



## **ENDUMENI**

Endumeni Local Municipality  
(Registration number KZN241)  
Annual Financial Statements  
for the year ended 30 June 2024

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Nature of business and principal activities</b>	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>Mayoral committee</b>	
Mayor	Cllr AS Ndlovu
Speaker	Cllr AM Nsibande
EXCO Member	Cllr SB Mdluli (Resigned 01/04/2024)
EXCO Member	Cllr M Abdool
EXCO Member	Cllr Z Shelembe
MPAC Chairperson	Cllr N Gopie
Councillors	Cllr M Ngcobo Cllr A Sadeck Cllr M Phakathi Cllr S Kheswa Cllr X Msezane Cllr F Mthethwa Cllr L Zulu
<b>Accounting Officer</b>	Mr S Ntombela
<b>Chief Financial Officer (CFO)</b>	Mrs CB Mkhize
<b>Grading of local authority</b>	3
<b>Registered office</b>	Endumeni Local Municipality 3000
<b>Business address</b>	64 Victoria Street Civic Centre Dundee 3000
<b>Postal address</b>	Private Bag X2024 Dundee 3000
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor General South Africa Registered Auditors

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Index

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	<b>Page</b>
Accounting Officer's Responsibilities and Approval	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 13
Significant Accounting Policies	14 - 36
Notes to the Annual Financial Statements	37 - 98

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Index

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### Abbreviations used:

GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee

# **Endumeni Local Municipality**

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## **Index**

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# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Responsibilities and Approval

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

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least 12 months. The municipality is however faces the challenges of debtor non payment and high electricity losses due to theft.

The Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

I am responsible for the preparation of these Annual Financial Statements, which are set out on page 6 to 98 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

The Annual Financial Statements set out on page 6 to 98, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2024 and were signed on its behalf by:

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**Accounting Officer**  
**Mr S Ntombela**

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	7 760 921	9 357 445
Receivables from non-exchange transactions	4	8 774 158	10 244 976
Receivables from exchange transactions	5	77 328 475	66 166 938
Cash and cash equivalents	6	35 699 265	26 956 562
		<b>129 562 819</b>	<b>112 725 921</b>
<b>Non-Current Assets</b>			
Investment property	7	129 556 000	124 461 000
Property, plant and equipment	8	336 580 295	337 147 118
Intangible assets	9	15 255	1 339 840
		<b>466 151 550</b>	<b>462 947 958</b>
<b>Total Assets</b>		<b>595 714 369</b>	<b>575 673 879</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	10	260 415 911	200 505 596
Consumer deposits	12	6 164 809	5 826 956
Employee benefit obligation	13	3 365 000	3 474 748
Unspent conditional grants and receipts	14	10 603 122	4 833 455
Provisions	15	2 377 129	2 006 836
Construction Contracts	16	-	3 919 893
		<b>282 925 971</b>	<b>220 567 484</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	13	51 761 000	52 353 439
Provisions	15	18 226 962	14 740 599
		<b>69 987 962</b>	<b>67 094 038</b>
<b>Total Liabilities</b>		<b>352 913 933</b>	<b>287 661 522</b>
<b>Net Assets</b>		<b>242 800 436</b>	<b>288 012 357</b>
Reserves			
Housing Development Fund	17	5 119 140	5 075 421
Accumulated surplus		237 681 296	282 936 950
<b>Total Net Assets</b>		<b>242 800 436</b>	<b>288 012 371</b>

\* See Note 50

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	RESTATED 2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods and rendering of services	18	575 848	459 971
Service charges	19	156 060 235	141 317 985
Rental of facilities and equipment	20	957 004	778 024
Interest Earned from Receivables from exchange transaction	21	3 222 459	714 697
Licences and permits	22	4 437 241	4 394 542
Other revenue from non-exchange transactions	23	8 913 621	-
Other income	23	557 467	1 098 970
Interest Received on Investment	24	2 028 221	2 003 280
<b>Total revenue from exchange transactions</b>		<b>176 752 096</b>	<b>150 767 469</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	104 147 966	95 287 698
<b>Transfer revenue</b>			
Government grants & subsidies	26	99 177 815	88 735 094
Construction income - INEP	27	4 554 085	11 676 629
Public contributions and donations	28	29 885	-
Fines, Penalties and Forfeits	29	21 545 795	4 672 177
<b>Total revenue from non-exchange transactions</b>		<b>229 455 546</b>	<b>200 371 598</b>
<b>Total revenue</b>	30	<b>406 207 642</b>	<b>351 139 067</b>
<b>Expenditure</b>			
Employee related costs	31	(150 368 477)	(145 579 012)
Remuneration of councillors	32	(4 857 418)	(4 644 290)
Depreciation and amortisation	33	(15 688 141)	(15 871 399)
Finance costs	34	(11 258 364)	(11 968 688)
Lease rentals on operating lease	35	(1 092 950)	(789 351)
Debt Impairment	36	(4 492 330)	(54 856 854)
Bad debts written off		(21 917 156)	-
Construction expenditure	27	(4 554 085)	(11 676 629)
Bulk purchases	37	(166 084 870)	(136 334 811)
Contracted services	38	(44 456 185)	(39 893 699)
Transfers and Subsidies	39	(583 303)	(1 219 290)
General Expenses	40	(30 642 583)	(32 470 091)
<b>Total expenditure</b>		<b>(455 995 862)</b>	<b>(455 304 114)</b>
<b>Operating deficit</b>		<b>(49 788 220)</b>	<b>(104 165 047)</b>
Loss on disposal of assets and liabilities		(1 462 014)	(51 851)
Fair value adjustments	41	5 095 000	5 981 000
Actuarial gains/losses	13	7 591 014	-
Inventories losses/write-downs		19 652	52 466
Impairment On Property Plant and Equipment		(393 918)	(1 009 372)
		<b>10 849 734</b>	<b>4 972 243</b>
<b>Deficit for the year</b>		<b>(38 938 486)</b>	<b>(99 192 804)</b>

\* See Note 50

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated deficit	Total net assets
Opening balance as previously reported	4 894 320	384 513 164	389 407 484
Adjustments			
Prior year adjustments 50	-	(2 383 410)	(2 383 410)
<b>Balance at 01 July 2022 as restated*</b>	<b>4 894 320</b>	<b>382 129 754</b>	<b>387 024 074</b>
Changes in net assets			
Surplus for the year	-	(99 192 804)	(99 192 804)
Current year movement	181 101	-	181 101
Total changes	181 101	(99 192 804)	(99 011 703)
<b>Restated* Balance at 01 July 2023</b>	<b>5 075 421</b>	<b>282 936 950</b>	<b>288 012 371</b>
Changes in net assets			
Other movements	-	(6 317 168)	(6 317 168)
Net income (losses) recognised directly in net assets	-	(6 317 168)	(6 317 168)
Surplus for the year	-	(38 938 486)	(38 938 486)
Total recognised income and expenses for the year	-	(45 255 654)	(45 255 654)
Current year movement	43 719	-	43 719
Total changes	43 719	(45 255 654)	(45 211 935)
<b>Balance at 30 June 2024</b>	<b>5 119 140</b>	<b>237 681 296</b>	<b>242 800 436</b>

\* See Note 50

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		285 393 950	215 520 443
Grants		99 177 815	90 285 252
Interest income		2 028 221	2 003 280
		<u>386 599 986</u>	<u>307 808 975</u>
<b>Payments</b>			
Employee costs		(120 083 446)	(146 715 344)
Suppliers		(234 154 543)	(134 928 950)
Finance costs		(11 258 364)	(11 968 688)
		<u>(365 496 353)</u>	<u>(293 612 982)</u>
<b>Net cash flows from operating activities</b>	46	<b><u>21 103 633</u></b>	<b><u>14 195 993</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(17 575 965)	(16 480 305)
Proceeds from sale of property, plant and equipment	8	2 282 015	-
Proceeds from sale of investment property	7	1 462 014	-
Proceeds from sale of other intangible assets	9	1 133 152	-
Decrease/(Increase) in Long term receivables		-	(148 972)
		<u>(12 698 784)</u>	<u>(16 629 277)</u>
<b>Net cash flows from investing activities</b>		<b><u>(12 698 784)</u></b>	<b><u>(16 629 277)</u></b>
<b>Cash flows from financing activities</b>			
Consumer deposits		337 853	209 184
		<u>337 853</u>	<u>209 184</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8 742 702</b>	<b>(2 224 100)</b>
Cash and cash equivalents at the beginning of the year		26 956 562	29 180 662
<b>Cash and cash equivalents at the end of the year</b>	6	<b><u>35 699 264</u></b>	<b><u>26 956 562</u></b>

The accounting policies on pages 14 to 36 and the notes on pages 37 to 98 form an integral part of the annual financial statements.

\* See Note 50

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sale of goods	724 500	110 000	<b>834 500</b>	575 848	<b>(258 652)</b>	
Service charges	206 836 209	12 840 000	<b>219 676 209</b>	156 060 235	<b>(63 615 974)</b>	Note 60
Rental of facilities and equipment	1 305 243	70 000	<b>1 375 243</b>	957 004	<b>(418 239)</b>	Note 60
Interest income - receivables from exchange transaction	5 211 145	(3 000 000)	<b>2 211 145</b>	3 222 459	<b>1 011 314</b>	Note 60
Licences and permits	4 458 023	221 000	<b>4 679 023</b>	4 437 241	<b>(241 782)</b>	Note 60
Other income	789 200	92 000	<b>881 200</b>	9 471 088	<b>8 589 888</b>	Note 60
Interest received - investment	2 000 000	-	<b>2 000 000</b>	2 028 221	<b>28 221</b>	
Gains on disposal of assets	5 000 000	-	<b>5 000 000</b>	1 586 543	<b>(3 413 457)</b>	
<b>Total revenue from exchange transactions</b>	<b>226 324 320</b>	<b>10 333 000</b>	<b>236 657 320</b>	<b>178 338 639</b>	<b>(58 318 681)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	106 711 936	-	<b>106 711 936</b>	104 147 966	<b>(2 563 970)</b>	Note 60
<b>Transfer revenue</b>						
Government grants & subsidies	102 237 000	2 472 000	<b>104 709 000</b>	99 177 815	<b>(5 531 185)</b>	Note 60
Construction Contract Revenue	-	4 507 875	<b>4 507 875</b>	4 554 085	<b>46 210</b>	
Public contributions and donations	-	-	-	29 885	<b>29 885</b>	
Fines, Penalties and Forfeits	25 600 600	(8 550 000)	<b>17 050 600</b>	21 545 795	<b>4 495 195</b>	Note 60
<b>Total revenue from non-exchange transactions</b>	<b>234 549 536</b>	<b>(1 570 125)</b>	<b>232 979 411</b>	<b>229 455 546</b>	<b>(3 523 865)</b>	
<b>Total revenue</b>	<b>460 873 856</b>	<b>8 762 875</b>	<b>469 636 731</b>	<b>407 794 185</b>	<b>(61 842 546)</b>	
<b>Expenditure</b>						
Employee related cost	(159 358 738)	11 104 624	<b>(148 254 114)</b>	(150 368 477)	<b>(2 114 363)</b>	Note 60
Remuneration of councillors	(6 413 069)	-	<b>(6 413 069)</b>	(4 857 418)	<b>1 555 651</b>	
Depreciation, amortisation and assets impairment	(16 304 884)	4 058 819	<b>(12 246 065)</b>	(15 688 141)	<b>(3 442 076)</b>	Note 60
Finance costs	-	-	-	(11 258 364)	<b>(11 258 364)</b>	Note 60
Lease rentals	(792 554)	-	<b>(792 554)</b>	(1 092 950)	<b>(300 396)</b>	Note 60
Debt Impairment	(17 546 668)	8 173 968	<b>(9 372 700)</b>	(4 492 330)	<b>4 880 370</b>	Note 60
Bad debts written off	-	-	-	(21 917 156)	<b>(21 917 156)</b>	Note 60
Collection costs	-	(4 695 047)	<b>(4 695 047)</b>	(4 554 085)	<b>140 962</b>	
Bulk purchases	(175 125 578)	-	<b>(175 125 578)</b>	(166 084 870)	<b>9 040 708</b>	
Contracted Services	(41 336 852)	(4 086 756)	<b>(45 423 608)</b>	(44 456 185)	<b>967 423</b>	
Transfers and Subsidies	(310 000)	(300 000)	<b>(610 000)</b>	(583 303)	<b>26 697</b>	
Loss on disposal of assets	-	-	-	(3 048 557)	<b>(3 048 557)</b>	
General Expenses	(34 977 820)	(1 319 657)	<b>(36 297 477)</b>	(30 642 583)	<b>5 654 894</b>	
<b>Total expenditure</b>	<b>(452 166 163)</b>	<b>12 935 951</b>	<b>(439 230 212)</b>	<b>(459 044 419)</b>	<b>(19 814 207)</b>	
<b>Operating deficit</b>	<b>8 707 693</b>	<b>21 698 826</b>	<b>30 406 519</b>	<b>(51 250 234)</b>	<b>(81 656 753)</b>	

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Fair value adjustments	-	-	-	5 095 000	<b>5 095 000</b>	
Actuarial gains/losses	-	-	-	7 591 014	<b>7 591 014</b>	
Inventories losses/write-downs	-	-	-	19 652	<b>19 652</b>	
Loss on non-current assets held for sale or disposal groups	-	-	-	(393 918)	<b>(393 918)</b>	
	-	-	-	<b>12 311 748</b>	<b>12 311 748</b>	
<b>Deficit before taxation</b>	<b>8 707 693</b>	<b>21 698 826</b>	<b>30 406 519</b>	<b>(38 938 486)</b>	<b>(69 345 005)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>8 707 693</b>	<b>21 698 826</b>	<b>30 406 519</b>	<b>(38 938 486)</b>	<b>(69 345 005)</b>	

