>		
<b>Provision for Long-Service Awards</b>		
Opening Balance		
Contribution to provision	6 604 159	6 044 977
Expenditure incurred	1 136 453	1 297 646
	( 1 215 776)	( 738 464)
<b>Balance at the end of year</b>	<b>6 524 836</b>	<b>6 604 159</b>
Current Provision	808 441	889 588
Non Current Provision	5 716 395	5 714 571
	<b>6 524 836</b>	<b>6 604 159</b>
The long-service award is payable after every 5 years of completed service and thereafter after 5 year intervals of continuous service.		
<b>Provision for Rehabilitation of Landfill Sites</b>		
Opening Balance		
Change in obligation (Site life, discount rate and assumptions)	9 573 390	11 164 927
Interest cost	308 397	( 2 373 082)
	340 813	781 545
<b>Balance at the end of year</b>	<b>10 222 599</b>	<b>9 573 390</b>
Current Provision	1 198 395	1 057 860
Non Current Provision	9 024 204	8 515 530
	<b>10 222 599</b>	<b>9 573 390</b>

Additions relate to the inclusion of Phase 2 costs  
The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 11.723%, over an average period of 15.85 years.

The provision created for the rehabilitation of the landfill site is based on Anderson Vogt Consulting Engineers assessment of the rehabilitation costs of the Glencoe dumpsite. A study will be done to determine the cost estimate in the near future

The provision is calculated in line with the consulting engineers assessment as determined by discounting the present value of the estimate. The estimate excludes VAT. Council intends to commence spending against the provision in 15.85 years.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2023	2022
	R	RESTATED R
<b>CURRENT PROVISIONS</b>		
Current portion of long-service provision	808 441	889 588
Current portion of Rehabilitation of Landfill site provision	1 198 395	1 057 860
<b>Total Current Provisions</b>	<b>2 006 836</b>	<b>1 947 448</b>
<b>NON-CURRENT PROVISIONS</b>		
Provision for rehabilitation of landfill sites	9 024 204	8 515 530
Provision for long-service awards	5 716 395	5 714 571
<b>Total Non-Current Provisions</b>	<b>14 740 599</b>	<b>14 230 101</b>
<b>14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>Conditional Grants from other spheres of Government</b>		
SETA Grant	454 211	332 748
Expanded Public Works Program	-	24 921
Sibongile Dundee Cyber Cadet Grant	83 460	-
Municipal Infrastructure Grant	51 326	-
Upgrade Sibongile Hostel	593 026	561 951
Ext 18 Housing Project	206 365	206 365
Upgrade Sithembile Hostel	483 098	457 478
Pound Grant	132 259	132 259
Integrated National Electrification Programme grant	46 208	753 294
Steenkoolspruit Trans. Project	-	353 854
Massification Programme Grant	2 782 349	2 821 647
Building Plan Man. System	500	70 000
Greenest Municipality Competition	653	30 344
<b>Total Unspent Conditional Grants and Receipts</b>	<b>4 833 454</b>	<b>5 744 861</b>
<b>15 CONSTRUCTION CONTRACTS</b>		
<b>Projects in Eskom licensed area (INEP)</b>		
<p>The municipality entered into an arrangement with Eskom to electrify the Nyanyeni and the Craydon farm electrification projects. The municipality manages the construction of electrical infrastructure projects in areas not covered by Endumeni's licence. The municipality received the INEP allocation, accepts invoices for work done from service providers and manages the payment process on behalf of Eskom and hands over the infrastructure upon completion. Monies received are accounted for in accordance with GRAP 11 Construction contracts.</p>		
Construction Revenue received or receivable	( 11 676 629)	( 4 004 451)
Construction Expenditure paid or incurred	11 676 629	4 004 451
Construction contract liability	3 919 893	316 205
<b>16 HOUSING DEVELOPMENT FUND RESERVE</b>		
Housing Operating Account	5 075 421	4 894 320
	<b>5 075 421</b>	<b>4 894 320</b>
The housing development fund is represented by the following assets & liabilities:		
Fixed assets		
Debtors	93 057	93 057
Cash at bank	4 390 685	4 241 713
	591 679	559 550
<b>Total Housing Operating Account Assets and Liabilities</b>	<b>5 075 421</b>	<b>4 894 320</b>

**Endumeni Local Municipality**  
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17 OTHER RESERVES	2023 R	2022 RESTATED R
Insurance Reserve	2 155 797	2 183 727
The insurance reserve has been ring fenced within accumulated surplus		
Opening balance	2 183 727	2 233 535
Expenditure	( 18 037)	( 30 239)
Transfers to accumulated surplus	( 9 893)	( 19 570)
Closing balance	<u>2 155 797</u>	<u>2 183 727</u>

**18 PROPERTY RATES**

Actual

Agriculture properties	5 357 660	5 702 318
Business and Commercial properties	28 155 376	29 036 972
Industrial properties	11 071 310	10 440 513
Mining properties	423 823	610 853
Public service infrastructure	295 591	233 868
Public service purposes	15 828 822	15 687 110
Residential Properties	64 617 556	65 578 739
Vacant Property	3 807 598	4 872 693
Revenue foregone	( 34 270 036)	( 37 727 559)
<b>Total</b>	<u>95 287 699</u>	<u>94 435 506</u>

Valuations

Agriculture properties	1 297 486 000	1 227 857 000
Business and Commercial properties	594 165 000	596 183 000
Cemetery (Private)	498 000	498 000
Industrial properties	212 684 000	212 374 000
Mining properties	14 601 000	12 441 000
Municipal properties	305 759 000	303 463 000
Public Benefits Organisation	116 342 000	115 130 000
Public service infrastructure	49 759 000	49 759 000
Public service purposes	266 044 000	273 031 000
Residential Properties	3 522 529 500	3 562 789 500
Worship Residential	85 202 000	58 371 000
Vacant Property	58 541 000	85 202 000
<b>Total Property Valuations</b>	<u>6 523 610 500</u>	<u>6 497 098 500</u>

The last general valuation came into effect on:

01/07/2017                      01/07/2017

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2017.

Interim valuations are processed on a quarterly basis to take into account changes in individual land values due to consolidations and subdivisions.

Assessment rates: Cents in the rand on market valuation as follows:

Agriculture properties	0.4900c/R	0.4700c/R
Business and commercial properties	5.1100c/R	4.9100c/R
Industrial properties	5.1200c/R	4.9200c/R
Mining properties	5.1100c/R	4.9100c/R
Public service properties	5.8100c/R	5.5800c/R
Public service infrastructure	0.4900c/R	0.4700c/R
Residential properties	1.9500c/R	1.8700c/R
Vacant properties	11.6900c/R	11.2400c/R

The first R15 000 of the valuation of residential properties are exempt from the calculation of rates.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022
	R	RESTATED R
<b>Rebates:</b>		
Agricultural property	60%	60%
Smallholdings	10%	10%
Business and commercial properties	12%	12%
Industrial properties	12%	12%
Residential properties	22%	22%
Public service infrastructure	100%	100%
Pensioners (Earning R4500 per month)	25%	25%
Pensioners (Earning R4501 - R5000 per month)	20%	20%
Pensioners (Earning R5001 - R5500 per month)	15%	15%
Pensioners (Earning R5501 - R6500 per month)	10%	10%
<p>Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004 for the 2023 financial year):  On a monthly basis, and the final dates of payment being the last working day of the month from August 2022 to June 2023.</p>		
Interest is levied on outstanding rates per annum at:	12%	12%
<b>19 SERVICE CHARGES</b>		
Sale of electricity		
Refuse removal	120 421 319	133 349 942
Indigent Support - Electricity	27 153 976	26 017 949
Indigent Support - Refuse Removal	( 1 724 861)	( 252 306)
<b>Total Service Charges</b>	<b>( 4 315 732)</b>	<b>( 3 136 896)</b>
	<b>141 534 703</b>	<b>155 978 689</b>
<b>20 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental of facilities and equipment		
Other rentals	1 106 678	3 867 981
<b>Total Rentals</b>	<b>-</b>	<b>-</b>
	<b>1 106 678</b>	<b>3 867 981</b>
<b>21 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank		
Financial assets	2 003 280	811 958
Other	-	-
<b>Total Interest</b>	<b>-</b>	<b>-</b>
	<b>2 003 280</b>	<b>811 958</b>
<b>22 TRANSFERS AND SUBSIDIES</b>		
Equitable Share	60 247 000	53 751 000
Municipal Infrastructure Grant	16 730 674	15 836 000
Financial Management Grant	2 100 000	2 100 000
Library Subsidy	5 152 000	4 424 000
LGSETA Grant	140 167	311 007
Sibongile Dundee Cyber Cadet grant	686 188	634 813
Museum Subsidy	539 000	515 000
Integrated National Electrification Programme Grant	1 070 722	8 388 951
Expanded Public Works Programme	1 577 000	1 564 079
Building Plan Management System	69 500	-
Steenkoolspruit Project	353 854	946 146
Massification Programme Grant	39 298	78 596
Greenest Municipality	29 691	344 656
<b>Total Government Grant and Subsidies</b>	<b>88 735 094</b>	<b>88 894 248</b>
<b>Equitable Share</b>		
Balance unspent at beginning of year	-	-
Current year receipts	60 247 000	53 751 000
Transferred to revenue	( 60 247 000)	( 53 751 000)
Conditions still to be met-transferred to liabilities (see note 14)	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		



