



Dannhauser Local Municipality
(Registration number KZN 254)
Annual Financial Statements
for the year ended 30 June 2023

Dannhauser Local Municipality

(Registration number KZN 254)

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	Category B Municipality in terms of section 3 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998) read with section 155 of the Constitution of the Republic of South Africa, 1996.
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning, land, economic and environmental development, levying of rates and supplying of general services to the community. The municipality is also involved in demarcation and grading of land.
Mayoral committee	
Mayor	Cllr B.A. Radebe (July 2023 to present) Cllr SEC Kunene (November 2021 - June 2023)
Deputy Mayor	Cllr B.T.D. Langa (July 2023 to present) Cllr S. Nzuza (November 2021 - March 2023)
Speaker	Cllr E Myaka (July 2023 to present) Cllr X.M. Nkosi (November 2021- June 2023)
Councillors	Cllr C .M. Maphisa (April 2022 to present) Cllr M. Dhlamini (November 2021 - November 2022) Cllr M.S. Mkhumane Cllr M. Kunene Cllr S.M . Mthembu Cllr R.S.. Langa Cllr M. Nkabinde Cllr S. W. Ndlela Cllr R.F. Simelane Cllr N.R. Made Cllr N . Mthembu Cllr S. Sikhakhane Cllr M.P . Mathebula Cllr K. Khanye Cllr G.V. Ngcane Cllr M. S. Kunene Cllr M. T. Mabaso MPAC Chairperson (August 2023 to present) Cllr E.S Kunene - MPAC Chairperson (November 2021 - July 2023) Cllr P.N. Kumalo Cllr E.N. Buthelezi
Chief Finance Officer (CFO)	D. Mohapi G. Mntambo - Acting CFO (August 2023 to 20 October) S. Hlatshwayo - Acting CFO (August 2022 to July 2023)
Accounting Officers	M.S. Sithole - Acting MM (August 2023 to present) S. C . Cele - MM (July 2022 to July 2023)
Registered office	8 Church Street Dannhauser 3080
Business address	8 Church Street Dannhauser

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General Information

	3080
Postal address	Private Bag X 1011 Dannhauser 3080
Bankers	ABSA Bank - Newcastle
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	Mazibuko Z and Associates

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Abbreviations used:

SARS	South African Revenue Services
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MIG	Municipal Infrastructure Grant
PAYE	Pay As You Earn
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MM	Municipal Manager
EPWP	Expanded Public Works Program
IT	Information Technology
FMG	Financial Management Grant
CLLR	Councillor
UIF	Unemployment Insurance Fund
FV	Fair Value

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Accounting Officers' Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and will be 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 acknowledge 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 have reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The accounting officer certifies that the salaries , allowances and benefits of concillors as disclosed in note 24 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1996 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on pages 5 to 69, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed.

Accounting Officer
M.S. Sithole (Acting MM)

Dannhauser Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of intergrated development planning, land economic and environmental development, levying of rates and supplying of general services to the community.

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

2. Going concern

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

3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality
M.S. Sithole - Acting MM (August 2023 to present)	South African
S. C . Cele - MM (July 2022 to July 2023)	Soth African

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Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	2	4,100,953	5,317,490
Receivables from non-exchange transactions	3	19,052,307	15,548,672
VAT receivable	4	2,306,574	477,939
Receivables from exchange transactions	5	3,004,439	2,886,142
Cash and cash equivalents	6	7,787,844	14,966,620
		36,252,117	39,196,863
Non-Current Assets			
Investment property	7	8,838,000	8,349,000
Property, plant and equipment	8	529,208,120	574,339,481
Heritage assets	9	106,000	106,000
		538,152,120	582,794,481
Total Assets		574,404,237	621,991,344
Liabilities			
Current Liabilities			
Other financial liabilities	14	5,184,881	5,195,528
Payables from exchange transactions	10	45,342,414	29,819,691
Employee benefit obligation	11	551,000	350,000
Unspent conditional grants and receipts	12	1,421,117	6,966,782
		52,499,412	42,332,001
Non-Current Liabilities			
Other financial liabilities	14	18,194,995	23,379,876
Employee benefit obligation	11	6,945,000	7,035,000
Provisions	13	10,703,068	10,416,087
		35,843,063	40,830,963
Total Liabilities		88,342,475	83,162,964
Net Assets		486,061,762	538,828,380
Accumulated surplus		486,061,762	538,828,380
Total Net Assets		486,061,762	538,828,380