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	8 767 097	590 349	<b>9 357 446</b>	7 760 921	<b>(1 596 525)</b>	Note 62
Receivables from exchange transactions	77 548 000	(77 814 996)	<b>(266 996)</b>	91 471 528	<b>91 738 524</b>	Note 620
Receivables from non-exchange transactions	84 739 354	(37 440 117)	<b>47 299 237</b>	8 774 158	<b>(38 525 079)</b>	Note 60
VAT receivable	(5 501 746)	5 234 750	<b>(266 996)</b>	-	<b>266 996</b>	Note 60
Cash and cash equivalents	228 000	7 895 000	<b>8 123 000</b>	35 699 265	<b>27 576 265</b>	Note 60
	<b>165 780 705</b>	<b>(101 535 014)</b>	<b>64 245 691</b>	<b>143 705 872</b>	<b>79 460 181</b>	

##### Non-Current Assets

Investment property	117 280 569	7 180 431	<b>124 461 000</b>	129 556 000	<b>5 095 000</b>	
Property, plant and equipment	343 853 520	8 583 024	<b>352 436 544</b>	336 580 364	<b>(15 856 180)</b>	
Intangible assets	1 764 372	(580 251)	<b>1 184 121</b>	15 255	<b>(1 168 866)</b>	
	<b>462 898 461</b>	<b>15 183 204</b>	<b>478 081 665</b>	<b>466 151 619</b>	<b>(11 930 046)</b>	

#### Total Assets

	<b>628 679 166</b>	<b>(86 351 810)</b>	<b>542 327 356</b>	<b>609 857 491</b>	<b>67 530 135</b>	
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#### Liabilities

##### Current Liabilities

Payables from exchange transactions	194 459 572	(3 885 792)	<b>190 573 780</b>	260 415 911	<b>69 842 131</b>	
Consumer deposits	5 517 891	209 184	<b>5 727 075</b>	6 164 809	<b>437 734</b>	
Employee benefit obligation	5 576 525	(94 941)	<b>5 481 584</b>	3 365 000	<b>(2 116 584)</b>	
Unspent conditional grants and receipts	6 279 199	(1 445 742)	<b>4 833 457</b>	10 603 122	<b>5 769 665</b>	
Provisions	-	-	-	2 377 129	<b>2 377 129</b>	
Construction Contracts	-	(3 919 893)	<b>(3 919 893)</b>	-	<b>3 919 893</b>	
	<b>211 833 187</b>	<b>(9 137 184)</b>	<b>202 696 003</b>	<b>282 925 971</b>	<b>80 229 968</b>	

##### Non-Current Liabilities

Employee benefit obligation	63 995 863	(11 642 424)	<b>52 353 439</b>	51 761 000	<b>(592 439)</b>	
Provisions	-	14 740 599	<b>14 740 599</b>	18 226 962	<b>3 486 363</b>	
	<b>63 995 863</b>	<b>3 098 175</b>	<b>67 094 038</b>	<b>69 987 962</b>	<b>2 893 924</b>	

#### Total Liabilities

	<b>275 829 050</b>	<b>(6 039 009)</b>	<b>269 790 041</b>	<b>352 913 933</b>	<b>83 123 892</b>	
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#### Net Assets

	<b>352 850 116</b>	<b>(80 312 801)</b>	<b>272 537 315</b>	<b>256 943 558</b>	<b>(15 593 757)</b>	
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#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Housing Development Fund	4 894 320	181 101	<b>5 075 421</b>	5 119 140	<b>43 719</b>	
Accumulated surplus	347 955 796	(80 493 902)	<b>267 461 894</b>	237 681 296	<b>(29 780 598)</b>	
	<b>352 850 116</b>	<b>(80 312 801)</b>	<b>272 537 315</b>	<b>242 800 436</b>	<b>(29 736 879)</b>	

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Sale of goods and services	334 194 000	-	<b>334 194 000</b>	270 152 678	<b>(64 041 322)</b>	Note 60
Grants	102 237 000	-	<b>102 237 000</b>	105 462 644	<b>3 225 644</b>	Note 60
Interest income	2 000 000	-	<b>2 000 000</b>	2 028 221	<b>28 221</b>	Note 60
	<b>438 431 000</b>	-	<b>438 431 000</b>	<b>377 643 543</b>	<b>(60 787 457)</b>	

##### Payments

Employee costs	(443 339 000)	-	<b>(443 339 000)</b>	(147 515 251)	<b>295 823 749</b>	Note 60
Suppliers	-	-	-	(204 903 179)	<b>(204 903 179)</b>	
Finance costs	-	-	-	(6 019 355)	<b>(6 019 355)</b>	
Transfers and subsidies	(310 000)	-	<b>(310 000)</b>	(583 303)	<b>(273 303)</b>	Note 60
	<b>(443 649 000)</b>	-	<b>(443 649 000)</b>	<b>(359 021 088)</b>	<b>84 627 912</b>	

#### Net cash flows from operating activities

	<b>(5 218 000)</b>	-	<b>(5 218 000)</b>	<b>18 622 455</b>	<b>23 840 455</b>	
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#### Cash flows from investing activities

Purchase of property, plant and equipment	(25 669 000)	-	<b>(25 669 000)</b>	(17 398 580)	<b>8 270 420</b>	Note 60
Proceeds from sale of property, plant and equipment	5 000 000	-	<b>5 000 000</b>	7 180 975	<b>2 180 975</b>	Note 60

#### Net cash flows from investing activities

	<b>(20 669 000)</b>	-	<b>(20 669 000)</b>	<b>(10 217 605)</b>	<b>10 451 395</b>	
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#### Cash flows from financing activities

Consumer Deposit	-	-	-	337 853	<b>337 853</b>	
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Net increase/(decrease) in cash and cash equivalents	(25 887 000)	-	<b>(25 887 000)</b>	8 742 703	<b>34 629 703</b>	
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Cash and cash equivalents at the beginning of the year	26 114 000	843 000	<b>26 957 000</b>	26 956 562	<b>(438)</b>	
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<b>Cash and cash equivalents at the end of the year</b>	<b>227 000</b>	<b>843 000</b>	<b>1 070 000</b>	<b>35 699 265</b>	<b>34 629 265</b>	
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# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023
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### 1. Significant accounting policies

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

#### 1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

#### 1.2 Presentation currency

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

#### 1.3 Going concern assumption

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

#### 1.4 Materiality

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

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

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

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

#### Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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

#### Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

### 1.6 Investment property

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

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

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

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

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

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

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

#### Fair value

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

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

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

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

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

Item 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 management. 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.

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

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

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

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

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

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

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

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

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

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

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Item	Depreciation method	Average useful life
Buildings	Straight-line	5 - 30 years
Plant and machinery	Straight-line	3 - 20 years
Furniture and fixtures	Straight-line	3 - 50 years
Motor vehicles	Straight-line	4 - 20 years

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# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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

Roads and Paving	Straight-line	3 - 100 years
Electricity	Straight-line	3 - 80 years
Other Property, Plant and Equipment	Straight-line	10 - 30 years

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

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

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

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

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

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

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

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

### 1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.8 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.9 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.9 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

### 1.10 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.10 Financial instruments (continued)

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

A financial asset is:

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

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

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unutilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.10 Financial instruments (continued)

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

### 1.11 Statutory receivables

#### Identification

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

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

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.11 Statutory receivables (continued)

#### Derecognition

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

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

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

### 1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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

#### Operating leases - lessor

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

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

#### Operating leases - lessee

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

### 1.13 Inventories

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

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

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

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

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

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.13 Inventories (continued)

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

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

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

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

### 1.14 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

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 completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

### 1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

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

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

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

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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

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

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

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

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

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

Useful life is either:

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.18 Employee benefits

#### Identification

##### Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

#### Defined benefit cost

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less: (a) any costs of managing the plan assets; and (b) any tax payable by the plan itself other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

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

##### Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

##### Accounting for the constructive obligation

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.19 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.19 Provisions and contingencies (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.19 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.

If the related asset is measured using the revaluation model:

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

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

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.19 Provisions and contingencies (continued)

#### Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

### 1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.21 Revenue from exchange transactions

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

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

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

#### Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

#### Rendering of services

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

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

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

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

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

#### Transfers

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

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

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

#### Fines

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

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

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

### 1.23 Value Added Tax (VAT)

The Municipality accounts for VAT on accrual basis.

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

### 1.24 Investment income

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

### 1.25 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

### 1.26 Self Insurance Reserve

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

### 1.27 Comparative figures

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

### 1.28 Unauthorised expenditure

Unauthorised expenditure means:

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

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.29 Fruitless and wasteful expenditure

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

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

### 1.30 Irregular expenditure

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

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

### 1.31 Housing development fund

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

### 1.32 Segment information

A segment is an activity of an entity:

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

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

### Measurement

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

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

### 1.33 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.33 Research and development expenditure (continued)

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

### 1.34 Budget information

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

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

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.35 Related parties

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

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

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

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

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

### 1.36 Events after reporting date

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.36 Events after reporting date (continued)

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

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

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

### 1.37 Service concession arrangements: Entity as grantor

#### Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services 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.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator; or
- is provided by the grantor which:
  - is an existing asset of the grantor; or
  - is an upgrade to an existing asset of the grantor.

### 1.38 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.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 2. New standards and interpretations

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 Mergers	01 April 2026	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2026	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

### 3. Inventories

Materials - Electrical	5 813 833	7 022 045
Consumables - general	1 528 260	1 854 812
Consumables - Fuel	347 625	388 865
Mechanicals	71 203	91 723
	<b>7 760 921</b>	<b>9 357 445</b>

Inventories recognised as an expense during the year 1 885 754 2 478 098

Inventories write down (19 652) (52 466)

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 has been approved by council.

### 4. Receivable from non - exchange transaction

#### Gross balances

Consumer debtors - Rates	99 054 607	95 119 688
Consumer debtors - Traffic Fines	20 399 839	17 234 224
	<b>119 454 446</b>	<b>112 353 912</b>

#### Less: Allowance for impairment

Consumer debtors - Rates	(90 329 365)	(84 907 287)
Consumer debtors - Traffic Fines	(20 350 923)	(17 201 649)
	<b>(110 680 288)</b>	<b>(102 108 936)</b>

#### Net balance

Consumer debtors - Rates	8 725 242	10 212 401
Consumer debtors - Traffic Fines	48 916	32 575
	<b>8 774 158</b>	<b>10 244 976</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>4. Receivable from non - exchange transaction (continued)</b>		
<b>Statutory receivables included in consumer debtors above are as follows:</b>		
Property Rates	99 054 607	95 119 688
Less Provision	(90 329 365)	(84 907 287)
Traffic Fines	20 399 838	17 234 224
Less Provision	(20 350 923)	(17 201 649)
	<b>8 774 157</b>	<b>10 244 976</b>
<b>Financial asset receivables included in consumer debtors above</b>	<b>1</b>	<b>-</b>
<b>Total consumer debtors</b>	<b>8 774 158</b>	<b>10 244 976</b>
<b>Rates</b>		
Current (0 -30 days)	7 488 187	5 717 015
31 - 60 days	4 580 521	3 266 113
61 - 90 days	3 337 622	2 359 944
91 - 120 days	2 880 564	1 806 130
121 - 365 days	80 767 713	81 970 486
	<b>99 054 607</b>	<b>95 119 688</b>
<b>Fines</b>		
Current (0 -30 days)	48 916	32 575
<p>Due to an error that resulted from the charging of interest on property rates, penalties and collection fees a prior period error correction was done for an amount of R 15 740 269. However the need to adjust the impairment provision at 30 June 2022 was assessed as unnecessary due to the fact that the impairment provision estimate done at 30 June 2024 is on cumulative balances at the reporting date which have taken into account all the adjustments to customer balances in the prior years</p>		
<b>Property rates past due but not impaired</b>		
<p>Property rates which are less than 2 months past due are not considered to be impaired. At 30 June 2024 R 7 488 187 (2023 R 6 995 841) were past due but not impaired</p>		
<p>The ageing of amounts past due but not impaired are as follows:</p>		
1 month past due	7 488 187	3 263 769
2 months past due		1 977 519
3 months past due		1 754 603
<b>Property Rates impaired</b>		
<p>At 30 June 2024, property rates of R 102 676 963 were impaired and provided for.</p>		
2 to 4 months	10 798 707	1 588 582
The fair value of property rates approximates their carrying amounts	80 767 713	79 666 805