**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022
	R	RESTATED R
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	16 782 000	15 836 000
Funds transferred to Revenue Fund	( 16 730 674)	( 15 836 000)
Conditions still to be met-transferred to liabilities (see note 14)	51 326	-
This grant was used for road infrastructure as part of upgrading of informal settlements as well as the building of halls and a Sport facility. No Funds were withheld		
<b>Financial Management Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	2 100 000	2 100 000
	( 2 100 000)	( 2 100 000)
Conditions still to be met-transferred to liabilities (see note 14)	-	-
This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries. No funds were withheld.		
<b>Library subsidy</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	5 152 000	4 424 000
	( 5 152 000)	( 4 424 000)
Conditions still to be met-transferred to liabilities (see note 14)	-	-
This subsidy is in respect of the municipal library services.		
<b>LGSETA grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	332 748	403 414
Conditions met - transferred to revenue	261 630	240 341
	( 140 167)	( 311 007)
Conditions still to be met-transferred to liabilities (see note 14)	454 211	332 748
This grant is in respect of training for municipal staff. No Funds were withheld		
<b>Steenkoolspruit Project</b>		
Balance unspent at beginning of year	353 854	-
Current year receipts	-	1 300 000
Conditions met - transferred to revenue	( 353 854)	( 946 146)
Conditions still to be met-transferred to liabilities (see note 14)	-	353 854
This grant was used for the rehabilitation of steenskoolspruit. No funds were withheld.		
<b>Cyber Cadet grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	769 647	149 088
Conditions met - transferred to revenue	-	485 745
	( 686 188)	( 634 813)
Conditions still to be met-transferred to liabilities (see note 14)	83 460	-
This grant is for the internet at Sibongile, Dundee and Sithembile libraries. No funds were withheld.		
<b>Department of Sports grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	1 506
Expenditure claimed in accordance with grant conditions	-	-
Transferred to sundry revenue	-	-
	-	( 1 506)
Conditions still to be met-transferred to liabilities (see note 14)	-	-
This grant is intended for the building of a sports facility. No funds were withheld.		

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022
	R	RESTATED R
<b>Museum subsidy</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	539 000	515 000
Conditions still to be met-transferred to liabilities (see note 14)	( 539 000)	( 515 000)
This subsidy is to fund museum services. No funds were withheld.		
<hr style="border-top: 1px solid black;"/>		
<b>KZN Housing - Sibongile hostel</b>		
Balance unspent at beginning of year	-	-
Current year receipts	561 951	547 202
Expenditure claimed in accordance with grant conditions	31 075	14 749
Conditions still to be met-transferred to liabilities (see note 14)	-	-
<hr style="border-top: 1px solid black;"/>		
<b>593 026                      561 951</b>		
This grant is for the upgrade of the Sibongile hostel. No funds were withheld.		
<b>KZN Housing - Ext 18 housing project</b>		
Balance unspent at beginning of year	-	-
Current year receipts	206 365	206 365
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 14)	-	-
<hr style="border-top: 1px solid black;"/>		
<b>206 365                      206 365</b>		
This grant is for the upgrade of the Extension 18 housing project. No funds were withheld.		
<b>KZN Housing - Upgrade of Sithembile Hostel</b>		
Balance unspent at beginning of year	-	-
Current year receipts	457 478	445 364
Expenditure claimed in accordance with grant conditions	25 620	12 114
Conditions still to be met-transferred to liabilities (see note 14)	-	-
<hr style="border-top: 1px solid black;"/>		
<b>483 098                      457 478</b>		
This grant is for the upgrade of Sithembile hostel. No funds were withheld.		
<b>Department of Cooperative Governance and Traditional Affairs - Training of Councillor Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	11 102
Expenditure claimed in accordance with grant conditions	-	-
Transferred to sundry revenue	-	-
Conditions still to be met-transferred to liabilities (see note 14)	-	( 11 102)
<hr style="border-top: 1px solid black;"/>		
<b>-    -</b>		
This grant is for the training of Councillors. No funds were withheld.		
<b>Department of Cooperative Governance and Traditional Affairs - Pound Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	132 259	132 259
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 14)	-	-
<hr style="border-top: 1px solid black;"/>		
<b>132 259                      132 259</b>		
This grant is for the establishment of a municipal pound. No funds were withheld.		

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022
	R	RESTATED R
<b>Department of National Energy - Integrated National Electrification Programme</b>		
Balance unspent at beginning of year	1 116 930	-
Current year receipts	231 000	9 505 881
Expenditure claimed in accordance with grant conditions	( 1 070 722)	( 8 388 951)
Funds transferred back to Revenue Fund	( 231 000)	-
Conditions still to be met-transferred to liabilities (see note 14)	46 208	1 116 930
This grant is for the Integrated National Electrification Programme increasing access to electricity specially in rural areas. See note 14 for INEP funds received by the municipality in which the Endumeni Municipality is an Agent in an agent principal arrangement. This is the final year of application of GRAP 109 in accounting for INEP grants.		
<b>Dept of Public Works - Expanded Public Works Programme</b>		
Balance unspent at beginning of year	24 921	-
Current year receipts	1 577 000	1 589 000
Conditions met - transferred to revenue	( 1 577 000)	( 1 564 079)
Funds transferred back to Revenue Fund	( 24 921)	-
Conditions still to be met-transferred to liabilities (see note 14)	-	24 921
This grant is for Local Economic Development. No funds were withheld.		
<b>Rural Horse Riding Grant</b>		
Balance unspent at beginning of year	-	20 494
Current year receipts	-	455
Conditions met - transferred to revenue	-	-
Transferred to sundry revenue	-	( 20 949)
Conditions still to be met-transferred to liabilities (see note 14)	-	-0
This grant was for the upgrade of infrastructure at the racetrack. No funds were withheld.		
<b>Building Plan Man. System</b>		
Balance unspent at beginning of year	70 000	70 000
Current year receipts	-	-
Conditions met - transferred to revenue	( 69 500)	-
Conditions still to be met-transferred to liabilities (see note 14)	500	70 000
To help rollout a pilot building plans Information Management System at Endumeni Municipality. No funds were withheld.		
<b>Massification Programme Grant</b>		
Balance unspent at beginning of year	2 821 647	1 300 244
Current year receipts	-	1 600 000
Conditions met - transferred to revenue	( 39 298)	( 78 596)
Conditions still to be met-transferred to liabilities (see note 14)	2 782 349	2 821 647
This grant is for the purchase of Yellow Plant and to supplement the Municipal Electrification Programme.		
<b>Greenest Municipality Grant</b>		
Balance unspent at beginning of year	30 344	375 000
Current year receipts	-	-
Conditions met - transferred to revenue	( 29 691)	( 344 656)
Funds transferred back to Revenue Fund	-	-
Conditions still to be met-transferred to liabilities (see note 14)	653	30 344
This grant is to assist in enhancing the performance of the municipality		