* See Note 47

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Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods and rendering of services		313,527	384,978
Service charges	15	1,345,288	1,302,029
Rental of facilities and equipment	16	19,357	30,794
Interest on receivables		104,589	75,982
Agency services	17	1,397,331	1,126,839
Other income	18	35,820	821,269
Interest received - investment	19	1,149,864	667,866
Total revenue from exchange transactions		4,365,776	4,409,757
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	30,853,236	28,114,975
Licences and Permits	40	468,889	854,642
Interest on receivables		745,140	520,573
Transfer revenue			
Government grants & subsidies	21	139,097,259	132,443,217
Integrated National Electrification Programme	42	3,078,261	-
Fines, Penalties and Forfeits	22	1,375,841	32,627
Donation received in kind		1,084,626	-
Other Income		26,533	-
Total revenue from non-exchange transactions		176,729,785	161,966,034
Total revenue	31	181,095,561	166,375,791
Expenditure			
Employee related costs	23	(40,140,764)	(32,511,334)
Remuneration of councillors	24	(10,805,555)	(9,599,138)
Depreciation and amortisation	25	(44,520,326)	(31,467,609)
Finance costs	26	(4,960,518)	(5,571,214)
Lease rentals on operating lease	37	(882,862)	(717,938)
Contraction Contracts	34	(3,078,261)	-
Contracted services	27	(51,175,447)	(33,439,315)
Inventory expensed		(4,465,681)	(6,572,193)
General Expenses	28	(23,317,064)	(23,432,397)
Total expenditure		(183,346,478)	(143,311,138)
Operating (deficit) surplus		(2,250,917)	23,064,653
Loss on disposal of assets and liabilities		(526,305)	(70,330)
Fair value adjustments	29	489,000	319,000
Gain on biological assets and agricultural produce	41	1,409,000	783,000
Impairment loss	30	(51,887,662)	(6,244,229)
		(50,515,967)	(5,212,559)
(Deficit) surplus for the year		(52,766,884)	17,852,094

* See Note 47

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021	457,485,441	457,485,441
Changes in net assets		
Prior adjustment	63,490,845	63,490,845
Net income (losses) recognised directly in net assets	63,490,845	63,490,845
Surplus for the year	17,852,094	17,852,094
Total recognised income and expenses for the year	81,342,939	81,342,939
Total changes	81,342,939	81,342,939
Restated* Balance at 01 July 2022	538,828,381	538,828,381
Changes in net assets		
Other Changes	265	265
Net income (losses) recognised directly in net assets	265	265
Surplus for the year	(52,766,884)	(52,766,884)
Total recognised income and expenses for the year	(52,766,619)	(52,766,619)
Total changes	(52,766,619)	(52,766,619)
Balance at 30 June 2023	486,061,762	486,061,762
Note(s)		

* See Note 47

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Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Receipts from Taxpayers Rendering of services and other		24,870,894	26,597,957
Grants		137,091,597	139,410,000
Interest income		1,149,864	667,866
Other receipts		-	3,251,150
		<u>163,112,355</u>	<u>169,926,973</u>
Payments			
Employee costs		(49,395,190)	(41,554,871)
Suppliers		(68,978,997)	(65,438,236)
Finance costs		(2,845,674)	(4,863,214)
		<u>(121,219,861)</u>	<u>(111,856,321)</u>
Net cash flows from operating activities	35	<u>41,892,494</u>	<u>58,070,652</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	<u>(43,875,742)</u>	<u>(50,174,957)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(5,195,528)	(5,195,528)
Net cash flows from financing activities		<u>(5,195,528)</u>	<u>(5,195,528)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(7,178,776)</u>	<u>2,700,167</u>
Cash and cash equivalents at the beginning of the year		14,966,620	12,266,453
Cash and cash equivalents at the end of the year	6	<u>7,787,844</u>	<u>14,966,620</u>