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>4. Receivable from non - exchange transaction (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	6 741 464	5 403 695
31 - 60 days	4 443 652	3 485 453
61 - 90 days	3 483 594	2 303 074
91 - 120 days	3 144 769	2 057 831
121 - 365 days	113 990 637	137 744 882
	<b>131 804 116</b>	<b>150 994 935</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	8 297 959	6 541 733
31 - 60 days	3 873 553	2 391 817
61 - 90 days	1 815 431	1 528 643
91 - 120 days	1 209 749	1 049 069
121 - 365 days	26 088 683	19 926 760
	<b>41 285 375</b>	<b>31 438 022</b>
<b>National and provincial government</b>		
Current (0 -30 days)	2 175 422	2 824 038
31 - 60 days	1 337 749	1 092 582
61 - 90 days	1 003 815	1 250 556
91 - 120 days	440 345	553 984
121 - 365 days	12 908 732	9 694 811
	<b>17 866 063</b>	<b>15 415 971</b>
<b>Total</b>		
Current (0 -30 days)	17 214 845	14 769 465
31 - 60 days	9 654 953	6 969 852
61 - 90 days	6 302 839	5 082 274
91 - 120 days	4 794 863	3 660 884
121 - 365 days	152 988 052	167 366 453
	190 955 552	197 848 928
Less: Allowance for impairment	(110 680 280)	(103 595 287)
	<b>80 275 272</b>	<b>94 253 641</b>
<b>Reconciliation of the doubtful debt provision</b>		
Receivables from exchange	59 124 804	33 794 724
Non-current receivables	2 497 610	2 348 638
Receivables from non-exchange	103 595 286	74 383 964
	<b>165 217 700</b>	<b>110 527 326</b>
<b>Contribution to provision</b>		
Receivable from exchange	(4 927 798)	25 330 061
Non- current receivables	(1 818 567)	148 972
Receivables from non-exchange	7 079 779	29 211 322
	<b>333 414</b>	<b>54 690 355</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>4. Receivable from non - exchange transaction (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Receivables from exchange	54 197 006	59 124 804
Non-current receivables	679 043	2 497 610
Receivables from non-exchange	110 675 066	103 595 286
	<b>165 551 115</b>	<b>165 217 700</b>
<b>5. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	16 822 944	15 111 712
Refuse	57 608 728	53 454 039
Service Charges	1 384 411	1 103 555
Merchandising Jobbing and Contracts	14 503 468	38 477 399
Housing rental	1 581 297	1 341 258
VAT input accrual	36 844 513	15 802 670
	<b>128 745 361</b>	<b>125 290 633</b>
<b>Less: Allowance for impairment</b>		
Electricity	(10 041 715)	(7 320 161)
Refuse	(38 751 317)	(47 938 029)
Merchandising Jobbing and Contracts	(1 489 476)	(2 975 827)
Housing rental	(1 134 378)	(889 678)
	<b>(51 416 886)</b>	<b>(59 123 695)</b>
<b>Net balance</b>		
Electricity	6 781 229	7 791 551
Refuse	18 857 411	5 516 010
Service Charges	1 384 411	1 103 555
Merchandising Jobbing and Contracts	13 013 992	35 501 572
Housing rental	446 919	451 580
VAT input accrual	36 844 513	15 802 670
	<b>77 328 475</b>	<b>66 166 938</b>
<b>Electricity</b>		
Current (0 -30 days)	6 916 615	5 203 463
31 - 60 days	3 138 493	2 032 201
61 - 90 days	1 407 653	1 434 491
91 - 120 days	547 077	779 056
121 - 365 days	4 813 104	5 662 501
	<b>16 822 942</b>	<b>15 111 712</b>
<b>Refuse</b>		
Current (0 -30 days)	2 640 529	1 694 672
31 - 60 days	1 882 339	1 145 745
61 - 90 days	1 512 145	904 003
91 - 120 days	1 335 641	805 189
121 - 365 days	50 238 074	48 904 430
	<b>57 608 728</b>	<b>53 454 039</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Other ageing</b>		
Current (0 -30 days)	169 513	2 154 316
31 - 60 days	53 600	525 795
61 - 90 days	45 419	383 835
91 - 120 days	31 580	270 509
121 - 365 days	17 170 175	41 941 845
	<b>17 470 287</b>	<b>45 276 300</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	6 741 464	5 403 695
31 - 60 days	4 443 652	3 485 453
61 - 90 days	3 483 594	2 303 074
91 - 120 days	3 144 769	2 057 831
121 - 365 days	113 990 636	132 649 583
	131 804 115	145 899 636
Less: Allowance for impairment	(115 894 723)	(123 237 784)
	<b>15 909 392</b>	<b>22 661 852</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	8 297 959	6 541 733
31 - 60 days	3 873 553	2 391 817
61 - 90 days	1 815 431	1 528 643
91 - 120 days	1 209 749	1 049 069
121 - 365 days	26 088 683	19 926 760
	41 285 375	31 438 022
Less: Allowance for impairment	(27 438 721)	(18 068 020)
	<b>13 846 654</b>	<b>13 370 002</b>
<b>National and provincial government</b>		
Current (0 -30 days)	2 175 422	2 824 038
31 - 60 days	1 337 749	1 092 582
61 - 90 days	1 003 815	1 250 556
91 - 120 days	440 345	553 984
121 - 365 days	12 908 731	9 694 811
	17 866 062	15 415 971
Less: Allowance for impairment	(1 187 705)	(2 726 286)
	<b>16 678 357</b>	<b>12 689 685</b>
<b>Total</b>		
Current (0 -30 days)	17 214 845	14 769 466
31 - 60 days	9 654 953	6 969 852
61 - 90 days	6 302 839	5 082 273
91 - 120 days	4 794 823	3 660 884
121 - 365 days	152 988 052	162 271 154
	190 955 512	192 753 629
Less: Allowance for impairment	(144 521 148)	(144 032 091)
	<b>46 434 364</b>	<b>48 721 538</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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Figures in Rand	2024	2023
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### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15 295	15 296
Bank balances	8 129 374	11 642 230
Short-term deposits	27 554 596	15 299 036
	<b>35 699 265</b>	<b>26 956 562</b>

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1. The council resolved to write off the prior years unreconciling amount of R17 101 337 which was a qualifying item from previous years. This balance represent the unreconciled items for the bank reconciliations that were not prepared due to the system migration to the new financial system (from Munsoft to CCG) for the period between 2019-2023.

2. Short term deposit includes R4 667 407.59 for Electricity sales that was processed in the general ledger on 28 June 2024 but was only approved in the bank on 01 July 2024.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FIRST NATIONAL BANK - Primary Bank Account : 62025460651	8 129 374	6 728 207	4 636 017	988 695	11 642 226	9 348 470
FIRST NATIONAL BANK - Call Account (Projects) : 62047254941	5 093 696	5 746 950	3 186 948	5 093 696	5 746 950	3 186 948
FIRST NATIONAL BANK - Call Account (Sibongile Hostel) : 62045928069	354 777	593 926	561 951	354 777	593 026	561 951
FIRST NATIONAL BANK - Call Account (Sithembile Hostel) : 62063967718	518 997	483 098	457 478	518 997	483 098	457 478
FIRST NATIONAL BANK - Call Account (Sibongile Library Internet) : 62173631948	89 711	83 460	1 062	89 711	83 460	1 062
FIRST NATIONAL BANK - Call Account (Housing Operating Account) : 62412969084	635 399	591 679	559 550	635 399	591 679	559 550
FIRST NATIONAL BANK - Call Account (INEP) : 62509652419	8 044	-	-	8 044	-	-
FIRST NATIONAL BANK - Call Account (INTEREST EARNED) : 62509652419	-	7 720 764	3 634 804	-	7 720 764	3 634 804
FIRST NATIONAL BANK - Call Account (MIG) : 62509650851	742 732	-	-	742 732	-	-
FIRST NATIONAL BANK - Call Account (VAT) : 62509650851	-	51 326	708 109	-	51 326	708 109
FIRST NATIONAL BANK - Call Account (MONEY MARKET) : 62113431390	3 985 679	7 332	3 107 332	3 985 679	7 332	3 107 332
FIRST NATIONAL BANK - Call Account (ELECTRICITY SALES) : 63071551379	61 132	-	-	61 132	-	-
GRINDROD BANK - CALL ACCOUNT : 11000207002	-	10 989	6 748 225	-	10 989	6 748 225
FIRST NATIONAL BANK - Call Account (TALANA MUSEUM TRUST) : 62127781236	22 752	10 412	1 006	22 752	10 412	1 006
ABSA BANK - LIQUIDITY PLUS (MASSIFICATION PROJECTS) - 9384302143	2 901 085	-	-	2 901 085	-	-
ABSA BANK - FIXED DEPOSIT (PROCEED ON SALE OF ASSETS) - 2081357436	1 310 047	-	-	1 310 047	-	-
FIRST NATIONAL BANK - Call Account (SETA GRANT) : 63089254444	641 875	-	-	641 875	-	-
FIRST NATIONAL BANK - Call Account (ENERGY EFFICIENCY GRANT) : 63089252498	40 731	-	-	40 731	-	-
FIRST NATIONAL BANK - Call Account (EPWP GRANT) : 63089253743	3 592	-	-	3 592	-	-

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024		2023	
<b>6. Cash and cash equivalents (continued)</b>				
FIRST NATIONAL BANK - Call Account (DISASTER RECOVERY GRANT) : 63097863063	6 493 197	-	6 493 197	-
FIRST NATIONAL BANK - Call Account (FINANCE MANAGEMENT GRANT) : 63089251242	1 838	-	1 838	-
<b>Total</b>	<b>31 034 658</b>	<b>22 028 143</b>	<b>23 602 482</b>	<b>23 893 979</b>
			<b>26 941 262</b>	<b>28 314 935</b>

### **FIRST NATIONAL BANK CALL ACCOUNT : 62509652419 -**

The call account was an investment for Interest Earned on Investments which had an amount of R7 720 764.00 as a closing balance for the 2023 financial year. During the 2024 financial year, the municipality withdrew this investment from this call account for Municipal operations. The call account was renamed to an INEP call account in the 2024 financial year which has a closing balance of R8 044.00

### **FIRST NATIONAL BANK - Call Account : 62509650851**

The call account was a VAT Investment account where the municipality invested its VAT Refunds on the call account - the closing balance was R51 326.00 at the end of 2023 financial year. During the 2024 financial year, the municipality withdrew this investment from this call account for Municipal operations. The call account was renamed to a MIG call account in the 2024 financial year which has a closing balance of R742 732.00.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	75 141 000	-	75 141 000	73 381 000	-	73 381 000
Buildings	54 415 000	-	54 415 000	51 080 000	-	51 080 000
<b>Total</b>	<b>129 556 000</b>	<b>-</b>	<b>129 556 000</b>	<b>124 461 000</b>	<b>-</b>	<b>124 461 000</b>

#### Reconciliation of investment property - 2024

	Opening balance	Fair Value Adjustment	Total
Investment property	124 461 000	5 095 000	129 556 000

#### Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	118 480 000	5 981 000	124 461 000

#### Pledged as security

There were no Investment Property assets pledged as security.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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Figures in Rand

2024

2023

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### 7. Investment property (continued)

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.

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

Rental income from these properties amount to R 957 004 (2024) and R778 024 (2023)

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 office

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	68 510 244	-	68 510 244	68 510 244	-	68 510 244
Buildings	117 667 565	(41 676 596)	75 990 969	108 976 170	(37 957 742)	71 018 428
Machinery and Equipment	24 000 934	(14 615 642)	9 385 292	25 997 090	(14 032 364)	11 964 726
Furniture and Office Equipment	5 689 409	(4 646 074)	1 043 335	5 727 413	(4 383 430)	1 343 983
Transport Assets	15 689 340	(11 226 105)	4 463 235	16 983 415	(11 461 905)	5 521 510
Computer Equipment	7 335 856	(5 671 951)	1 663 905	7 268 034	(5 402 335)	1 865 699
Roads and Stormwater	219 206 755	(90 841 050)	128 365 705	213 876 314	(84 088 093)	129 788 221
Community (Cemetery)	15 359 426	(2 498 410)	12 861 016	14 382 102	(2 034 713)	12 347 389
Electrical Infrastructure	59 603 639	(26 090 407)	33 513 232	58 329 849	(24 486 428)	33 843 421
Solid waste	6 502 032	(5 718 670)	783 362	6 548 507	(5 605 116)	943 391
Leased Assets	-	-	-	9 300	(9 194)	106
<b>Total</b>	<b>539 565 200</b>	<b>(202 984 905)</b>	<b>336 580 295</b>	<b>526 608 438</b>	<b>(189 461 320)</b>	<b>337 147 118</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Donations	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	68 510 244	-	-	-	-	-	-	68 510 244
Buildings	71 018 428	3 189 244	-	-	5 502 152	(3 718 854)	-	75 990 970
Plant and machinery	11 964 726	482 166	-	(1 695 815)	25 736	(1 369 583)	(21 937)	9 385 292
Furniture and Office Equipment	1 343 983	-	-	(3 134)	67 000	(357 235)	(7 279)	1 043 335
Transport Assets	5 521 510	-	-	(228 646)	-	(829 629)	-	4 463 235
Computer Equipment	1 865 699	331 343	29 885	(8 340)	-	(546 758)	(7 924)	1 663 905
Roads and Stormwater	129 788 204	4 008 865	-	-	1 321 575	(6 396 161)	(356 779)	128 365 705
Community -Cemeteries	12 347 390	7 893 786	-	-	(6 916 463)	(463 697)	-	12 861 016
Electrical Infrastructure	33 843 421	1 670 560	-	(345 979)	-	(1 654 770)	-	33 513 232
Solid waste	943 391	-	-	(47)	-	(159 982)	-	783 362
Leased Assets	106	-	-	(54)	-	(35)	-	-
	<b>337 147 102</b>	<b>17 575 964</b>	<b>29 885</b>	<b>(2 282 015)</b>	<b>-</b>	<b>(15 496 704)</b>	<b>(393 919)</b>	<b>336 580 296</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	68 510 244	-	-	-	-	-	68 510 244
Buildings	75 024 314	-	-	177 239	(3 602 373)	(580 753)	71 018 427
Plant and machinery	13 495 209	92 845	-	-	(1 576 983)	(46 345)	11 964 726
Furniture and Office Equipment	1 334 012	450 626	-	-	(440 656)	-	1 343 982
Transport Assets	6 460 515	-	-	-	(939 005)	-	5 521 510
Computer Equipment	2 322 108	140 709	(6 947)	-	(590 171)	-	1 865 699
Roads and Stormwater	132 007 295	3 912 334	(44 904)	-	(6 054 987)	(31 535)	129 788 204
Community - Cemeteries	2 183 078	10 410 024	-	-	(245 713)	-	12 347 389
Electrical Infrastructure	34 223 018	1 767 876	-	(177 249)	(1 619 484)	(350 740)	33 843 421
Solid Waste	1 187 720	-	-	-	(244 329)	-	943 391
Leased Assets	159	-	-	-	(53)	-	106
	<b>336 747 672</b>	<b>16 774 414</b>	<b>(51 851)</b>	<b>(10)</b>	<b>(15 313 754)</b>	<b>(1 009 373)</b>	<b>337 147 099</b>

#### Pledged as security

There were no Property Plant and Equipment assets pledged as security in the year under review.