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022
	R	RESTATE R
<b>23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Other Income		
Burial fees		
Discount received	250 141	192 877
Other operational income	-	-
<b>Total Other Income</b>	<b>980 144</b>	<b>207 768</b>
	<b>1 230 285</b>	<b>400 645</b>
Public contributions and donations		
Public contributions - Conditional	-	-
Public contributions - Unconditional	-	-
Donations	-	-
<b>Total public contributions and donations</b>	<b>-</b>	<b>209 195</b>
	<b>-</b>	<b>209 195</b>
<b>24 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages		
Acting allowance	88 093 504	84 543 659
Performance and other bonuses	962 093	545 367
Casual labour	7 128 473	6 645 299
Contribution to leave reserve	2 120 790	2 508 578
Group Life	2 608 349	3 184 664
Leave	293 695	254 587
Medical Aid	334 500	230 521
Housing allowances	7 610 650	6 531 620
Overtime payments	507 926	721 242
Pension	2 699 774	3 219 154
SALGA Shop fee	15 031 070	15 149 012
Standby Allowance	47 671	290 705
Sundry Allowance	3 200 508	3 044 111
Transport allowance	687 498	1 686 694
UIF	5 982 397	5 774 838
Cellphone Allowance	725 700	739 884
Scarcity allowance	333 005	356 445
	230 855	252 000
<b>Total</b>	<b>138 598 459</b>	<b>135 678 381</b>
Remuneration of the Municipal Manager		
Annual Remuneration		
Leave conversion	353 490	1 324 577
Acting Allowance	-	75 219
Travel or motor vehicle allowance	485 963	52 210
Performance- and other bonuses	96 013	66 000
Cellphone allowance	-	-
Contributions to UIF, Medical and Pension Funds	11 000	24 200
<b>Total</b>	<b>49 809</b>	<b>2 062</b>
	<b>996 276</b>	<b>1 544 267</b>
<p>The Municipal Manager position was filled in February 2023. The above remuneration includes an acting allowance for the manager acting in the position of Municipal Manager during the period that the position was vacant.</p>		
Remuneration of the Chief Finance Officer		
Annual Remuneration		
Sundry Allowance	436 384	660 000
Leave conversion	20 340	-
Acting Allowance	34 716	-
Performance- and other bonuses	42 301	-
Housing allowance	-	-
Cell phone allowance	52 792	82 001
Travel or motor vehicle allowance	9 600	14 400
Contributions to SALGA, UIF, Medical and Pension Funds	106 008	120 000
<b>Total</b>	<b>120 759</b>	<b>178 326</b>
	<b>822 899</b>	<b>1 054 727</b>
<p>The Chief Financial Officer position was vacant from March 2023. The above remuneration includes an acting allowance for the manager acting in the position of CFO during the period that the position was vacant.</p>		

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022
	R	RESTATED R
<b>Remuneration of the Executive Manager Technical Services</b>		
Annual Remuneration		
Sundry Allowance	544 360	816 540
Leave conversion	20 340	
Acting Allowance	23 144	-
Performance- and other bonuses	34 286	-
Housing Allowances	-	-
Cell phone allowance	48 766	73 370
Travel or motor vehicle allowance	9 600	14 400
Contributions to UIF, Medical and Pension Funds	86 170	92 054
<b>Total</b>	<u>40 263</u>	<u>58 363</u>
	<b>806 929</b>	<b>1 054 727</b>

The Executive Manager Technical Services position was vacant from March 2023. The above remuneration includes an acting allowance for the manager acting in the position of Technical Services during the period that the position was vacant.

<b>Remuneration of the Executive Manager Corporate Services</b>		
Annual Remuneration		
Sundry Allowance	768 000	768 000
Acting Allowance	20 340	
Performance- and other bonuses	36 067	-
Housing allowance	-	-
Cell phone allowance	-	-
Travel or motor vehicle allowance	14 400	14 400
Contributions to UIF, Medical and Pension Funds	163 042	131 838
<b>Total</b>	<u>140 495</u>	<u>140 489</u>
	<b>1 142 344</b>	<b>1 054 727</b>

The position of the Executive Manager Corporate Services was filled in November 2019.

<b>Remuneration of the Executive Manager Planning and Development</b>		
Annual Remuneration		
Sundry Allowance	720 000	720 000
Leave conversion	20 340	
Acting Allowance	-	-
Performance- and other bonuses	23 599	-
Housing allowance	-	-
Cell phone allowance	28 992	30 132
Travel or motor vehicle allowance	14 400	14 400
Contributions to UIF, Medical and Pension Funds	137 378	108 000
<b>Total</b>	<u>185 167</u>	<u>182 195</u>
	<b>1 129 876</b>	<b>1 054 727</b>

The position of the Executive Manager Planning and Development was filled in September 2019.

<b>Remuneration of the Executive Manager Community Services</b>		
Annual Remuneration		
Sundry Allowance	660 000	660 000
Cell phone allowance	20 340	
Travel or motor vehicle allowance	14 400	14 400
Contributions to UIF, Medical and Pension Funds	140 226	113 398
<b>Total</b>	<u>121 055</u>	<u>121 049</u>
	<b>956 021</b>	<b>988 847</b>

The position of the Executive Manager Community Services is a new position and was filled in March 2021

## 25 REMUNERATION OF COUNCILLORS

Mayor		
Deputy Mayor	521 048	513 098
Speaker	-	150 981
Executive Committee Member	424 998	420 532
Councillors	801 986	662 417
Councillors' travel allowances	2 338 584	2 206 609
Cell phone allowance	190 474	181 982
<b>Total Councillors' Remuneration</b>	<u>367 200</u>	<u>348 644</u>
	<b>4 644 290</b>	<b>4 484 263</b>

### In-kind Benefits

The Executive Mayor and Speaker are part-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties. The Mayor has a driver and bodyguards and 24 hour security. The Speaker has a driver and bodyguards and 24 hour security.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022
	R	RESTATED R
<b>26 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	15 244 960	14 778 538
Intangible assets	580 252	677 724
<b>Total Depreciation and Amortisation</b>	<b>15 825 212</b>	<b>15 456 262</b>
<b>27 BULK PURCHASES</b>		
Electricity	136 334 811	145 803 039
<b>Total Bulk Purchases</b>	<b>136 334 811</b>	<b>145 803 039</b>
<b>28 CONTRACTED SERVICES</b>		
<b>Outsourced Services</b>		
Meter auditing	-	-
Prepaid Vending	-	-
Other Contracted services	1 413 707	1 772 791
<b>Contractors</b>	<b>799 362</b>	<b>653 647</b>
Maintenance of Buildings and Facilities	-	-
<b>Consultants and Professional Services</b>	<b>10 338 717</b>	<b>5 421 178</b>
Legal Expenses	-	-
Audit Committee	2 562 906	1 063 136
Audit Fees & Internal Audit Fees	207 562	98 273
	4 039 050	3 690 852
<b>29 OPERATIONAL COSTS</b>	<b>19 361 305</b>	<b>12 699 877</b>
Included in operational costs are the following:-		
Advertising	154 879	139 891
Amendments To Acts & Ord.	-	4 090
Bank Charges	-	-
H I V Aids	750 958	697 509
Insurance	115 524	85 308
Interest	2 014 929	1 083 864
Lease Payments	11 968 688	1 715 436
Materials	789 352	750 170
Membership Fees Salga	608 424	1 582 950
Meter Reading Fees	1 399 640	1 299 125
National Cleanest Town Compet	-	5 499
New Connections	81 738	91 924
Postages	145 854	114 143
Printing & Stationery	571 816	272 796
Prodiba - License card Payments	738 139	862 775
Marketing/ Civic presentation	369 878	331 642
Rural Horse Riding Event	634 440	433 108
Security	360 350	273 345
Service Of Process	14 676 616	13 469 637
Sport, Youth, Arts And Culture	69 362	-
Staff Training and Levy	691 036	798 386
Subsistence & Travelling	163 084	94 347
Telephone	671 491	495 680
Traffic Control	1 526 755	1 888 022
Transport Cost	9 741	18 586
Valuation Fees	7 122 836	7 851 502
Other General Expenses	1 841 605	1 355 075
Technical Support	8 310 712	6 820 262
Planning and economic development	1 033 842	581 136
Transfers to organisations	671 128	804 951
Transfers and subsidies	-	631 072
Write-off of inventory	3 754 951	3 598 655
	75 914	77 310
<b>30 GAIN / (LOSS) ON WRITE-OFF OF ASSETS</b>	<b>61 323 681</b>	<b>48 228 195</b>
Property, plant and equipment	( 51 851)	( 205 711)
Investment property	-	-
Intangible assets	-	-
<b>Total Gain / (Loss) on Write-off of Assets</b>	<b>( 51 851)</b>	<b>( 205 711)</b>