* See Note 47

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	255,782	2,619,898	2,875,680	313,527	(2,562,153)	Refer to note 54
Service charges	2,117,796	(252,036)	1,865,760	1,345,288	(520,472)	
Rental of facilities and equipment	125,544	(103,515)	22,029	19,357	(2,672)	
Interest on receivables	-	-	-	104,589	104,589	
Agency services	857,298	908,762	1,766,060	1,397,331	(368,729)	
Other income	2,713,443	(1,493,934)	1,219,509	35,820	(1,183,689)	
Interest received - investment	387,744	812,256	1,200,000	1,149,864	(50,136)	
Total revenue from exchange transactions	6,457,607	2,491,431	8,949,038	4,365,776	(4,583,262)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	30,285,000	-	30,285,000	30,853,236	568,236	
Interest on receivables	-	-	-	745,140	745,140	
Licences and Permits	247,258	265,440	512,698	468,889	(43,809)	
Value Added Tax	20,643,492	-	20,643,492	-	(20,643,492)	
Transfer revenue						
Government grants & subsidies	141,222,000	6,200,000	147,422,000	139,097,259	(8,324,741)	
Levies	5,040,000	-	5,040,000	3,078,261	(1,961,739)	
Fines, Penalties and Forfeits	403,008	-	403,008	1,375,841	972,833	
Donation received	20,500,000	-	20,500,000	1,084,626	(19,415,374)	
Other transfer revenue	-	-	-	26,533	26,533	
Total revenue from non-exchange transactions	218,340,758	6,465,440	224,806,198	176,729,785	(48,076,413)	
Total revenue	224,798,365	8,956,871	233,755,236	181,095,561	(52,659,675)	
Expenditure						
Employee related Cost	(39,730,335)	(4,027,948)	(43,758,283)	(40,140,764)	3,617,519	
Remuneration of councillors	(10,725,756)	-	(10,725,756)	(10,805,555)	(79,799)	
Depreciation and amortisation	(22,000,000)	(15,760,887)	(37,760,887)	(44,520,326)	(6,759,439)	
Impairment loss/ Reversal of impairments	(2,500,000)	-	(2,500,000)	(51,887,662)	(49,387,662)	
Finance costs	(3,849,372)	(227,847)	(4,077,219)	(4,960,518)	(883,299)	
Lease rentals on operating lease	(378,312)	(768,820)	(1,147,132)	(882,862)	264,270	
Construction Contract	-	-	-	(3,078,261)	(3,078,261)	
Contracted Services	(15,927,119)	(37,878,128)	(53,805,247)	(51,175,447)	2,629,800	
Library grant Expenditure	(2,353,000)	-	(2,353,000)	-	2,353,000	
General Expenses	(36,620,822)	11,725,244	(24,895,578)	(23,317,064)	1,578,514	
Inventory Expensed	-	-	-	(4,465,681)	(4,465,681)	
Total expenditure	(134,084,716)	(46,938,386)	(181,023,102)	(235,234,140)	(54,211,038)	
Operating deficit	90,713,649	(37,981,515)	52,732,134	(54,138,579)	(106,870,713)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Loss on disposal of assets and liabilities	-	-	-	(526,305)	(526,305)	
Fair value adjustments	-	-	-	489,000	489,000	
Gain on biological assets and agricultural produce	-	-	-	1,409,000	1,409,000	
	-	-	-	1,371,695	1,371,695	
Deficit / Surplus	90,713,649	(37,981,515)	52,732,134	(52,766,884)	(105,499,018)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	90,713,649	(37,981,515)	52,732,134	(52,766,884)	(105,499,018)	
Reconciliation						