Refer to prior year adjustment note for 2023 corrections

#### Assets subject to finance lease (Net carrying amount)

Plant and machinery	(46 697)	-
Other equipment	782 268	943 391
Other leased Assets # 1	(52)	106
	<b>735 519</b>	<b>943 497</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

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

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

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	7 473 867	10 410 024	(658 250)	17 225 641
Additions/capital expenditure	7 198 110	7 893 786	-	15 091 896
Transferred to completed items	(606 040)	-	(10 902 184)	(11 508 224)
	<b>14 065 937</b>	<b>18 303 810</b>	<b>(11 560 434)</b>	<b>20 809 313</b>

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

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	27 167 616	-	-	27 167 616
Additions/capital expenditure	5 455 142	10 410 024	-	15 865 166
Transfer to completed items	-	-	(658 250)	(658 250)
Transferred to completed items	(25 148 890)	-	-	(25 148 890)
	<b>7 473 868</b>	<b>10 410 024</b>	<b>(658 250)</b>	<b>17 225 642</b>

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

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

Contracted services	16 236 606	10 364 781
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The 2023 repairs and maintenance has been restated due to reclassification of accounts resulted from the mapping of account on Caseware. Refer to note 51

A register containing the property, plant and equipment information as required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	994 123	(978 868)	15 255	4 306 648	(2 966 808)	1 339 840

#### Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Total
Computer software, other	1 339 840	(1 133 151)	(191 434)	15 255

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	1 920 093	(580 253)	1 339 840

#### Pledged as security

There were no Intangible assets pledged as security

There is a change on intangible assets due to CCG systems derecognition due to expired contract:

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>10. Payables from exchange transactions</b>		
Trade payables	202 593 701	143 776 634
Payments received in advanced	13 588 685	9 760 229
Retentions	5 577 354	6 025 952
Accrued leave pay	11 420 969	14 759 689
Deposits - other	3 000 576	3 000 576
Other Creditors	3 671 661	3 518 198
Accrued Bonus	4 672 732	3 563 546
VAT output accrual	15 890 233	16 100 772
	<b>260 415 911</b>	<b>200 505 596</b>

The fair value of trade and other payables approximates their carrying amounts.

At 30 June 2022 Advance payments were disclosed at R 30 086 676, which was incorrect. However the error was not on the underlying financial records, therefore there is no need to adjust the annual financial statements. The correct amount of Advance payments at 30 June 2022 as per the underlying financial records was R 8 275 052

### 11. VAT payable

VAT Control	-	-
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VAT is on the cash basis. VAT is paid over to SARS only once payment is received from debtors. VAT accrual is raised when consumer accounts are billed and reduced when payment is received. VAT payable was paid over to SARS before the end of financial year.

### 12. Consumer deposits

Electricity	5 400 766	5 255 365
Other deposit	448 634	448 361
Housing rental	315 409	123 230
	<b>6 164 809</b>	<b>5 826 956</b>

This are monies due to customers for electricity deposits, halls deposits and municipal housing rentals deposits.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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Figures in Rand	2024	2023
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### 13. Employee benefit obligations

#### Defined benefit plans - General information

##### Post employment medical aid benefit

The municipality provide certain post-retirement medical aid benefits by funding the medical aid contribution of qualifying retired members of the municipality.

Elegible employees will receive post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement.

Continuation members and their eligible dependents receive a 60% subsidy. All post employment subsidies are subjects to a maximum subsidy. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuation of the present value of the defined benefit obligation were carried out on 30 June 2024 by Mr Chanan Weiss, of Arch Actuarial Consultants. The present value of the defined benefit obligation, and the related current cost services and past services cost, were equal to the defined benefit obligation as there is no plan asset.

##### Number of individuals

In-service members	262	-
In-service non-members	91	-
Continuation members	67	-
	<b>420</b>	<b>-</b>

##### Defined benefit obligation

In-service members	19 985 000	-
In-service non-members	1 580 000	-
Continuation members	33 561 000	-
	<b>55 126 000</b>	<b>-</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>13. Employee benefit obligations (continued)</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Present value of the defined benefit obligation	55 828 187	53 394 839
Current Service Cost	2 536 973	2 893 744
Interest cost	6 945 260	6 355 845
Benefit payments	(3 474 748)	(2 782 849)
Actuarial(Gain)/Losses	(6 709 672)	(4 033 392)
	<b>55 126 000</b>	<b>55 828 187</b>
Non-current liabilities	(51 761 000)	(52 353 439)
Current liabilities	(3 365 000)	(3 474 748)
	<b>(55 126 000)</b>	<b>(55 828 187)</b>

### Health Care Benefits

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Hosmed, Keyhealth, LA Health and Samwumed.

Pensioners continue on option they belonged to on the day of their retirement.

The independent valuer, Arch Actuarial Consulting (Pty) Ltd carried out a statutory valuation as at 30 June 2024

The municipality provides certain post retirements medical benefits by funding the medical aid contribution of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition service), on retirement, is entitled to remain a continued member of such a medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of the present value of the unfunded defined obligation was carried out as at 30 June 2024 by Arch Actuarial Consulting, a member of Actuarial Society of South Africa. The present value of the defined obligation, and related current service cost and past service cost were measured using the projected unit credit method.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 13. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date: 30 June 2024

CPI Inflation rate		6.13 %	6.94 %
Discount rates used		12.12 %	12.84 %
Maximum subsidy inflation rate		5.35 %	5.96 %
Continuation of membership at retirement		75.00 %	100.00 %
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement		15.00 %	- %
Increase in health cost		7.63 %	8.44 %
Active members expected to continue after retirement		100.00 %	100.00 %
Proportion with a spouse dependant at retirement		60.00 %	70.00 %
Average retirement age	62	63	
Mortality pre-retirement			
Pre-retirement mortality at 30 June 2024	SA 85-90	SA 85-90	
Mortality post-retirement			
Allow for 1% per annum mortality improvements 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:

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 13. Employee benefit obligations (continued)

#### Sensitivity analysis

##### Medical aid contribution inflation rate

Assumed medical aid contribution inflation rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

2024	One percentage point increase	One percentage point decrease
Effect on the service cost	2 090 000	1 647 000
Effect on interest cost	6 874 000	6 009 000
Effect on defined benefit obligation	8 964 000	7 656 000

  

2023	One percentage point increase	One percentage point decrease
Effect on the service cost	3 028 767	2 141 015
Effect on interest cost	7 833 197	6 197 352
Effect on defined benefit obligation	10 861 964	8 338 367

##### Discount rate

Assumed discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rate would have the following effects:

2024	One percentage point increase	One percentage point decrease
Effect on the service cost	1 604 000	2 251 000
Effect on interest cost	6 299 000	6 685 000
Effect on defined benefit obligation	7 903 000	8 936 000

  

2023	One percentage point increase	One percentage point decrease
Effect on the service cost	2 177 631	2 984 592
Effect on interest cost	6 736 257	7 174 531
Effect on defined benefit obligation	8 913 888	10 159 123

##### Post-employment mortality

Assumed assumption have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed assumption would have the following effects:

2024	One percentage point increase	One percentage point decrease
Effect on the service cost	1 849 000	1 929 000
Effect on interest cost	6 313 000	6 651 000
Effect on defined benefit obligation	8 162 000	8 580 000

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 13. Employee benefit obligations (continued) 2023

	One percentage point increase	One percentage point decrease
Effect on the service cost	-	2 680 012
Effect on interest cost	-	7 393 982
Effect on defined benefit obligation	-	10 073 994

### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant	-	51 326
Greenest Municipality Competition	653	653
Upgrade Sithembile Hostel	518 997	483 098
Energy Efficiency and Demand Side Management Grant	3 250	-
Integrated National Electrification Programme Grant	-	46 208
Pound Grant	2 109	132 259
SETA Grant	630 830	454 211
Municipal Disaster Recovery Grant	6 400 000	-
Building Plan Management System	500	500
Expanded Public Works Programme Integrated Grant	1 281	-
Ext 18 Housing Project	206 365	206 365
Massification	2 782 349	2 782 349
Sibongile Dundee Cyber Cadet Grant	-	83 460
Upgrade Sibongile Hostel	56 788	593 026
	<b>10 603 122</b>	<b>4 833 455</b>

#### Movement during the year

Balance at the beginning of the year	4 833 455	4 833 455
Additions during the year	104 947 482	-
Income recognition during the year	(99 177 815)	-
	<b>10 603 122</b>	<b>4 833 455</b>

The nature and extent of government grants recognised in the Annual Financial Statements and an indication of other forms of government assistance from which the Municipality has directly benefited.

The municipality received the Disaster Recovery Grant in the middle of the year and could not spend it by 30 June 2024. The rollover application will be done.

See note 26 for reconciliation of grants from National/Provincial Government.

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 15. Provisions

#### Reconciliation of provisions - 2024

	Opening Balance	Change in obligation/Actuarial gain	Interest Cost	Current service cost	Benefit Paid	Additional Pro-rata	Total
Landfill site provision	10 222 599	1 537 306	1 378 185	-	-	-	13 138 09
Long service awards	6 524 836	(881 342)	656 742	662 205	(808 441)	1 312 000	7 466 00
	<b>16 747 435</b>	<b>655 964</b>	<b>2 034 927</b>	<b>662 205</b>	<b>(808 441)</b>	<b>1 312 000</b>	<b>20 604 09</b>

#### Reconciliation of provisions - 2023

	Opening Balance	Change in obligation	Total
Landfill site provision	9 573 390	649 209	10 222 599
Long Service Awards	6 604 159	(79 323)	6 524 836
	<b>16 177 549</b>	<b>569 886</b>	<b>16 747 435</b>
Non-current liabilities		18 226 962	14 740 599
Current liabilities		2 377 129	2 006 836
		<b>20 604 091</b>	<b>16 747 435</b>

#### PROVISION FOR LONG SERVICE AWARDS

Opening Balance	6 524 836	6 604 159
Contribution to provision	2 630 947	1 136 453
Expenditure incurred	(1 689 783)	(1 215 776)
	<b>7 466 000</b>	<b>6 524 836</b>

#### LANDFILL SITE PROVISIONS

Opening Balance	10 222 600	9 573 390
Change in obligation (Site life discount rate and assumptions)	1 537 306	308 397
Interest cost	1 378 185	340 813
	<b>13 138 091</b>	<b>10 222 600</b>

#### Landfill site Provision

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 11.94%, over an average period of 14.03 years.

The change in the discount rate and the site life reduced the present value of the Landfill site obligation.

The provision created for the rehabilitation of the landfill site is based on OnePangaea Expertise assessment of the rehabilitation costs of the Glencoe dumpsite. A study was done to determine the cost estimate in the near future. The estimates excludes Vat.

#### Long Service Awards

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 15. Provisions (continued)

The long service bonus award is a function of accumulated leave days that is converted into cash in the year the employee attains the service eligible for an award at a rate of 1/251 of annual salary per day.

#### Long service awards

Opening balance	6 524 836
Current service	662 205
Actuarial gains (losses)	-881 441
Interest cost	656 742
Expected benefit vesting	-808 342
Service cost	
	<b><u>7 466 000</u></b>

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 30 June 2024 by Independent Actuarial Arch Actuarial Consulting CC, Fellow of the Actuarial Society of South Africa.

A long service award is payable after 10 years of continuous service and every 5 years thereafter to employees.