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022 RESTATED
	R	R
<b>31 (IMPAIRMENT LOSS) / REVERSAL OF IMPAIRMENT LOSS</b>		
Property, plant and equipment	( 1 009 372)	( 281 571)
Intangible assets	-	-
Consumable Stores Impairment Loss	( 114 033)	( 10 444)
<b>Total Impairment loss / (Reversal of Impairment Loss)</b>	<b>( 1 123 406)</b>	<b>( 292 015)</b>
<p>During the financial period a physical verification of assets was undertaken. Assets identified during the physical verification that is deemed to be in a very poor physical condition was tested for possible impairment. As a result, 186 assets were tested for impairment, and additional impairment losses amounting to R 1 009 372 were recognised in respect of 67 of these assets</p>		
<b>32 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT</b>		
Investment property carried at fair value	5 981 000	6 448 000
Other newly identified assets	-	-
<b>Total Profit / (Loss) on Fair Value Adjustment</b>	<b>5 981 000</b>	<b>6 448 000</b>
<b>33 CASH GENERATED BY OPERATIONS</b>		
Surplus/(deficit) for the year	( 99 384 160)	16 934 892
Adjustment for:-		
Depreciation	15 244 960	14 778 538
Amortisation	580 252	677 725
(Gain) / loss on sale of assets	51 851	205 711
Contribution to retirement benefit obligation and Long Service	6 352 650	2 494 568
Contribution paid retirement benefit obligation and Long Service	( 3 998 624)	( 3 329 443)
Contribution to landfill site provision	649 210	( 1 591 537)
Contribution to bad debt provision	54 690 356	( 24 202 496)
Bad Debt written off	-	-
Contribution to leave provision	2 608 349	3 184 664
Less Leave paid	( 1 992 930)	( 993 328)
Straightlining of leases	-	-
Fair value adjustments	( 5 981 000)	( 6 448 000)
Impairment loss / (reversal of impairment loss)	1 009 372	281 571
Impairment loss / (reversal of impairment loss) on inventory	114 033	10 444
Donations	-	( 209 195)
Reserve income	163 064	109 911
Interest earned	( 2 003 280)	( 811 958)
<b>Operating surplus before working capital changes:</b>	<b>( 31 895 897)</b>	<b>1 092 065</b>
(Increase)/decrease in inventories	( 704 382)	( 2 293 414)
(Increase)/decrease in trade receivables	( 2 882 620)	( 19 159 383)
(Increase)/decrease in other receivables	10 910 586	( 30 064 448)
Increase/(decrease) in VAT payable	( 5 393 106)	( 3 289 367)
Increase/(decrease) in conditional grants and receipts	( 911 406)	2 082 844
Increase/(decrease) in trade payables	43 089 538	90 890 553
<b>Cash generated by/(utilised in) operations</b>	<b>12 192 713</b>	<b>39 258 850</b>
<b>34 CASH AND CASH EQUIVALENTS</b>		
<p>Cash and cash equivalents included in the cash flow statement comprise the following:</p>		
Bank balances and cash	11 657 526	10 214 197
Short-term deposits	15 299 036	18 966 466
<b>Net cash and cash equivalents</b>	<b>26 956 562</b>	<b>29 180 662</b>
<b>35 CHANGE IN ACCOUNTING POLICY</b>		
<p>There were no adjustments made to prior years due to change in accounting policy in the current reporting period,</p>		

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022 RESTATED
	R	R
<b>38 PRIOR PERIOD ERROR</b>		
<b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
<u>Correction on leave balances</u>		
The municipality received an audit qualification on leave accrual in the prior year due to the system used unable to provide accurate and complete leave balances. The municipality then embarked on a project to capture review all balances on the Payday system. As a result the leave accrual as at 30 June 2022 was recalculated and needed to be restated. An adjustment was therefore necessary to restate the expenditure in the prior year and a corresponding adjustment was made to leave accruals. The effect of the restatement is presented below.		
Balance previously reported 30 June 2022		137 768 383
Increase in leave accrual		90 922
Net effect on Statement of Financial Position		137 859 305
<b>CONSTRUCTION CONTRACT PAYABLE</b>		
<u>INEP grants not accounted for in terms of GRAP 11</u>		
During the financial year the municipality incorrectly accounted for an INEP grant for electrification projects at Nyanyeni and Craydon farm under GRAP 109 instead of GRAP 11. These are Eskom areas of supply. The effect of the adjustment is that a deferred Payable/Creditors should have been raised as is presented below.		
Balance previously reported 30 June 2022		-
INEP Construction payable		316 205
Net effect on Statement of Financial Position		316 205
<b>PROPERTY PLANT AND EQUIPMENT</b>		
<u>Purchase of a transformer incorrectly included in assets under construction</u>		
The municipality purchased a mini sub transformer in the prior year. This was incorrectly included with another electrical project and recorded as assets under construction. A adjustment was necessary to correctly record this transformer as electrical assets and a corresponding adjustment to assets under construction. The effect of the restatement is presented below.		
Balance previously reported 30 June 2022		336 791 515
Additional Depreciation as a result of reclassification of the transformer		( 43 853)
Net effect on Statement of Financial Position		336 747 662
<b>INVESTMENT PROPERTY</b>		
<u>Investment property removed from asset register</u>		
During the financial year management revisited assets classified as not yet registered properties and noted that these properties did not fall within the definition of an asset of the municipality. An adjustment was therefore necessary to remove these assets from the asset register. The effect of the restatement is presented below.		
<u>Investment property fair valued</u>		
During the financial year the municipality embarked in a process to fair value the investment property. Management have not previously applied the fair value to its investment property but recognised the properties at valuation roll values. As a result a fair value adjustment was also made in the prior years against accumulated surpluses. The effect of the restatement is presented below.		
Balance previously reported 30 June 2022		117 407 000
Properties removed from register		( 29 765 000)
Recognition of fair value adjustment		6 448 000
Reversal of prior year Fair value adjustment		24 390 000
Net effect on Statement of Financial Position		118 480 000



**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022 RESTATED
	R	R
<b>CASH AND CASH EQUIVALENTS</b>		
<u>Agency fees not recorded</u>		
During the financial year the municipality receipted agency fees that should have been receipted in the financial year ended June 2022. These agency fees were received by the municipality in the previous financial year. As a result the cash book in the prior year was adjusted for the monies received.		
Balance previously reported 30 June 2022		28 330 236
Agency fees from Licensing erroneously not recorded in the cash book		850 427
<b>Net effect on Statement of Financial Position</b>		29 180 662
<b>VAT</b>		
<u>Agency fees not recorded</u>		
During the financial year the municipality receipted agency fees that should have been receipted in the financial year ended June 2022. These agency fees were received by the municipality in the previous financial year. As a result the VAT liability and cash book in the prior year was adjusted for the monies received.		
<u>INEP grants not accounted for in terms of GRAP 11</u>		
During the financial year the municipality incorrectly accounted for an INEP grant for electrification projects at Nyanyeni and Craydon farm under GRAP 109 instead of GRAP 11. These are Eskom areas of supply. The effect of the adjustment on VAT output are as follows:		
Balance previously reported 30 June 2022		5 501 747
INEP grants accounted for as Construction contracts		47 431
Agency fees from Licensing erroneously not recorded		110 925
<b>Net effect on Statement of Financial Position</b>		5 660 103
<b>UNSPENT GRANTS</b>		
<u>INEP grants not accounted for in terms of GRAP 11</u>		
During the financial year the municipality incorrectly accounted for an INEP grant for electrification projects at Nyanyeni and Craydon farm under GRAP 109 instead of GRAP 11. These are Eskom areas of supply. The effect of the adjustment on unspent grants are as follows:		
Balance previously reported 30 June 2022		6 108 497
INEP grants accounted for as Construction contracts		( 363 636)
<b>Net effect on Statement of Financial Position</b>		5 744 861
<b>ACCUMULATED SURPLUS/(DEFICIT)</b>		
The effect of the correction of prior period errors above are as reflected below:		
Balance previously reported 30 June 2022		382 835 437
Investment property removed from register		( 29 765 000)
Adjustment to Fair value prior years		37 790 000
Restated 30 June 2021 balances		390 860 437
Surplus/Deficit for year June 2022 adjustment		( 6 347 273)
Additional Depreciation as a result of reclassification of the transformer		( 43 853)
Construction Revenue on INEP grants		4 004 451
Construction Expenditure on INEP grants		( 4 004 451)
Agency fees on Licenses not recorded		739 502
Decrease in contribution to leave accrual		( 90 922)
Reversal of Fair Value previously recognised on investment property		( 13 400 000)
Fair value adjustment on investment property corrected		6 448 000
<b>Net effect on Statement of Financial Position</b>		384 513 164
<b>37 CHANGE IN ESTIMATE</b>		
There has been no significant changes in accounting estimates in the current reporting period.		