Furthermore a retirement gift is payable on retirement to employees with service of 10 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management's estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

#### Key demographic assumption

Average retirement age	62		
Mortality During employment	SA 85-90		
Termination of Services(resignation and retrenchement)	<b>Age</b>	<b>Female</b>	<b>Male</b>
	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%

#### Key Financial Assumption

Duscount Rate	11.36%
CPI Inflation	5.48%
General earning inflation rate	6.48%
<b>Net discount rate</b>	<b><u>4.58%</u></b>

#### Employee benefit cost provision

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>16. Construction Contracts</b>		
The municipality entered into an arrangement with Eskom to electrify the Kunene Farm/Craydon farm electrification project on 2022/23 financial year, the project was not completed in the same year and the municipality applied for funds roll-over which was approved. The municipality manages the construction of electrical infrastructure projects in areas not covered by Endumeni's licence. The municipality received the INEP roll over approval, accepts invoices for work done from the service provider 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.		
<b>Projects in Eskom license area (INEP)</b>		
Construction contract revenue	3 919 893	3 919 893
Construction contract expenditure	(3 919 893)	-
	<b>-</b>	<b>3 919 893</b>
<b>17. Housing development fund</b>		
Housing Development Reserve	5 119 140	5 075 421
<b>The housing development fund is represented by the following assets and liabilities</b>		
Property, plant and equipment	-	93 057
Trade and other receivables	4 483 741	4 390 685
Bank and cash	635 399	591 679
<b>Assets</b>	<b>5 119 140</b>	<b>5 075 421</b>
<b>18. Sale of goods and rendering of services</b>		
Sale of goods	575 848	459 971
<b>19. Service charges</b>		
Sale of electricity	129 342 961	118 479 740
Solid waste	26 717 274	22 838 245
	<b>156 060 235</b>	<b>141 317 985</b>
The indigent support for electricity (2024) R1 743 690, (2023) R1 724 861		
The indigent support for Solid Waste (2024) R4 066 130, (2023) R4 315 732		
<b>20. Rental of facilities and equipment</b>		
Rental of facilities	957 004	778 024
<b>21. Interest Earned from Receivables from exchange transaction</b>		
Interest receivable from waste management	2 665 168	-
Interest receivable from electricity	557 292	-
	<b>3 222 460</b>	<b>-</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>22. Licences and permits</b>		
Trading	45 019	29 671
Road and Transport	4 370 961	4 345 480
Market Porters	21 261	19 391
	<b>4 437 241</b>	<b>4 394 542</b>
<b>23. Other income</b>		
Handling Fees	310 412	1 089 586
Incidental Cash Surpluses	8 888	9 384
Insurance Refund	238 167	-
Interest from non-exchange transactions	8 913 621	-
	<b>9 471 088</b>	<b>1 098 970</b>
<p>Interest received from non-exchange transaction - Eskom reversed R8 913 621.00 of the late interest charged to the municipality is recognised as revenue.</p>		
<b>24. Interest Received on Investments</b>		
<b>Interest revenue</b>		
Bank	2 028 221	2 003 280

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 25. Property rates

#### Rates received

Residential Properties	44 588 133	37 031 418
Commercial Properties	26 727 623	25 361 991
State Owned Properties	9 235 211	15 649 233
Vacant Land	8 222 485	3 807 598
Small holdings and farms	6 390 698	2 875 353
Mining Properties	778 807	423 823
Industrial Properties	8 205 009	10 138 282
	<b>104 147 966</b>	<b>95 287 698</b>

#### Valuations

Residential	4 498 089 000	3 522 529 500
Business and Commercial	932 679 000	594 165 000
Cemetery (Private)	230 000	498 000
Municipal Properties	332 177 000	305 759 000
Industrial Properties	240 095 000	212 684 000
Agriculture Properties	1 444 752 000	1 297 486 000
Mining Properties	17 880 000	14 601 000
Public Benefits Organisation	159 785 000	116 342 000
Public Service Infrastructure	49 141 000	49 759 000
Public Service Purpose	448 986 000	266 044 000
Worshipo Residential	141 260 000	85 202 000
Vacant Property	81 833 000	58 541 000
	<b>8 346 907 000</b>	<b>6 523 610 500</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Property rates levied in terms of the Local Government: Municipal Property rates Act No.6 of 2004 with effect from 01/07/2023. Interim valuations are processed on a quarterly basis to take into account changes in individual land values due to consolidations and subdivisions.

Rates are levied on monthly basis and the 12% interest is levied on outstanding rates per annum.

The new general valuation was implemented on 01 July 2023.

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

Agriculture properties	0.42	0.49
Business and Commercial	3.70	5.11
Industrial Properties	4.37	5.12
Mining Properties	4.37	5.11
Public Service Properties	4.03	5.81
Public Service Infrastructure	0.42	0.49
Residential Properties	1.68	1.95
Vacant Properties	13.26	11.69
Public Benefits organisation	0.42	-

#### Rebates

	2024	2023
Agricultural Properties	60 %	60 %
Small holdings	10 %	10 %
Business and commercial properties	12 %	12 %

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>25. Property rates (continued)</b>		
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 oer month)	10 %	10 %
	<u>- %</u>	<u>- %</u>

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>26. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	66 528 000	60 247 001
Libraries Subsidies	5 241 711	6 192 041
Local Government Financial Management Grant	2 100 000	2 100 000
Expanded Public Works Programme Integrated Grant	1 540 719	2 647 722
Massification program grant	-	39 298
Museums Subsidies	571 000	539 000
Building plan management system	-	69 500
Sibongile Hostel grant	580 304	-
LG SETA	73 181	140 167
Municipal Pound	130 150	-
	<b>76 765 065</b>	<b>71 974 729</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	17 416 000	16 730 674
Energy Efficiency and Demand Side Management Grant	4 996 750	-
Greenest Municipality	-	29 691
	<b>22 412 750</b>	<b>16 760 365</b>
	<b>99 177 815</b>	<b>88 735 094</b>
<b>Equitable Share</b>		
Current year receipts	66 528 000	60 247 000
Conditions met - transferred to revenue	(66 528 000)	(60 247 000)
<b>Conditions still to be met</b>	<b>-</b>	<b>-</b>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a subsidy of 5 809 672 (2023: 6 040 592), which is funded from the grant.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	51 326	-
Current-year receipts	17 416 000	16 782 000
Conditions met - transferred to revenue	(17 416 000)	(16 730 674)
Paid back to treasury	(51 326)	-
<b>Conditions still to be met</b>	<b>-</b>	<b>51 326</b>
Conditions still to be met - remain liabilities (see note 14).		
This grant was used for road infrastructure as part if upgrading of informal settlements as well as construction of cemeteries and sports facility. The municipality had to pay back the unspent amount of R51 326 due to roll over that was not approved.		
<b>Greenest Municipality Grant</b>		
Balance unspent at beginning of year	653	30 344
Conditions met - transferred to revenue	-	(29 691)
<b>Conditions still to be met</b>	<b>653</b>	<b>653</b>
Conditions still to be met - remain liabilities (see note 14).		

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>26. Government grants &amp; subsidies (continued)</b>		
The grant is to assist in enhancing the performance of the municipality		
<b>Upgrade Sibongile Hostel</b>		
Balance unspent at beginning of year	593 025	-
Current-year receipts	44 067	593 025
Conditions met - transferred to revenue	(580 304)	-
<b>Conditions still to be met</b>	<b>56 788</b>	<b>593 025</b>
Conditions still to be met - remain liabilities (see note 14).		
This grant is for the upgrade of the Sibongilev hostel.		
No funds were withheld		
<b>Expanded Public Works Program</b>		
Balance unspent at beginning of year	-	24 921
Current-year receipts	1 542 000	1 577 000
Conditions met - transferred to revenue	(1 540 719)	(1 577 000)
Other	-	(24 921)
<b>Conditions still to be met</b>	<b>1 281</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 14).		
This grant is for Local Economic Development.		
No funds were withheld		
<b>Energy Efficiency and Demand Side Management Grant</b>		
Balance unspent at beginning of year	46 208	1 116 930
Current-year receipts	5 000 000	231 000
Conditions met - transferred to revenue	(4 996 750)	(1 070 722)
Other	(46 208)	(231 000)
<b>Conditions still to be met</b>	<b>3 250</b>	<b>46 208</b>
Conditions still to be met - remain liabilities (see note 14).		
This grant is used to support the municipality with in the efforts to reduce electricity consumption by optimising the use of energy .		
No funds were withheld		
<b>Integrated National Electrification Programme</b>		
Balance unspent at beginning of year	46 208	46 208
Conditions met - transferred to revenue	(46 208)	-
<b>Conditions still to be met</b>	<b>-</b>	<b>46 208</b>
Conditions still to be met - remain liabilities (see note 14).		
This grant is for the Integrated National Electrification Programme increasung access to electricity specially in rural areas.		
<b>Municipal Pound Grant</b>		

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>26. Government grants &amp; subsidies (continued)</b>		
Balance unspent at beginning of year	132 259	132 259
Conditions met - transferred to revenue	(130 150)	-
<b>Conditions still to be met</b>	<b>2 109</b>	<b>132 259</b>
Conditions still to be met - remain liabilities (see note 14).		
This grant is for the establishment of a municipal pound.		
No funds were withheld		
<b>LGSETA Grant</b>		
Balance unspent at beginning of year	454 211	332 748
Current-year receipts	249 800	261 630
Conditions met - transferred to revenue	(73 181)	(140 167)
<b>Conditions still to be met</b>	<b>630 830</b>	<b>454 211</b>
Conditions still to be met - remain liabilities (see note 14).		
This grant is in respect of training for municipal staff. No funds were withheld.		
<b>Municipal Disaster Recovery Grant</b>		
Current-year receipts	6 400 000	-
Conditions still to be met - remain liabilities (see note 14).		
The municipality received the disaster recovery grant in the middle of the year and it was impractical to spend it. The municipality has will apply for a roll over.		
No funds were withheld		
<b>Building Plans System</b>		
Balance unspent at beginning of year	500	70 000
Conditions met - transferred to revenue	-	(69 500)
<b>Conditions still to be met</b>	<b>500</b>	<b>500</b>
Conditions still to be met - remain liabilities (see note 14).		
The purpose of this grant was to help rollout a pilot building plans Information Management System at Endumeni Local Municipality.		
No funds were withheld		
<b>Ex 18 Housing Project</b>		
Balance unspent at beginning of year	206 365	206 365
Conditions still to be met - remain liabilities (see note 14).		
This grant is for the upgrade of the Extension 18 housing project. No funds were withheld.		
<b>Local Government Financial Management Grant</b>		

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>26. Government grants &amp; subsidies (continued)</b>		
Current-year receipts	2 100 000	2 100 000
Conditions met - transferred to revenue	(2 100 000)	(2 100 000)
<b>Conditions still to be met</b>	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 14).		
This grant was used for implementation of MFMA, finance reforms and payment of interns salaries. No funds were withheld.		
<b>Upgrade Sithembile Hostel</b>		
Balance unspent at beginning of year	483 098	457 478
Current-year receipts	35 898	25 620
<b>Conditions still to be met</b>	<b>518 996</b>	<b>483 098</b>
Conditions still to be met - remain liabilities (see note 14).		
This grant is for the upgrade of Sithembile Hostel. No funds were withheld.		
<b>Massification Grant</b>		
Balance unspent at beginning of year	2 782 349	2 821 647
Conditions met - transferred to revenue	-	(39 298)
<b>Conditions still to be met</b>	<b>2 782 349</b>	<b>2 782 349</b>
Conditions still to be met - remain liabilities (see note 14).		
This grant is for the purchase of Yellow Plant and to supplement the Municipal Electrification programme.		
<b>Cyber Cadet Grant</b>		
Balance unspent at beginning of year	83 459	769 647
Current-year receipts	768 251	-
Conditions met - transferred to revenue	(851 710)	(686 188)
<b>Conditions still to be met</b>	<b>-</b>	<b>83 459</b>
Conditions still to be met - remain liabilities (see note 14).		
This grant is for the internet at Sibongle, Dundee and Sithembile libraries. No funds were withheld.		
<b>Library Subsidy</b>		
Current-year receipts	5 152 000	5 152 000
Conditions met - transferred to revenue	(5 241 711)	(5 152 000)
Other	89 711	-
<b>Conditions still to be met</b>	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 14).		
This grant is in respect of municipal library services.		
<b>Museum Subsidy</b>		
Current-year receipts	571 000	539 000
Conditions met - transferred to revenue	(571 000)	(539 000)

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>26. Government grants &amp; subsidies (continued)</b>		
	-	-
Conditions still to be met - remain liabilities (see note 14).		
This grant is in respect of the museum services.		
<b>27. Construction Contract - INEP</b>		
Construction Contract Income	4 554 085	11 676 629
Construction Contract expense	(4 554 085)	(11 676 629)
	-	-
<b>28. Public contributions and donations</b>		
Public contributions and donations	29 885	-
The municipality received donation for computer equipment from the Department of Arts and Culture.		
<b>29. Fines, Penalties and Forfeits</b>		
Illegal Connections Fines	629 613	599 382
Overdue Books Fines	7 482	2 380
Municipal Traffic Fines	4 261 650	2 838 000
Property Rates Penalties	16 647 050	1 232 415
	<b>21 545 795</b>	<b>4 672 177</b>
<b>30. Revenue</b>		
Sale of goods	575 848	459 971
Service charges	156 060 235	141 317 985
Rental of facilities and equipment	957 004	778 024
Interest received (trading)	3 222 459	714 697
Licences and permits	4 437 241	4 394 542
Other revenue from non-exchange transactions	8 913 621	-
Other income	557 467	1 098 970
Interest received - investment	2 028 221	2 003 280
Property rates	104 147 966	95 287 698
Government grants & subsidies	99 177 815	88 735 094
Levies	4 554 085	11 676 629
Public contributions and donations	29 885	-
Fines, Penalties and Forfeits	21 545 795	4 672 177
	<b>406 207 642</b>	<b>351 139 067</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Sale of goods	575 848	459 971
Service charges	156 060 235	141 317 985
Rental of facilities and equipment	957 004	778 024
Interest received (trading)	3 222 459	714 697
Licences and permits	4 437 241	4 394 542
Other revenue from non-exchange transactions	8 913 621	-
Other income	557 467	1 098 970
Interest received - investment	2 028 221	2 003 280
	<b>176 752 096</b>	<b>150 767 469</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 30. Revenue (continued)

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

**Taxation revenue**

Property rates

104 147 966 95 287 698

**Transfer revenue**

Government grants & subsidies

99 177 815 88 735 094

Levies

4 554 085 11 676 629

Public contributions and donations

29 885 -

Fines, Penalties and Forfeits

21 545 795 4 672 177

**229 455 546 200 371 598**

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>31. Employee related costs</b>		
Basic	92 770 608	90 841 216
Bonus	8 374 062	7 128 472
Medical aid - company contributions	20 001 246	12 826 847
UIF	726 135	725 697
Leave pay provision charge	(637 135)	2 908 131
Defined contribution plans	15 141 203	15 031 071
Overtime payments	2 703 148	2 699 778
Long-service awards	197 793	1 136 453
Acting allowances	572 493	996 807
Car allowance	5 775 319	5 982 395
Housing benefits and allowances	487 347	507 923
Standby Allowance	3 040 823	3 200 508
Group Life Insurance	287 353	293 693
Bargaining Council	48 346	47 675
Sundry Allowance	334 645	687 498
Cellphone Allowance	317 358	333 004
Scarcity Allowance	227 733	230 855
Less: Employee costs included in other expenses	-	989
	<b>150 368 477</b>	<b>145 579 012</b>

### Remuneration of Municipal Manager

Annual Remuneration	892 743	353 490
Car Allowance	116 118	96 013
Contributions to UIF, Medical and Pension Funds	120 793	49 809
Cellphone allowance	26 400	11 000
Sundry Allowance	8 475	-
Acting Allowance	-	485 963
	<b>1 164 529</b>	<b>996 275</b>

The Municipal Manager was appointed in February 2023.