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022 RESTATED
	R	R
<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>38 DISALLOWED</b>		
<b>Unauthorised expenditure</b>		
Opening balance		
Unauthorised expenditure current year (Overspending of approved budget)	20 710 962	41 606 122
- Employee related costs		825 013
- Temporary contracts for wages	-	-
- Debt impairment	1 270 916	-
- Depreciation & asset impairment	43 943 888	-
- Bulk purchases	70 276	1 195 130
- Other expenditure	-	9 304 965
Approved by Council or condoned	10 714 627	-
Transfer to receivables for recovery	-	( 32 220 268)
Unauthorised expenditure awaiting authorisation	-	-
	<b>76 710 469</b>	<b>20 710 962</b>
<b>Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	3 928 280	1 428 829
Fruitless and wasteful expenditure - current year		
Written off by Council	11 432 884	2 705 920
	( 2 716 499)	( 206 469)
	<b>12 644 665</b>	<b>3 928 280</b>
Current Year fruitless and wasteful expenditure		
- Cost Order	7 112	-
- Penalties/Interest	11 425 672	2 702 940
- Traffic Fine	100	-
- Subsistence and Travel	-	2 980
	<b>11 432 884</b>	<b>2 705 920</b>
Expenditure referred to financial Disciplinary Board for Investigation by council	2 720 589	-
Expenditure to be recovered	4 091	-
Fruitless and wasteful expenditure for investigation	9 919 985	3 928 280
	<b>12 644 665</b>	<b>3 928 280</b>
<b>39 Irregular expenditure</b>		
Reconciliation of irregular expenditure		
Opening balance	23 033 448	20 458 577
Irregular expenditure current year		
Written off by Council	21 734 634	2 574 872
	( 11 140 113)	-
	<b>33 627 969</b>	<b>23 033 448</b>
Expenditure referred to Human Resources to institute disciplinary steps by council	2 720 589	-
Fruitless and wasteful expenditure for investigation	30 907 380	-
Irregular expenditure awaiting condonement	33 627 969	23 033 448
	<b>33 627 969</b>	<b>23 033 448</b>
Irregular expenditure is stated inclusive of VAT		
The Municipal Public Accounts Committee (MPAC) has been tasked to investigate the irregular expenditure and investigations are still in progress.		
Awards made to suppliers not in compliance with the SCM policy for the procurement of good and services.	15 486 355	1 995 372
Contract not awarded to the bidder who scores the highest points PPPFA (2f)		
Three quotations not obtained from prospective suppliers SCM Regulations 17(1)(a)	-	579 500
Contracts entered into, through the use of regulation 32 did not comply with the principles of circular 96	128 981	-
	6 119 298	-
Other Supply chain management policy deviations (Refer to note 40.8)	<b>21 734 634</b>	<b>2 574 872</b>

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022
	R	RESTATED R
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE</b>		
<b>40 MANAGEMENT ACT</b>		
<b>40.1 Contributions to organised local government</b>		
Opening balance	-	-
Council subscriptions	-	-
Amount paid - current	1 394 107	1 280 657
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<u>( 1 394 107)</u>	<u>( 1 280 657)</u>
<b>40.2 Audit fees</b>		
Opening balance	-	-
Current year audit fee	-	-
Amount paid - current year	4 319 816	4 252 258
Amount paid - previous years	( 4 319 816)	( 4 244 480)
<b>Balance unpaid (included in payables)</b>	<u>-</u>	<u>( 7 778)</u>
<b>40.3 VAT</b>		
Vat received for the year	<u>8 150 580</u>	<u>10 433 913</u>
Vat paid for the year	<u>5 562 137</u>	<u>2 979 603</u>
VAT returns have been submitted by the due date throughout the year.		
<b>40.4 PAYE and UIF</b>		
Opening balance	-	-
Current year payroll deductions	-	-
Amount paid - current year	20 241 747	19 395 632
Amount paid - previous years	( 20 241 747)	( 19 395 632)
<b>Balance unpaid (included in payables)</b>	<u>-</u>	<u>-</u>
<b>40.5 Distribution Losses</b>		
Units lost (kilowatts)	<u>31 297 558</u>	<u>37 550 312</u>
Units lost (sales price per kilowatts - rands)	<u>52 304 959</u>	<u>69 726 614</u>
Units lost due to normal distribution losses sales price per kilowatts - rands	<u>11 563 052</u>	<u>14 626 945</u>
Units lost due to theft sales price per kilowatts - rands	<u>40 741 907</u>	<u>55 099 669</u>
Units lost due to normal distribution losses (percentage)	8%	8%
Units lost due to theft (percentage)	30%	30%
<b>40.6 Pension and Medical Aid Deductions</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	-	-
Amount paid - current year	34 995 548	33 636 213
Amount paid - previous years	( 34 995 548)	( 33 636 213)
<b>Balance unpaid (included in payables)</b>	<u>-</u>	<u>-</u>
<b>40.7 Councillor's arrear consumer accounts</b>		
as at 30 June 2023	<b>Amount outstanding for more than 90 days</b>	
During the year none of the Councillors had arrear accounts outstanding for more than 90 days.	-	
as at 30 June 2022		
Councillor: Kheswa S	14	
<b>Total Councillor Arrear Consumer Accounts</b>	-	

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022
	R	RESTATED R
<b>40.8 Deviations of Supply Chain Management Policy</b>		
<b>Maintenance - PHD Powerhouse Distributers</b>	73 370	
The procurement for the maintenance of the UPS and replacement of batteries did not follow the usual procurement process. PHD Powerhouse Distributers is the sole service provider that services the UPS and replaces the batteries. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Training - Torgue Technical Computer Training</b>	33 235	
The procurement for the training in the governance of enterprise IT did not follow the usual procurement process. The service provider is the accredited South African ICASA partner to provide certification training in South Africa. The deviation were duly authorised by the accounting officer and was reported to council.		
<b>Payday Training - Payday Software Systems</b>	25 592	
<b>Payday Seminar - Payday Software Systems</b>	51 665	
The procurement for the payday training and payday legislative seminar did not follow the usual procurement process. Training was required on Efilling updates and SARS submissions and Payday is the sole provider of training on updates on their system. The deviation were duly authorised by the accounting officer and was reported to council.		
<b>Accommodation - TM Guest Lodge</b>	50 000	
The procurement for accomodation for the traffic officer to attend a refresher course training did not follow the usual procurement process. The acceptance letter was only received on the 13th September for attendance on the 26th September. It was impractical to follow the normal procurement process as accomodation needed to be urgently arranged close to the training venue. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Purchase of Transformer - Voltex Newcastle</b>	106 772	
The purchase of a transformer did not follow the usual procurement process. It was impractical to follow the procurement process as a transformer was urgently required to restore power to the community of Sithembile and ensure service delivery. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Crane Truck Hire - Farmtrac Dundee</b>	2 214	
The procurement of the crane truck hire did not follow the usual procurement process. A crane truck was urgently required to lift electrical poles and the MV line which was down following a storm posing a hazard and danger to the community. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Calibration of vehicle test equipment - Neffcon Roadtech Test</b>	15 336	
The procurement for the calibration of the testing station brake machine, scuff gauge and other test equipment did not follow the usual procurement process. The service provider is the sole supplier for this type of equipment and the only company that can perform this calibration. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Thumper Hire - Capital Power Projects</b>	35 650	
The hire of the Thumper did not follow the usual procurement process. The thumper was urgently required to detect electrical faults and restore electrical services. The appointed service provider could not identify the fault and the service provider was the sole provider able to locate the fault. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Inverter - Khudumife Trading</b>	258 829	
The procurement for the inverter did not follow the usual procurement process. An inverter was urgently required to provide power during load shedding to enable the municipality to service the community during the constant power outages. Delays in procurement also affected the municipalities ability to receipt cash affecting the municipal cash flow. The deviation was duly authorised by the Accounting Officer and was reported to Council.		