### Remuneration of Chief Finance Officer

Annual Remuneration	705 026	436 384
Car Allowance	150 000	106 008
Housing Allowance	78 000	52 792
Cellphone Allowance	14 400	9 600
Contributions to UIF, Medical and Pension Funds	2 074	120 759
Sundry Allowance	-	20 340
Leave conversion	-	34 716
Acting allowance	-	42 301
Back Pay	21 119	-
	<b>970 619</b>	<b>822 900</b>

The position of the Chief Financial Officer was filled in July 2023

The above remuneration includes the back pay of the Chief Financial Officer as per Gazette no. 48789 upper limits of municipal managers and managers directly reporting under Municipal Managers

### Remuneration of Executive Manager - Technical Services

Annual Remuneration	628 342	544 360
Car Allowance	143 054	86 170

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>31. Employee related costs (continued)</b>		
Acting Allowance	4 453	34 286
Contributions to UIF, Medical and Pension Funds	125 358	40 263
Sundry Allowance	-	20 340
Cellphone Allowance	13 792	9 600
Housing allowance	-	48 766
Leave Conversion	-	23 144
BackPay	21 296	-
	<b>936 295</b>	<b>806 929</b>

The Executive Manager Technical Service position was filled in July 2023.

The above remuneration includes the acting allowance of June 2023 which was paid on July 2023.

The above remuneration also includes the back pay of the previous Executive Manager: Technical Services as per Gazette no. 48789 upper limits of Municipal Managers and managers reporting directly under Municipal Managers.

### Remuneration of Executive Manager - Corporate Services

Annual Remuneration	346 541	768 000
Car Allowance	77 246	163 042
Acting Allowance	47 582	36 067
Contributions to UIF, Medical and Pension Funds	41 013	140 495
Sundry Allowance	20 340	20 340
Cellphone allowance	6 750	14 400
Back Pay	38 607	-
	<b>578 079</b>	<b>1 142 344</b>

The Former Executive Manager: Corporate Services, contract was terminated on the 19th of September 2023 (appointed on the 1st of November 2019)

The above remuneration includes the acting allowance of the manager that was acting on the position.

The remuneration of the above manager includes the back pay of the former Executive Manager: Corporate Services as per Gazette no. 48789 upper limits of municipal managers and managers reporting directly under municipal managers.

The new Executive Manager: Corporate Services was appointed on the 1st of April 2024.

### Remuneration of Executive Manager - Planning and Development

Annual Remuneration	762 237	720 000
Car Allowance	119 933	137 378
Housing Allowance	50 111	28 992
Contributions to UIF, Medical and Pension Funds	189 739	185 167
Sundry Allowance	20 340	20 340
Cellphone Allowance	14 400	14 400
Acting Allowance	-	23 599
	<b>1 156 760</b>	<b>1 129 876</b>

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

### Remuneration of Executive Manager - Community Services

Annual Remuneration	696 315	660 000
Car Allowance	144 959	140 226
Contributions to UIF, Medical and Pension Funds	121 062	121 055

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>31. Employee related costs (continued)</b>		
Sundry Allowance	20 340	20 340
Cellphone Allowance	14 400	14 400
	<b>997 076</b>	<b>956 021</b>

The position for the Executive Manager Community Services was filled in March 2021

### 32. Remuneration of councillors

Mayor	510 849	480 248
Executive Committee Members	1 305 789	1 250 786
Speaker	409 359	384 198
Councillors	2 631 421	2 529 058
	<b>4 857 418</b>	<b>4 644 290</b>

### In-kind benefits

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

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

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

### 33. Depreciation and amortisation

Property, plant and equipment	15 120 014	15 169 954
Investment property	-	121 193
Intangible assets	568 127	580 252
	<b>15 688 141</b>	<b>15 871 399</b>

### 34. Finance costs

Interest Paid:Overdue Accounts	11 258 364	11 968 688
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The municipality was charged interest by Eskom and SARS for late payments of invoices.

### 35. Lease rentals on operating lease

#### Equipment

Contractual amounts	1 092 950	789 351
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### 36. Debt impairment

Debt impairment	4 492 330	54 856 854
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### 37. Bulk purchases

Electricity - Eskom	166 084 870	136 334 811
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The municipality incurred an electricity distribution loss of 35 426 457. The reason of high electricity distribution loss is due to theft and outdated electricity meters and dwindling infrastructure

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>37. Bulk purchases (continued)</b>		
<b>Electricity losses</b>		
	2024	2023
Units purchased	85 469 307	82 313 320
Units sold	(50 042 850)	(51 015 762)
<b>Total loss</b>	<b>35 426 457</b>	<b>31 297 558</b>
Comprising of:		
Technical losses	6 837 545	6 585 067
Non-technical losses	28 588 912	24 712 491
<b>Total</b>	<b>35 426 457</b>	<b>31 297 558</b>
Percentage Loss:		
Technical losses	8 %	8 %
Non-technical losses	33 %	30 %
<b>Total</b>	<b>41 %</b>	<b>38 %</b>
<b>38. Contracted services</b>		
<b>Outsourced Services</b>		
Administrative and Support Staff	11 125	4 805
Burial Services	213 629	282 567
Business and Advisory	1 415 841	2 875 447
Catering Services	314 837	482 212
Clearing and Grass Cutting Services	519 430	561 584
Fire Services	208 753	167 040
Litter Picking and Street Cleaning	198 405	246 495
Personnel and Labour	1 182 747	140 167
Professional Staff	2 892 090	2 430 098
Connection/Dis-connection	324 020	152 172
Drivers Licence Cards	356 606	369 878
Electrical	43 431	31 869
<b>Consultants and Professional Services</b>		
Legal Cost	2 626 411	2 562 906
<b>Contractors</b>		
Maintenance of Buildings and Facilities	1 044 991	841 467
Maintenance of Equipment	213 448	97 680
Maintenance of Unspecified Assets	13 918 633	9 425 634
Plants, Flowers and Other Decorations	446	79 107
Transportation	3 715 483	4 465 954
Safeguard and Security	15 255 859	14 676 617
	<b>44 456 185</b>	<b>39 893 699</b>
<b>39. Transfer and subsidies</b>		
<b>Other subsidies</b>		
Social Assistance:Grant In Aid	583 303	179 249

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>40. General expenses</b>		
Advertising	307 533	325 992
Auditors remuneration	4 067 761	4 246 613
Bank charges	1 019 340	750 958
Consumables	1 885 754	3 589 048
Delivery expenses	2 893	12 209
Entertainment	56 207	52 421
Hire	-	220 053
Insurance	2 951 875	2 787 014
IT expenses	1 293 920	1 258 573
Skills Development Levy	1 220 818	1 156 172
Postage and courier	257 022	571 816
Printing and stationery	865 351	738 141
Protective clothing	324 012	526 697
Subscriptions and membership fees	1 562 621	1 419 424
Telephone and fax	1 095 082	1 526 753
Transport and freight	2 546 587	2 955 841
Subsistence and Travelling	922 078	671 491
Municipal Services	5 166 227	6 205 030
Ward Committees	1 564 292	2 301 743
Learnerships and Internships	554 533	428 978
Indigent Relief	52 995	75 914
Movement on landfill site	2 925 682	649 210
	<b>30 642 583</b>	<b>32 470 091</b>
<b>41. Fair value adjustments</b>		
Investment property (Fair value model)	5 095 000	5 981 000
<b>42. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	(393 918)	(1 009 372)
During the financial period a physical verification of assets was undertaken. Assets identified during the physical verification deemed to be in a poor and very poor physical condition were tested for possible impairment. As a result, 367 assets were tested for impairment, and additional impairment losses amounting to R 393,918.12 were recognised in respect of 81 of these assets.		
Inventories	(19 652)	(52 466)
Inventory write off of the shortages from the stocktaking approved by council.		
	<b>(413 570)</b>	<b>(1 061 838)</b>
<b>43. Other revenue</b>		
Other revenue from non-exchange transaction	8 913 621	-
Other income	557 467	1 098 970
	<b>9 471 088</b>	<b>1 098 970</b>
<b>44. Auditors' remuneration</b>		
Fees	4 067 761	4 246 613

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>45. Self-insurance reserve</b>		
Opening balance	2 155 797	2 183 727
Expenditure	(2 200)	(18 037)
Transfer to accumulated surplus	(10 955)	(9 893)
	<b>2 142 642</b>	<b>2 155 797</b>
<b>46. Cash generated from operations</b>		
Deficit	(38 938 486)	(99 192 804)
<b>Adjustments for:</b>		
Depreciation and amortisation	15 688 141	15 871 399
Gain on sale of assets and liabilities	1 462 014	51 851
Actuarial Gains / (Loss)	393 918	1 009 372
Fair value adjustments	(5 095 000)	(5 981 000)
Finance costs - Refuse Site Provision	(11 258 364)	(4 978 733)
Interest income	(2 028 221)	(2 003 280)
Debt impairment	3 823 595	54 690 356
Bad debts written off	21 917 156	-
Movements in retirement benefit assets and liabilities	(702 187)	-
Movements in provisions	3 856 656	2 608 349
Movement in tax receivable and payable	-	(1 992 930)
Inventory losses or write-downs	19 652	114 033
Reserve income	5 188 000	163 064
Contribution to leave provision	2 877 903	-
<b>Changes in working capital:</b>		
Inventories	1 596 524	(704 382)
Consumer debtors	(49 106 214)	1 687 340
Other receivables from non-exchange transactions	1 470 818	10 910 586
Payables from exchange transactions	59 910 315	43 069 538
VAT	-	(5 393 106)
Unspent conditional grants and receipts	5 769 667	(911 406)
Consumer deposits	337 853	5 826 956
Change in Provisions	-	(649 210)
Construction contract payable	3 919 893	-
	<b>21 103 633</b>	<b>14 195 993</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>47. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for and provided for</b>		
• Infrastructure assets	3 695 798	18 149 984
• Community Assets	6 132 949	-
• Other assets	809 491	-
	<b>10 638 238</b>	<b>18 149 984</b>
<b>Total capital commitments</b>		
Already contracted for and provided for	10 638 238	18 149 984
<b>Authorised operational expenditure</b>		
<b>Already contracted for - multi-year projects</b>		
• Operational Commitment	3 493 711	-
<b>Total Commitments</b>		
Already contracted for - multi year projects	3 493 711	-
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	10 638 238	18 149 984
Authorised operational expenditure	3 493 711	-
	<b>14 131 949</b>	<b>18 149 984</b>

This committed expenditure will be financed from government grants and internally generated funds

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 48. Contingencies

#### 48.1 Contingent Liabilities

##### CASE NUMBER - END/049/21

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

##### CASE NUMBER - END/021/19

Pleading closed, matter ripe to be set down for trial.

R65 000

##### CASE NUMBER-END/052/22

MASS EVICTION APPLICATION- Matter kept in abeyance

##### CASE NUMBER - END/053/22

The child was injured as she fell into an open storm water drain.  
Action defended, to file plea

R75 000

##### CASE NUMBER - END/054/23

CCG interdicted the municipality on the implementation of the new financial system.  
Legal opinion on interpretation of the court order Application granted with costs against the municipality

##### uMzinyathi District vs Endumeni municipalit

Endumeni municipality received Hostel account statement received from uMzinyathi Municipality with a balance of R17 311 994.71. The municipality is current disputing the current debt.

#### Contingent liabilities incurred relating to interests in other entities

#### 48.2 Contingent assets

The municipality has pending Civil Claim cases of R492 000 which are broken down as follows:

CASE NUMBER END/013/19	R35 000
CASE NUMBER END/014/19	R15 500
CASE NUMBER END/015/19	
CASE NUMBER END/015/19C	R15 500
CASE NUMBER END/016/19	R15 500
CASE NUMBER END/017/19A	R25 000
CASE NUMBER END/018/19	R15 500
CASE NUMBER END/018/19B	R16 500
CASE NUMBER END/019/19	R16 500
CASE NUMBER END/019/19C	R15 500
CASE NUMBER END/022/20	R5 000
CASE NUMBER END/024/2020	R15 000
CASE NUMBER END/025/20	R17 500
CASE NUMBER END/026/20	R65 000
CASE NUMBER END/030/20	R15 500
CASE NUMBER END/032/2020	R5 000
CASE NUMBER END/34/2020	
CASE NUMBER END/036/2020	R15 000
CASE NUMBER END/037/2020	R15 000
CASE NUMBER END/038/2020	R28 500
CASE NUMBER END/040	R15 000
CASE NUMBER END/046/2021	R125 000

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 48. Contingencies (continued)

### 49. Related parties

#### Remuneration of management

##### Management class: Councillors

#### 2024

Name	Remuneration	Travel allowance	Cellphone allowance	Back pay	Total
Mayor	494 135	-	42 200	16 714	553 049
Speaker	395 307	-	42 200	14 052	451 559
MPAC Chairperson	233 283	125 905	42 200	13 093	414 481
Executive Committee Councillors	611 235	122 668	84 400	34 086	852 389
	2 077 421	101 409	326 800	80 310	2 585 940
	<b>3 811 381</b>	<b>349 982</b>	<b>537 800</b>	<b>158 255</b>	<b>4 857 418</b>

#### 2023

Name	Remuneration	Travel allowance	Cellphone allowance	Total
Mayor	480 248	-	40 800	521 048
Speaker	384 198	-	40 800	424 998
Mpac chair	227 252	122 366	40 800	390 418
Executive committee Councillors	540 289	180 096	81 600	801 985
	2 111 332	326 400	68 109	2 505 841
	<b>3 743 319</b>	<b>628 862</b>	<b>272 109</b>	<b>4 644 290</b>

Compensation of councillors is disclosed in note 33."

##### Management class: Executive management

#### 2024

Name	Remuneration	Total
Section 56 and 57 managers	5 803 356	5 803 356

#### 2023

Name	Remuneration	Total
Section 56 and 57 managers	5 854 346	5 854 346

Compensation of key management is disclosed on note 32.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 50. Prior-year adjustments

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

#### Statement of financial position

##### 2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from Exchange Transactions		22 768 870	-	43 398 068	66 166 938
Consumer deposit		5 727 075	99 881	-	5 826 956
Receivables from Non-exchange Transaction		33 644 503	-	(23 399 527)	10 244 976
Property, Plant and Equipment		336 921 785	225 314	-	337 147 099
Payables from exchange transactions		177 940 573	22 565 022	-	200 505 595
VAT Payable		266 997	-	-	266 997
Accumulated Surplus		285 110 968	(2 174 018)	-	282 936 950
		<b>862 380 771</b>	<b>20 716 199</b>	<b>19 998 541</b>	<b>903 095 511</b>

#### Statement of financial performance

##### 2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Service Charges		141 534 703	-	216 718	141 751 421
Sale of goods and rendering of services		-	-	459 971	459 971
Rental of facilities and equipment		1 106 678	-	(328 654)	778 024
Interest earned from receivables from exchange		-	-	714 697	714 697
Interest earned from external investments		2 003 280	-	-	2 003 280
Licence and permits		3 815 984	-	578 558	4 394 542
Construction revenue		11 676 629	-	(11 676 629)	-
Operational revenue		1 230 285	-	104 920	1 335 205
Property Rates		95 287 699	-	-	95 287 699
Fines, penalties and collection charges		3 443 231	1 228 946	-	4 672 177
Transfers and Subsidies		88 735 094	-	-	88 735 094
Construction revenue		11 676 629	-	-	11 676 629
Employee Related Cost		(138 598 459)	-	(6 980 563)	(145 579 022)
Councillors remuneration		(4 644 290)	-	-	(4 644 290)
Depreciation and Ammortisation		(15 825 212)	-	(46 188)	(15 871 400)
Finance costs		-	-	(11 968 688)	(11 968 688)
Lease rentals		-	-	(789 352)	(789 352)
Debt impairment		(54 690 356)	-	(166 498)	(54 856 854)
REtirement and long service benefits		6 352 650	-	(6 352 650)	-
Construction Expenditure		(11 676 629)	-	-	(11 676 629)
Bulk purchases		(136 334 811)	-	-	(136 334 811)
Contracted services		(19 361 305)	-	(20 532 394)	(39 893 699)
General expenditure		(61 323 681)	-	28 853 590	(32 470 091)
<b>Deficit for the year</b>		<b>(75 591 881)</b>	<b>1 228 946</b>	<b>(27 913 162)</b>	<b>(102 276 097)</b>

#### Errors

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

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

The following prior period errors adjustments occurred

#### Receivables from Non-exchange transactions

Various Jnls were done for reclassification - the reason for the Journals is because the Municipality was preparing their Annual Financial Statements on Excel in the previous financial year.

The municipality is preparing the current Annual Financial Statements using CaseWare and a remapping of accounts needed to be conducted on CaseWare to align the Trial Balance opening balances with the 2023 signed Annual Financial Statements, opening balances which had differences

#### VAT Receivable

A reclassification JNL was done - the reason for the Journal is because the Municipality was preparing their Annual Financial Statements on excel in the previous financial year.

The municipality is preparing the current Annual Financial Statements using CaseWare and a remapping of accounts needed to be conducted on CaseWare as VAT Receivables was not mapped in the previous year - it was included in the VAT Control account that was mapped on Excel

The accounts have now been separated as VAT Receivables, VAT Payable and VAT Control

#### Receivables from Exchange Transactions

A reclassification JNL was done - the reason for the Journal is because the Municipality was preparing their Annual Financial Statements on excel in the previous financial year.

The municipality is preparing the current Annual Financial Statements using CaseWare and a remapping of accounts needed to be conducted on CaseWare to align the Trial Balance opening balances with the 2023 signed Annual Financial Statements, opening balances which had differences

#### Property, Plant and Equipment

A reclassification JNL was done - the reason for the Journal is because the Municipality was preparing their Annual Financial Statements on excel in the previous financial year.

The municipality is preparing the current Annual Financial Statements using CaseWare and a remapping of accounts needed to be conducted on CaseWare to align the Trial Balance opening balances with the 2023 signed Annual Financial Statements, opening balances which had differences

A correction of prior year error journal was done on Office Furniture and Equipment - Wasbank furniture that was donated by the Department of Arts and Culture in November 2021 and it was inadvertently not capitalised

#### Payables from exchange transactions

A prior period error JNL was done - the reason for the Journal is because the Municipality was preparing their Annual Financial Statements on excel in the previous financial year.

The municipality is preparing the current Annual Financial Statements using CaseWare and a calculation and disclosure of the Bonus Accruals needed to be done in accordance to GRAP 25

The municipality did not report accruals on bonuses as a separate item on the AFS under the Payables from Exchange note in the previous financial year - the municipality disclosed this in the current financial year.

The calculation of the bonus on accruals was calculated on a pro-rate basis with the anniversary date of an employee taken into consideration

#### VAT Payable

Various prior year Jnls were done - the reason for the Journals is because the Municipality was preparing their Annual Financial Statements on excel in the previous financial year.

The municipality is preparing the current Annual Financial Statements using CaseWare and a remapping of accounts needed to be conducted on CaseWare to align the Trial Balance 2023 amount with the 2023 signed Annual Financial

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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Figures in Rand

2024

2023

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

Statements amount, which had differences

Various Jnls were posted where Accruals on VAT Output was incorrectly calculated in the previous financial year - the necessary adjustments were made for the errors

### Accumulated Surplus

Various Jnls were posted which affected Accumulated Surplus for the previous year

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

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

#### Reclassifications

The following reclassifications adjustment occurred:

#### Reclassification 1

Certain comparative amounts have been reclassified. Previously, the annual financial statements were done on excel, now they are prepared on Caseware, therefore reclassification was necessary to ensure that the Annual Financial Statements are correctly mapped on Caseware as per Mscoa segments. The reclassification is as follows:

#### Revenue Reclassification

**Revenue from exchange**-a reclassification of R14 328 649,00 has been made within this revenue stream and the effect is nil

**Revenue from non-exchange**-a reclassification for R14 485 907,00 has been made.

#### Expenditure reclassification

**Finance cost (Interest expense)** is a prior period error presented under operational cost, on the amount audited the correction has been made for R11 968 688,28 and disclosed separately.

**Lease Rental on operating lease** is a prior period error that was incorrectly mapped under operational cost on amount audited the correction of error has been made of Amount of R789 351,75.

**Municipal services**-is a prior period error that was incorrectly presented on AFS on operational cost amount of electricity for municipal services.

**Retirement and long services benefits** is a prior period error which was incorrectly presented on the face of Financial performance while its suppose to be included on Employee related cost

**Employee related costs**-a reclassification of R6 980 563,00 has been made that was a prior error for excluding Retirement and Long services benefit to this line items by presenting them separately.

**Transfers and subsidies** supposed to be on the face of financial performance but was incorrectly mapped under operational cost and correction of a prior period error has been made

Contribution of Landfill site position (Increase )/Decrease-a Prior period error was incorrectly mapped under operational cost the amount of R649 210,00 has been reclassified/corrected.

**Operational cost**- R30 513 189 was incorrectly mapped under operational cost some of the items were corrected as a prior period error and other were reclassified

**Contraction expenditure**- was incorrectly mapped under operational cost a total reclassification of R1 200 671,00 has been made.

**Debt impairment**-was incorrectly mapped under Gains and Losses, a reclassification of R166 498,00 has been made.

Contracted service a reclassification of R20 851 155,00 has been made

**Amortisation**-A total of R 580 252,00 was on the face of financial perfomane, which was incorrectly mapped by not being presented as depreciation and amortisation

**Depreciation**-A total of R 15 244 960,00 was on the face of financial perfomane incorrectly mapped by not being presented as depreciation and amortisation.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 51. Risk management

#### Financial risk management

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

#### 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.

#### 2024

	Not later than one year
Receivables from exchange transaction	77 328 475
Receivable from non-exchange transaction	8 774 157
Cash and cash equivalent	35 699 265
Payable from exchange transaction	260 415 911
Consumer Deposits	6 164 809
	<b>388 382 617</b>

#### 2023

	Not later than one year
Receivable from exchange transaction	66 166 938
Receivable from non-exchange transaction	10 244 976
Cash and cash equivalent	26 956 562
Payables from exchange transaction	200 505 596
Consumer Deposits	5 826 956
	<b>309 701 028</b>

#### Credit risk

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

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

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

### 52. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had net assets of 237 681 296 and that the municipality's total liabilities exceed its assets by 242 800 436. The municipality also incurred a financial deficit of **R38 938 486** for the period ending 30 June 2024.

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

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 52. Going concern (continued)

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.

As required by the Standards of GRAP, all municipalities must perform an assessment of whether its financial statements should be prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Financial sustainability of Endumeni Local Municipality is contingent on its ability to generate revenue through service charges and property rates.

#### GOING CONCERN ASSESSMENT 01 JULY 2023 – 30 JUNE 2024

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 assessment of going concern assumption is measured with different determinants, on which consequently may vary in each case. The factors should clearly reflect that whether the municipality is deemed to be a going concern in terms of its ability to generate and/or raise enough cash to pay its operating expenses and make appropriate payments to its debt or not.

The going concern indicates that Municipality is likely to continue its operation or can meet its obligations as they become due within 12 months and subsequent to the financial statement date or shortly thereafter. 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.

In assessing whether an entity is a going concern, for an individual entity, an assessment of its statement of financial position at the reporting date may suggest that the going concern assumption is not appropriate. However, there may be multi-year funding agreements, or other arrangements, in place that will ensure the continued operation of the entity.

Going Concern Ratios

Current Ratio = Current Assets / Current Liabilities

143 705 871/ 282 925 971

0.51

The current is a liquidity ratio measures whether the Municipality has enough resources to pay its short-term obligations. It compares current assets to current liabilities. The municipality's current assets are not enough to cover liabilities, and below the acceptable norm.

The acceptable Standard norm is 1:1,

**Debt Ratio** = Total Liabilities / Total Assets

**352 913 933/ 609 857 421\*100**

**57%**

The debt ratio measures the amount of leverage used by a company in terms of total debt to total assets.

The Municipality has enough Assets to cover its Liabilities

Net coverage = Cash + Investment - Unspent Grant / Average Monthly Operating Expenditure

**(8 129 374 + 27 554 596) – 10 603 122)**

34 491 520

0.73

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 52. Going concern (continued)

The cash coverage ratio is useful for determining the municipality's ability to meet its obligations to provide basic services or its financial commitment.

The norm range is between 1 to 3 months. The municipality's cash coverage is below the norm and less than a month.

### GOING CONCERN/FINANCIAL SUSTAINABILITY

Upon assessment of the going concern in the 2023-2024 Financial Year, material uncertainties that may impede the municipality's ability to continue as a going concern were identified as follows (challenges):

Escalating Eskom debt and inability to meet Eskom debt conditions and payment arrangement,

Unfunded budget, Dilapidated cash generating infrastructure,

High electricity losses,

Huge employee related costs.

Financial Sustainability improvement plans implemented by the municipality (corrective measures):

Implementation of the revenue enhancement strategies, i.e. appointment of the debt collector,

Cooperative Government and Traditional Affairs (CoGTA) intervention on government debt through Inter-governmental Relations,

Stringent controls of credit control policy implementation, customer awareness programme and indigent relief programme, system integration (Contour & Munsoft),

Provision of sustainable service delivery to customers,

Implementation of the budget funding action plan.

Application of Appointment of the service provider to implement electricity losses reduction strategies and Token Identifier (T.I.D) rollover conversion programme and hefty penalties on tampered meters.

### 53. Events after the reporting date

There were no events to be disclosed after the reporting date.

### 54. Unauthorised expenditure

Opening balance as previously reported	76 710 468	20 710 962
Add: Unauthorised expenditure - current	39 038 335	55 999 506
Less: Amount written off by council	(45 284 880)	-
<b>Closing balance</b>	<b>70 463 923</b>	<b>76 710 468</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 54. Unauthorised expenditure (continued)

#### Analysed as follows: non-cash

Depreciation and amortisation	3 442 076	70 276
Debt Impairment	-	43 943 688
Bad debt written off	21 917 156	-
Finance costs	11 258 364	-
	<b>36 617 596</b>	<b>44 013 964</b>

#### Analysed as follows: cash

Bulk purchases	2 114 363	-
Leases	300 396	-
Collection cost	5 980	-
Temporal workers	-	1 270 916
Other Expenditure	-	10 714 627
	<b>2 420 739</b>	<b>11 985 543</b>

### 55. Fruitless and wasteful expenditure

Opening balance as previously reported	12 644 665	3 928 280
Add: Fruitless and wasteful expenditure identified - current	11 817 392	11 432 884
Less: Amount written off - current	(9 138 268)	(2 716 499)
Less: Amount written off - prior period	(11 432 884)	-
<b>Closing balance</b>	<b>3 890 905</b>	<b>12 644 665</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 55. Fruitless and wasteful expenditure (continued)

#### Details of fruitless and wasteful expenditure

Cost Order	-	7 112
Interest	11 755 281	11 425 672
Traffic fines	-	100
Over-utilization of sick leave	62 112	-
	<b>11 817 393</b>	<b>11 432 884</b>

#### MFMA DISCLOSURE NOTES

- Any criminal or disciplinary steps taken as a result of material losses and material irregular or fruitless and wasteful expenditure and unauthorised expenditure in terms of S152(2)(d)(ii)
- Statement by the Accounting Officer that the salaries, allowances and benefits are in accordance with the framework in S219 of the Constitution, S124(1)(a)

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 55. Fruitless and wasteful expenditure (continued)

#### Amount written-off

After the MPAC and Internal Audit investigations, council approved the MPAC recommendation to write-off an amount of 20 571 156 from the total fruitless and wasteful expenditure incurred in the current year and prior years.