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

**Presiding Officer - Fufi Trading**

2023	2022
R	RESTATED R
184 398	

The appointment of a presiding officer did not follow usual procurement process. The previous presiding officer withdrew from the case and a new chairperson or consultant to render the service had to be appointed immediately. Due to the confidentiality and sensitivity of the matter the procurement did not follow the normal procurement process. The deviation was duly authorised by the Accounting Officer and was reported to Council.

837 060

**41 GOING CONCERN**

We draw attention to the fact that as at 30 June 2023, the municipality had net assets of R 290 186 389 and that the municipality's current liabilities exceeded its current assets by R 105 442 198. The municipality also incurred a financial deficit of R 99 384 159 for the period ending 30 June 2023.

The annual financial statements have been prepared based on 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 not occur in the ordinary course of business. The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

**42 CAPITAL COMMITMENTS**

**42 Commitments Approved and Contracted for**

Capital commitments

	18 149 984	4 090 662
	18 149 984	4 090 662
	<u>18 149 984</u>	<u>4 090 662</u>

Total

This expenditure will be financed from government grants and internal funding.

- Grant Funded
- Council funded
- External Loans

	18 149 984	2 224 316
	<u>18 149 984</u>	<u>4 090 662</u>

**43 EMPLOYEE BENEFITS**

**43 Defined Benefit Plans**

*Post-employment Medical Benefits*

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Hosmed, Keyhealth, LA Health and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement.

The independent valuers, One Pangaea, carried out a statutory valuation as at 30 June 2023.

**Statement of Financial Position**

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:

Balance at beginning of the year	53 394 839	54 788 896
Current service cost	2 893 744	2 696 604
Interest cost	6 355 845	5 702 288
Benefit payments	( 2 782 849)	( 2 590 979)
Actuarial (gains)/losses	( 4 033 392)	( 7 201 971)
<b>Balance at the end of year</b>	<u>55 828 187</u>	<u>53 394 838</u>
Current Provision	3 474 748	3 629 078
Non Current Provision	52 353 439	49 765 760
	<u>55 828 187</u>	<u>53 394 838</u>

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022
	R	RESTATED R
<b>Statement of Financial Performance</b>		
Current service cost		
Interest cost	2 893 744	2 696 604
Actuarial (gains)/losses	6 355 845	5 702 289
	( 4 033 392)	( 7 201 971)
<b>Total</b>	<b>5 216 197</b>	<b>1 196 922</b>
<b>Net expense in Statement of Financial Performance</b>		
Total Contribution to post employment medical	5 216 197	1 196 922
Total Contribution to long service (see note 13)	1 136 453	1 297 646
	<b>6 352 650</b>	<b>2 494 568</b>

**Principal actuarial assumptions:**

Discount rate	12.84%	12.32%
How was the discount rate determined	Market yields on government bonds	
Increase in health care cost	8.44%	8.84%
Active members expected to continue after retirement	100%	100%
Average retirement age	63	63
<b>Mortality pre-retirement</b>		
Pre-retirement mortality at 30 June 2023	SA 85-90	SA 85-90
<b>Mortality post-retirement</b>		
(Allow for 1% per annum mortality improvement factor from 2010)	PA (90)	PA (90)

The value of the liabilities is particularly sensitive to healthcare cost inflation. The sensitivity of the valuation result to a 1% increase and 1% decrease in the long term discount rate assumption is set out below:

Healthcare cost inflation sensitivity	1% decrease	30 June 2023 valuation basis	1% increase
Defined benefit obligation			
Service cost	49 995 247	55 828 197	62 751 651
Interest cost	2 141 015	2 536 973	3 028 767
	6 197 352	6 945 260	7 833 197

#### 44 CONTINGENT ASSETS

**Endumeni Municipality vs SR Mbatha&Others END/014/19**

Letter of demand has been sent to recover irregular expenditure for close protection travel, no response has been forthcoming. Summons have been issued in the magistrate court - dundee and attempted service of the summons in more than three addresses and the defendant does not reside in those addresses. Attorneys have been instructed to apply to court for substituted service, application papers have been prepared and the supporting affidavit has been sent for signature.

**Endumeni Municipality vs SR Mbatha END/015/19**

Summons have been issued in the magistrate court - dundee and attempted service of the summons in more than three addresses and the defendant does not reside in those addresses. Attorneys have been instructed to apply to court for substituted service, application papers have been prepared and the supporting affidavit has been sent for signature.

**Endumeni Municipality vs Mr SR Mbatha END/015/19C**

R75 000 that was unlawfully paid to Umzinyathi News. Summons have been issued in the magistrate court - dundee and attempted service of the summons in more than three addresses and the defendant does not reside in those addresses. Attorneys have been instructed to apply to court for substituted service, application papers have been prepared and the supporting affidavit has been sent for signature.

**Endumeni Municipality vs SR Mbatha END/016/19**

Letter of demand sent to recover an amount of R50 000 which was unlawfully paid/donated to the church. Summons have been issued in the magistrate court - dundee and attempted service of the summons in more than three addresses and the defendant does not reside in those addresses. Attorneys have been instructed to apply to court for substituted service, application papers have been prepared and the supporting affidavit has been sent for signature.

**Endumeni Municipality vs Olive Root Consulting END/017A/19**

Letter of demand sent to recover an amount of R63 670 which was unlawfully paid to Olive Root Consulting. Attorneys await mandate to proceed with Edictal citation application.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

2023

2022  
RESTATED  
R

R

**Endumeni Municipality vs Mr S.P Mosia END/018/19**

Attorneys have been instructed to apply to court for substituted service, application papers have been prepared and the supporting affidavit has been sent for signature.

**Endumeni Municipality vs Sentas END/019/19C**

Letter of demand send to Director of Sentas following the irregular donation payment of R30 000 made to Sentas Business Enterprise, Attorneys have been instructed to apply to court for substituted service, application papers have been prepared and the supporting affidavit has been sent for signature.

**Endumeni Municipality vs N Zitha END/022/20**

Attorney's have prepared summons against N Zitha and instructed the agents to issue same. Matter is pending and attorney's shall revert as soon as Sheriff's return is received.

**Endumeni Municipality vs S Seruwe END/024/2020**

Attorney's have prepared summons against SN Seruwe and instructed the agents to issue same. Matter is pending and attorney's shall revert as soon as Sheriff's return is received.

**Endumeni Municipality vs VM Ntombela END/025/20**

Summons were served and the Defendant did not defend the summons. Attorney's have applied for default judgement against Mr Ntombela and the matter was set down for oral evidence in April 2022, however attorney's were instructed to adjourn matter sine die. Attorneys await instruction to close file.

**Endumeni Municipality vs Endumeni Contractors END/026/20**

Litigation is pending. Attorney's have applied for a date of the trial.

**Endumeni Municipality vs Mzinyathi News END/027/20**

Issued summons against Mzinyathi News and instructed Sheriff to serve same on the Director of the company, at the address that was furnished to us by the Director. Sheriff submitted to us a return of non-service and reported that the defendant is unknown at the address. Attorneys await instruction to appoint tracing agents.

**Endumeni Municipality vs BB Mdletshe END/031/20**

Attorneys have been instructed to apply to court for substituted service, application papers have been prepared and the supporting affidavit has been sent for signature.

**Endumeni Municipality vs LJ Siwela END/34/2020**

Attorney's have recovered R104 190.36 from the Provident Fund against the judgement amount of R497 064.77. There is a shortfall of more than R300 000. Attorney's await further instruction.

300 000

**Endumeni Municipality vs VM Ntombela END/036/2020**

Attorney's have brought an urgent application to interdict KZN Joint Municipal Pension Fund from paying any benefits to VM Ntombela. The matter was adjourned sine die and attorney's await further instruction.

**Endumeni Municipality vs SNL Seruwe END/037/2020**

Attorney's have brought an application to interdict the payment of the proceeds of the provident fund to Mr Seruwe. Application was granted and attorney's await further instruction.

**Endumeni Municipality vs NW Zitha END/038/2020**

Attorney's have brought an application to interdict the payment of the proceeds of the provident fund to Mr Zitha. Awaiting date for hearing.

**Endumeni Municipality vs Endumeni Contractors CC END/046/2021**

Mandate is to review the agreement between the municipality and Endumeni Contractors. Awaiting the review application papers from counsel. Pre trial scheduled for the 11 September 2023.

**Endumeni Municipality vs Mabilisa and Ngwenya END/047**

The municipality incurred fruitless and wasteful expenditure in legal costs regarding the award of a security tender. Council resolved that the monies be recovered from the responsible officials. Summons issued and forwarded to the sheriffs for service upon the defendants. Attorneys have applied for default judgement.

**CONTINGENT LIABILITY**

**Endumeni Municipality vs Tactical Services END/049**

All necessary papers have been filed at court in the matter between Endumeni Municipality and Tactical Services. Awaiting judgement.



**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022
	R	RESTATED R
<b>Endumeni Municipality vs NO Makgatho END/021/19</b>		
This matter was referred to Court to enforce a contract that was terminated by the Municipality. Matter pending, no court date yet.		
<b>Endumeni Municipality vs Anthony Bernard Griffiths END/051</b>		
Claims to be a former employee of the municipality and has issued summons against the municipality for a salary for a period of two years on the basis that he was dismissed without formal enquiry being conducted. To defend the matter. Matter adjourned for pre-trial on 1 September 2023.		
<b>Endumeni Municipality vs Hlengiwe N Dlamini END/053</b>		
The child was injured as she fell into an open storm water drain. To defend the matter, awaiting document relevant to plaintiff claim from municipality.		
<b>Endumeni Municipality vs CCG Systems Pty (Ltd) END/054</b>		
CCG interdicted the municipality on the implementation of the new financial system. Legal opinion on interpretation of the court order. Attorneys to oppose application. Awaiting confirmation of consultation with municipal manager.		
<b>45 RELATED PARTIES</b>		
<b>Members of key management</b>		
Mayor	521 048	513 098
Deputy Mayor	-	150 981
Speaker	424 998	420 532
Mpac Chair	373 493	373 493
Executive Committee	801 986	662 417
Councillors	2 522 765	2 363 743
Section 56 and 57 managers	5 854 346	6 672 022
Compensation to councillors and other key management (refer to note 24 & 25)		
<b>46 EVENTS AFTER THE REPORTING DATE</b>		
No events after the reporting date noted to warrant disclosure.		
<b>47 RISK MANAGEMENT</b>		
<b>Credit Risk</b>		
Credit risk is the risk of financial loss to the municipality if customers or counter parties to the financial instrument fail to meet their contractual obligation, and arises mainly from the municipality's cash and cash equivalents, investments, receivables from exchange and non-exchange transactions and non-current receivables.		
<b>Cash and cash equivalents</b>		
The municipality limits its exposure to credit risk by investing with only major commercial banks in South Africa that have a sound credit rating and within the specific guidelines set in the council approved cash management and investment policy. Accordingly, the municipality does not consider its exposure to credit risk significant.		
<b>Receivables from exchange transactions and guarantees</b>		
Receivables from exchange transactions are amounts owing by customers and are presented net of impairment losses. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings in accordance with limits set by the council. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.		
<b>Non-current receivables</b>		
The non-current receivables have been fully impaired and provided for thus do not expose the municipality to credit risk.		
The carrying amount of the financial assets represent the maximum credit exposure and the carrying amount of the financial assets as at 30 June was as follows:		



**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2023

	2023	2022 RESTATED
Cash and Cash Equivalents	R	R
Financial guarantees	26 956 562	29 180 662
Trade and other receivables	153 210	153 210
	56 413 373	118 982 722
	<b>83 523 144</b>	<b>148 316 594</b>

**Liquidity risk**

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

	Not later than one month	Later than one month and not later than three months
<b>2023</b>		
Gross finance lease obligations	-	-
Borrowings	-	-
Trade and other payables	-	-
Other	143 645 737	-
	-	-
	-	-
<b>2022</b>		
Gross finance lease obligations	-	-
Borrowings	-	-
Trade and other payables	-	-
Other	86 884 577	-
	-	-
	-	-

**Interest rate risk**

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. The municipality does not have any long term borrowings.

**48 RESTATEMENT OF COMPARATIVE INFORMATION**

The comparative information have been restated. (Note 36)

**49 COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual performance with that of the budget is set out in note 49.1 and 49.2

49. COMPARISON TO BUDGET

49.1 ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

	Actual	Budget	Variance	Variance	Explanation of significant Variance greater than 10% versus Budget
	2023 R	2023 R	2023 R	2023 %	
<b>REVENUE</b>					
Revenue from exchange transactions	167 348 559	211 834 047	( 44 585 488)	-21%	
Service charges	141 534 703	196 219 324	( 54 684 621)	-28%	Theft of electricity was not reduced as expected. Billing was actually lower than anticipated in budget.
Rental of facilities and equipment	1 106 678	1 295 243	( 188 565)	-15%	This item is dependant on usage of municipal facilities. Hire of facilities were lower than budgeted for. Power cuts and lack of generators may have impacted on usage of municipal facilities and revenue received.
Interest earned- external investments	2 003 280	2 000 000	3 280	0%	
Licences and permits	3 815 984	4 401 780	( 585 796)	-13%	Power outages and system downtimes may have affected the revenue generated on licenses fees
Construction revenue	11 676 629	-	11 676 629	0%	Not been budgeted for as previously applied GRAP 109
Operational Revenue from exchange transactions	1 230 285	2 017 700	( 787 415)	-39%	Sundry revenue from miscellaneous items were lower. System downtime during loadshedding may have also affected the actual revenue received.
Gain on disposal of asset	-	6 000 000	( 6 000 000)	-100%	Properties budgeted to be disposed did not materialise and processes of sale of municipal houses were delayed
Gain on fair value of asset	5 981 000	-	5 981 000	100%	Fair value of investment property exercise conducted
Revenue from non-exchange transactions	189 413 135	205 074 389	( 15 661 254)	-8%	
Property rates	95 287 699	98 460 284	( 3 172 585)	-3%	
Fines, penalties and forfeits	5 390 342	13 350 600	( 7 960 258)	-60%	Council resolved to waive the raising of penalties and collection charges at financial year end for the period that the municipality was utilising SAGE and until the debtors ageing is accurate to raise these fees.
Government grants and subsidies	88 735 094	93 263 505	( 4 528 411)	-5%	Conditional grants have not been fully spent at year end
Public contributions and donations	-	-	-	-	
<b>Total Revenue</b>	<b>356 781 694</b>	<b>417 008 436</b>	<b>( 60 246 742)</b>		
<b>EXPENDITURE</b>					
Employee related cost	136 598 459	146 807 479	( 8 209 020)	-6%	
Remuneration of councillors	4 644 290	6 223 681	( 1 579 391)	-25%	No increase on Upper limits increases for councillor allowances due to the unfunded budget position.
Debt Impairment	54 690 356	10 746 668	43 943 688	409%	Risk profiling exercise on debtors performed. Impairment provision in prior year was low.
Depreciation and asset impairment	16 254 332	16 764 309	( 509 977)	-3%	
Bulk purchases	136 334 811	148 395 675	( 12 060 864)	-8%	
Contracted services	19 361 305	66 183 341	( 46 822 036)	-71%	Lower contractual commitments due to financial position of municipality
Construction expenditure	11 676 629	-	11 676 629	0%	Not been budgeted for as previously applied GRAP 109
Other Expenditure	74 533 822	31 779 717	42 754 105	135%	Increase in grap provisions post retirement medical benefits and significant increase in landfill site rehabilitation provision. Interest on outstanding eskom accounts has increased significantly.
Loss on write off of assets	51 851	-	51 851		
<b>Total Expenditure</b>	<b>456 145 854</b>	<b>426 900 870</b>	<b>29 244 984</b>		
<b>NET (DEFICIT) / SURPLUS FOR THE YEAR</b>	<b>( 89 364 160)</b>	<b>( 9 892 434)</b>	<b>( 89 491 726)</b>		

ENDUMENI MUNICIPALITY  
 UNAUDITED NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2023

49. COMPARISON TO BUDGET (Continued)

49.2 ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

	2023 Total Additions R	2023 Budget R	2023 Variance R	2023 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
EXECUTIVE AND COUNCIL	37 173	47 700	( 10 527)		
MUNICIPAL MANAGER	7 700	7 700	-		
CORPORATE SERVICES	90 600	75 300	15 300	20%	
TECHNICAL SERVICES	15 983 611	9 215 069	6 768 542	73%	
FINANCIAL SERVICES	289 905	394 100	( 104 195)	-26%	
PLANNING & DEVELOPMENT	40 500	15400	25 100	163%	
COMMUNITY SERVICES	30 800	9 584 860	( 9 554 060)	-100%	
	16 480 288	19 340 129	( 2 859 841)	-15%	Municipality has managed to spend in line with capital budget. INEP grants have not been fully spent at year end.