### 56. Irregular expenditure

Opening balance as previously reported	33 627 969	23 033 448
Add: Irregular expenditure - current	5 289 658	21 734 634
Less: Amount written off - current	(445 878)	(11 140 113)
Less: Amount written off - prior period	(16 596 352)	-
<b>Closing balance</b>	<b>21 875 397</b>	<b>33 627 969</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 56. Irregular expenditure (continued)

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

Expired contracts	242 018	-
Non-compliance with Tax	560 749	-
SCM process not followed	4 486 892	15 486 355
Three quotations not obtained	-	128 981
Non-compliance with Regulation 32	-	6 119 298
	<b>5 289 659</b>	<b>21 734 634</b>

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

#### Contributions to organised local government

Current year subscription / fee	1 543 789	1 394 107
Amount paid - current year	(1 543 789)	(1 394 107)
	<b>-</b>	<b>-</b>

#### Audit fees

Current year subscription / fee	2 954 354	4 319 816
Amount paid - current year	(2 954 354)	(4 319 816)
	<b>-</b>	<b>-</b>

#### PAYE and UIF

Current year subscription / fee	20 761 384	20 241 747
Amount paid - current year	(20 761 384)	(20 241 747)
	<b>-</b>	<b>-</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>57. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	36 543 735	34 995 548
Amount paid - current year	(36 543 735)	(34 995 548)
	-	-

### VAT

VAT control account was zero as at 30 June 2024. .

All VAT returns have been submitted by the due date throughout the year.

### Councillors' arrear consumer accounts

During the year none of the Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024

During the year none of the Councillors' had arrear accounts outstanding for more than 90 days at 30 June 2023.

### 58. Deviation from supply chain management regulations

.

The municipality incurred an expenditure of **R12 166 542.02** (2024) and **R837 398** (2023) for goods and service that were procured through 36 of the supply chain management policy - Deviation. Reasons were documented, duly authorised by the Accounting Officer and noted by the Council.

The deviation is attached as Annexure on the Annual Financial Statements.

### 59. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of four major functional segments: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

#### Aggregated segments

The municipality operates in the KZN province specific to Dundee. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Gauteng were sufficiently similar to warrant aggregation.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 59. Segment information (continued)

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

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

#### Reportable segment

Community and Public Safety  
Economic and Environmental Services  
Trading Services  
Other  
Unallocated

#### Goods and/or services

Primary services provided to the community  
Urban and development planning  
Primary basic services provision  
Supporting services finance and governance  
Unallocated.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 59. Segment information (continued)

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

2024

	Community and Social Services	Economic and Environmental Services	Trading Services	Other	Unallocated	Total
<b>Revenue</b>						
Revenue from exchange	6 601 921	22 063 921	21 331 394	179 458 310	-	229 455 546
Revenue from non-exchange	1 089 393	4 552 505	153 299 751	3 518 238	12 263 988	174 723 875
Interest Revenue	-	-	-	-	2 028 221	2 028 221
Other	-	-	-	-	12 705 666	12 705 666
<b>Total segment revenue</b>	<b>7 691 314</b>	<b>26 616 426</b>	<b>174 631 145</b>	<b>182 976 548</b>	<b>26 997 875</b>	<b>418 913 308</b>
<b>Entity's revenue</b>						<b>418 913 308</b>
<b>Expenditure</b>						
Total segment expenses	46 751 963	49 052 054	206 321 130	128 780 142	-	430 905 289
Depreciation and Amortisation	4 292 404	6 129 179	2 620 019	2 646 539	-	15 688 141
Interest expense	-	-	11 074 627	183 737	-	11 258 364
<b>Total segment expenditure</b>	<b>51 044 367</b>	<b>55 181 233</b>	<b>220 015 776</b>	<b>131 610 418</b>	<b>-</b>	<b>457 851 794</b>
<b>Total segmental surplus/(deficit)</b>	<b>(43 353 053)</b>	<b>(28 564 807)</b>	<b>(45 384 631)</b>	<b>51 366 130</b>	<b>26 997 875</b>	<b>(38 938 486)</b>
<b>Assets</b>						
Segment assets	20 649 453	15 682 547	327 334 763	232 047 606	-	595 714 369
<b>Total assets as per Statement of financial Position</b>						<b>595 714 369</b>
<b>Liabilities</b>						
Segment liabilities	403	(6 097 559)	(68 037 606)	(278 779 171)	-	(352 913 933)
<b>Total liabilities as per Statement of financial Position</b>						<b>(352 913 933)</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 59. Segment information (continued)

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 Endumeni 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.

### 2023

	Community and Public Safety	Economic and Environmental Services	Trading Services	Other	Unallocated	Total
<b>Revenue</b>						
Revenue from non-exchange transactions	7 153 567	19 718 264	11 662 264	120 521 771	30 715 642	189 771 508
External Revenue from exchange transactions	1 082 190	3 799 191	141 538 647	427 116	12 517 135	159 364 279
Interest revenue	-	-	-	-	2 003 280	2 003 280
Other	-	-	-	-	6 033 466	6 033 466
<b>Total segment revenue</b>	<b>8 235 757</b>	<b>23 517 455</b>	<b>153 200 911</b>	<b>120 948 887</b>	<b>51 269 523</b>	<b>357 172 533</b>
<b>Entity's revenue</b>						<b>357 172 533</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 59. Segment information (continued)

#### Expenditure

Total segment expense	48 612 024	43 737 165	210 606 060	6 431 393	131 153 483	440 540 125
Depreciation and amortisation	4 286 254	5 226 571	2 362 628	184 106	3 765 653	15 825 212
<b>Total segment expenditure</b>	<b>52 898 278</b>	<b>48 963 736</b>	<b>212 968 688</b>	<b>6 615 499</b>	<b>134 919 136</b>	<b>456 365 337</b>
<b>Total segmental surplus/(deficit)</b>	<b>(44 662 521)</b>	<b>(25 446 281)</b>	<b>(59 767 777)</b>	<b>114 333 388</b>	<b>(83 649 613)</b>	<b>(99 192 804)</b>

#### Assets

Segment assets	57 929 078	3 807 418	483 116 780	26 086 409	4 734 194	575 673 879
<b>Total assets as per Statement of financial Position</b>						<b>575 673 879</b>

#### Liabilities

Segment liabilities	11 929	(178 745)	(2 106 823)	(2 271 128)	(283 116 755)	(287 661 522)
<b>Total liabilities as per Statement of financial Position</b>						<b>(287 661 522)</b>

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

### 60. Budget differences

#### Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance. The Annual Financial Statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from 2023/07/01 to 2024/06/30. The Annual Financial Statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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Figures in Rand

2024

2023

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### 60. Budget differences (continued)

The amounts in the annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 60. Budget differences (continued)

Financial Performance	Budget	Actual	Variance	Reason for Difference - 10%	Variance %
<b>Budget Differences</b>					
Sale of Goods	750 000	575 848	(258 652)	Budget was based on the past financial year and actual sales were less than anticipated	34 %
Service Charges	219 761 000	155 021 301	64 739 699	Electricity and Waste raised during the year - Endumeni is marred by a high number of unemployed people who cannot afford to pay for the municipal services	30 %
Rental of Facilities and equipment	1 375 243	957 004	418 239	Rental of facilities raised during the course of the year - the municipal facilities are now old and people no longer hire the facilities for social events - municipality is facing financial constraints so the municipality cannot maintain the buildings	30 %
Licence and permits	4 679 000	4 437 241	241 759		5 %
Interest received from investments	2 000 000	2 028 221	28 221		1 %
Interest received from receivables	2 211 145	3 222 460	1 011 315	Interest from arrear accounts on Service Charges	46 %
Other Income	881 000	1 596 402	715 402		81 %
Property Rates	106 712 000	104 147 966	2 564 034		2 %
Fines, penalties and forfeits	17 051 000	20 869 295	3 818 295		22 %
Government grants and subsidies	81 070 000	(99 301 665)	-		122 %
Construction revenue	4 507 000	4 492 758	14 242		- %
Public contribution and donation	-	29 885	-	- Donations were not budgeted for-computer equipment was donated to the municipality	- %
Gains on assets disposal	5 000 000	1 586 543	3 413 457		68 %
Employee related cost	(148 254 000)	(150 368 477)	2 114 477		1 %
Remuneration of Councillors	(6 413 069)	(4 857 418)	(1 555 651)	The municipality did not have a Deputy Mayor in the 2023/24 Financial Year	24 %
Depreciation, amortization and assets impairment	(13 920 000)	(15 688 141)	1 768 141	Roads in Endumeni got damaged through bad weather incliments	13 %
Finance Costs	-	(11 258 364)	(1 258 364)	Growing Eskom Debt - the municipality is failing to pay Eskom timeously because of financial constraints	- %
Lease rentals on operating lease	(792 554)	(1 092 950)	(300 396)		37 %
Bulk Purchases	175 125 578	166 084 870	9 040 708		5 %
Debt Impairment	(9 373 000)	(3 823 595)	(5 549 405)		60 %
Bad Debts written off	-	(21 917 156)	21 917 156	Bad Debts written off of Consumer Debtors from previous year	- %

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023		
<b>60. Budget differences (continued)</b>				
Contracted Services	(50 210 000)	(45 312 388)	(4 897 612)	Outsourced services such as legal fees, maintenance and security services are being utilized by the municipality where cost containment measures were done on services such as security
Transfers and Subsidies	(610 000)	(583 303)	26 697	Payments on grants in aid and Tourism
General Expenses	(33 463 000)	(30 495 641)	(2 967 359)	
Construction Expenditure	4 507 877	4 507 877	-	
	<b>362 595 220</b>	<b>84 858 573</b>	<b>95 044 403</b>	<b>704 %</b>

Financial Position Budget Differences	Budget	Actual	Variance	Reason for difference - 10%	Variance
Inventories	9 357 446	7 760 921	1 596 525	Due to financial constraints, the municipality did not procure too many inventories in the 2023/24 financial year	17
Receivables from non-exchange transaction	47 299 000	8 774 157	38 532 608		81
Receivable from exchange	60 554 000	77 328 475	(30 917 528)		31
Cash and cash equivalents	8 123 000	35 699 265	27 576 265	This item includes municipality short term investments	339
Investment property	124 461 000	129 556 000	(5 095 000)		4
Property plant and equipment	354 829 000	336 580 364	18 248 636		5
Intangible assets	1 184 121	15 255	1 168 868	Sage derecognition after contract elimination - software no longer in use	99
Trade and other receivables from exchange transaction	7 000 000	-	(7 000 000)		-
Payables from exchange transaction	188 711 000	260 415 911	(68 704 335)		28
Consumer deposits	5 727 000	6 164 809	437 809		8
Current Employee benefit obligation	5 481 584	3 365 000	2 116 584		39
Unspent conditional grants and receipts	4 833 457	10 603 122	-		119
Current Provisions	-	2 377 129	2 377 129		100
Non current Employee benefit obligation	52 353 000	51 761 000	592 000		1
Non current provision	14 741 000	18 226 962	3 485 962		24
Housing development fund	5 075 000	5 119 140	44 140		1
Accumulated surplus	320 204 000	237 681 296	75 707 359		24
Subtotal	325 279 000	242 800 436	75 751 499		-
	<b>1 209 933 608</b>	<b>1 191 428 806</b>	<b>60 167 022</b>		<b>920</b>

# Endumeni Local Municipality

(Registration number KZN241)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 61. Eskom Debt Relief Disclosure

The Municipality entered into an Eskom Debt Relief Programme on 22 August 2023, by National Treasury. The municipality's application was approved with an amount of R75 724 745.00, of a historical arrear debt, which will be written off in a three-year cycle should the municipality meet the Eskom Debt Relief Programme conditions set out by the National Treasury

One-third of the R75 724 745.00 will be written off in each of the three-year cycle (R25 241 581.67).

In terms of the National Treasury (NT) approval, the municipality must comply with conditions 6.1 – 6.14 of MFMA Circular 124 read together with the additional conditions specific to the municipality set-out in its National Treasury debt relief approval letter.

From the Provincial Treasury's assessment, the municipality achieved a 76% average compliance with the MFMA Circular 124 conditions during June 2024. As a result of meeting the achievement of 76%, Eskom reversed R8m of the late interest charged to the municipality.

The National Treasury will only request Eskom to write-off a municipality's arrear debt, if the municipality demonstrates to National Treasury's satisfaction, that the municipality complied with the conditions for a consecutive period of 12 months. The municipality is currently owing Eskom R167 172 000.00 as of 30 June 2024.

The municipality is struggling to pay the current account in full because the municipality is facing financial difficulties. The municipality and Eskom agreed into the 24-month payment arrangement for historical municipal arrears that is now approved and commenced in August 2024, the municipality has been required to pay R1.8m towards the historical debt's new payment arrangements for both Dundee and Glencoe accounts.