The appendix includes additions figures for Property, Plant and Equipment (note 7) and Intangible Assets (note 8) only.

Endowment Local Membership

UNAUDITED SUPPLEMENTARY APPENDIX B - Analysis of Property Plant and Equipment as at 30 June 2023

Land	Car 30 June 2023		Restricted Cash 30 June 2023		Additions 30 June 2023		Disposals		Fair Value Adjustment		Accumulated Depreciation		Accumulated Impairment		Accumulated Depreciation at 30 June 2022		Accumulated Impairment at 30 June 2022		Carrying value at 30 June 2023		
	68,510,731.36	8,653,354.47	99,812,309.12	25,735.71	3,912,533.94	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	
Community assets	8,653,354.47	-	-	-	3,912,533.94	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,565,888.41
Dwellings	59,812,309.12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,812,309.12
Non-residential buildings	25,735.71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,735.71
AUC Buildings	100,017,292.13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,017,292.13
Total Buildings	-	8,653,354.47	99,812,309.12	25,735.71	3,912,533.94	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	125,786,714.58
Infrastructure	47,748,138.62	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47,748,138.62
Electricity	8,991,082.58	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,991,082.58
AUC Electricity	125,654,125.64	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	125,654,125.64
AUC Roads	17,492,547.40	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,492,547.40
Solid waste	6,548,507.13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,548,507.13
AUC Landfill Site	3,977,076.28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,977,076.28
Connectivity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AUC Connectivity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Infrastructure	177,405,873.75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	177,405,873.75
Other Assets	5,126,786.85	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,126,786.85
Furniture and equipment	2,137,238.89	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,137,238.89
Computer equipment	25,904,544.95	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,904,544.95
Machinery and equipment	16,883,415.33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,883,415.33
Transport assets	55,927,672.82	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,927,672.82
Total Other assets	9,298,787.99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,298,787.99
Leased assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing letting software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total PPE	510,026,616.78	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	510,026,616.78
Intangible assets	4,306,648.42	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,306,648.42
Investment Properties	154,480,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	154,480,000.00
Total assets	623,813,265.20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	623,813,265.20
Accumulated Depreciation	-	8,653,354.47	99,812,309.12	25,735.71	3,912,533.94	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	125,786,714.58
Accumulated Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation at 30 June 2022	-	7,345,653.67	26,577,283.21	3,201,075.90	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,123,912.78
Accumulated Impairment at 30 June 2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying value at 30 June 2022	-	7,345,653.67	26,577,283.21	3,201,075.90	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,123,912.78
Change 2022-2023	-	1,307,700.80	13,240,025.91	611,500.00	3,714,458.04	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	177,740.28	93,872,801.80

Endmont Local Municipality

UNAUDITED SUPPLEMENTARY APPENDIX B - Analysis of Property Plant and Equipment as at 30 June 2022

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Land	Crest 28 June 2021	Adjustments	Fik Value Adjustment	A/C retained 2022	Disposals	Accumulated Depreciation		Accumulated Depreciation at 30 June 2022	Depreciation charge for 2022	Disposals	Accumulated Depreciation at 30 June 2022	Prior year adjustment June 2021	Accumulated Depreciation at 30 June 2021	Accumulated Depreciation at 30 June 2021	Prior year adjustment 2021	Accumulated Depreciation at 30 June 2021	Disposals	Accumulated Depreciation at 30 June 2022	Carrying value at 30 June 2022
						Carrying value at 30 June 2021	Disposals												
Land	43 510 243.94					43 510 243.94					43 510 243.94								43 510 243.94
Community assets	8 653 354.47					8 653 354.47					8 653 354.47								8 653 354.47
Non-Residential Dwellings	81 231 809.78					81 231 809.78					81 231 809.78								81 231 809.78
A/C Buildings	7 721 944.44					7 721 944.44					7 721 944.44								7 721 944.44
Total Buildings	107 597 108.69					107 597 108.69					107 597 108.69								107 597 108.69
Infrastructure	47 008 890.43					47 008 890.43					47 008 890.43								47 008 890.43
Electricity	384 033.25					384 033.25					384 033.25								384 033.25
A/C Electricity	192 235 402.15					192 235 402.15					192 235 402.15								192 235 402.15
Road	5 242 149.29					5 242 149.29					5 242 149.29								5 242 149.29
Solid waste	6 548 507.23					6 548 507.23					6 548 507.23								6 548 507.23
Water and P/I Site	3 971 076.28					3 971 076.28					3 971 076.28								3 971 076.28
A/C Comedors	235 272 047.82					235 272 047.82					235 272 047.82								235 272 047.82
Total Infrastructure	493 445 27					493 445 27					493 445 27								493 445 27
Other Assets	6 104 949.94					6 104 949.94					6 104 949.94								6 104 949.94
Furniture and equipment	5 093 306.72					5 093 306.72					5 093 306.72								5 093 306.72
Machinery and equipment	15 008 825.53					15 008 825.53					15 008 825.53								15 008 825.53
Transport assets	13 209 115.71					13 209 115.71					13 209 115.71								13 209 115.71
Total Other assets	33 299 248.96					33 299 248.96					33 299 248.96								33 299 248.96
Leased assets	307 432.95					307 432.95					307 432.95								307 432.95
Housing lending schemes	485 576 643.51					485 576 643.51					485 576 643.51								485 576 643.51
Total PP&E	194 097 020.00					194 097 020.00					194 097 020.00								194 097 020.00
Intangible assets	593 808 871.37					593 808 871.37					593 808 871.37								593 808 871.37
Investment Properties																			
Total assets																			

Endemul Municipality  
APPENDIX C  
UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
as at 30 June 2023

	Fair Value/ Denominations		Cost/ Revaluation		Additions Intra	AUC Released	Disposals	Closing Balance		Prior-year adjustment	Accumulated Depreciation		Opening Balance		Accumulated Impairment		Closing Balance	Carrying value R
	Prior year adjustment	R	Additions	R				R	R		Depreciation	R	Disposals	R	Disposals	R		
Executive and council	97 457 626	4 613 000	37 173	100 436 001				2 136 146	307 383		11 508	11 508	11 508					97 978 864
Municipal manager	439 859	7 700	7 700	447 659				309 308	37 663		1 563	1 563	1 563					88 826
Corporate services	20 831 797	108 000	30 800	18 075 597				9 527 574	995 886		79 405	79 405	79 405					6 485 756
Technical services	6 139 552	90 000	90 000	8 220 052	( 9 000)			3 676 633	824 030		236 837	236 837	236 837					3 365 745
Financial services	46 543 356	1 260 000	118 445	523 141 277	( 9)			149 097 099	13 162 020	43 853	7 802 319	1 001 779	7 802 319					383 171 103
Planning and development	1 687 668	289 805	289 805	4 658 268				3 509 786	287 248		16 354	16 354	16 354					1 059 669
		40 500	40 500	1 896 106				1 210 658	128 872		4 857	4 857	4 857					502 619
<b>Total</b>	<b>631 740 265</b>	<b>5 987 060</b>	<b>615 123</b>	<b>655 081 960</b>	<b>-9</b>	<b>-192 593</b>	<b>167 469 214</b>	<b>43 853</b>	<b>15 825 212</b>	<b>-46 531</b>	<b>8 152 243</b>	<b>1 609 372</b>	<b>1 609 372</b>	<b>-44 161</b>	<b>9 117 454</b>	<b>463 722 608</b>	<b>463 722 608</b>	

The appendix includes figures for Property, Plant and Equipment (note 7), Intangible Assets (note 8) and Investment Properties (note 9).