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3,381,191	-	3,381,191	4,100,953	719,762	
Receivables from exchange transactions	(202,000)	(11,323,452)	(11,525,452)	-	11,525,452	
Receivables from non-exchange transactions	82,695,476	(45,515,698)	37,179,778	19,052,307	(18,127,471)	
VAT receivable	7,370,327	(3,122,056)	4,248,271	2,306,574	(1,941,697)	
Consumer debtors	(31,645,502)	25,912,797	(5,732,705)	3,004,440	8,737,145	
Cash and cash equivalents	228,056,129	20,273,493	248,329,622	7,787,844	(240,541,778)	
	289,655,621	(13,774,916)	275,880,705	36,252,118	(239,628,587)	
Non-Current Assets						
Investment property	16,798,000	319,000	17,117,000	8,838,000	(8,279,000)	
Property, plant and equipment	1,099,614,138	120,151,602	1,219,765,740	529,208,120	(690,557,620)	
Heritage assets	203,185	-	203,185	106,000	(97,185)	
	1,116,615,323	120,470,602	1,237,085,925	538,152,120	(698,933,805)	
Total Assets	1,406,270,944	106,695,686	1,512,966,630	574,404,238	(938,562,392)	
Liabilities						
Current Liabilities						
Other financial liabilities	1,585,736	-	1,585,736	5,184,881	3,599,145	
Current tax payable	20,643,492	-	20,643,492	-	(20,643,492)	
Payables from exchange transactions	248,348,802	19,206,921	267,555,723	45,342,414	(222,213,309)	
Taxes and transfers payable (non-exchange)	(22,852,992)	-	(22,852,992)	-	22,852,992	
Consumer deposits	2,495,412	-	2,495,412	-	(2,495,412)	
Employee benefit obligation	728,673	-	728,673	551,000	(177,673)	
Unspent conditional grants and receipts	(291,223)	22,750,157	22,458,934	1,421,117	(21,037,817)	
	250,657,900	41,957,078	292,614,978	52,499,412	(240,115,566)	
Non-Current Liabilities						
Other financial liabilities	33,770,932	-	33,770,932	18,194,995	(15,575,937)	
Employee benefit obligation	25,066,611	-	25,066,611	6,945,000	(18,121,611)	
Provisions	22,881,293	-	22,881,293	10,703,068	(12,178,225)	
	81,718,836	-	81,718,836	35,843,063	(45,875,773)	
Total Liabilities	332,376,736	41,957,078	374,333,814	88,342,475	(285,991,339)	
Net Assets	1,073,894,208	64,738,608	1,138,632,816	486,061,763	(652,571,053)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,090,065,023	(26,857,315)	1,063,207,708	477,764,382	(585,443,326)	

Dannhauser Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and in compliance with the 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.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

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

Impairment testing

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

Provisions

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

Contingent provisions

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

Useful lives of property, plant and equipment, and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. These estimates are based on industry norms and on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality.

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Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 11.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that could result in impairment. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Provision for the Landfill Site

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises

1.3 Investment property

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

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

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.

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.

1.4 Property, plant and equipment

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

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

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

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1.4 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

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

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

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

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.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the 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:

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	20-50 years
Plant and machinery	Straight-line	4- 15 years
Furniture and fixtures	Straight-line	4- 9 years
Motor vehicles	Straight-line	4- 9 years
IT equipment	Straight-line	4-5 years
Infrastructure	Straight-line	10- 30 years
Landfill site	Straight-line	10- 20 years
Other Vehicles	Straight-line	4- 15 years

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

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1.4 Property, plant and equipment (continued)

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

The 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.

1.5 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Initial measurement

Heritage assets are measured at cost.

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

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1.5 Heritage assets (continued)

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 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.

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.

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).

A financial asset is:

- cash;
- a residual interest of another entity; or

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1.6 Financial instruments (continued)

- 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 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.

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.

Classification

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

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

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

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

Initial recognition

Initial measurement of financial assets and financial liabilities

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

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1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the amortised cost.:

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

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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

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

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

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1.6 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.7 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.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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.

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1.8 Inventories

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

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

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

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

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

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

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

The cost of inventories 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. The municipality incurred expenditure during the year construct pre- paid meters in different households. On completion of the prepaid meters , the Municipality will hand over these meters to Eskom and Eskom will provide the Municipality with a hand over certificate. Upon project completion and final handover the municipality is required to provide Eskom with a Project Close - Out Report. The Municipality needs to complete a checklist and handover to Eskom before a Hand over certificate is issued. These prepaid meters are treated as Inventory until a handover certificates is issued by Eskom . Once a completion certificate is issued by service provider, the Inventory (pre-paid meters) are then expensed. These expenses are disclosed as Transfer / donation infills in the statement of financial performance. The municipality also recognises child care facility , meter conversion and boreholes as an inventory. The portion of expenditure was funded by INEP.

1.9 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.

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1.9 Construction contracts and receivables (continued)

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 .

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.

1.10 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.

1.11 Impairment of cash-generating assets

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

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.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

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1.11 Impairment of cash-generating assets (continued)

Value in use

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.12 Impairment of non-cash-generating assets

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.

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.

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

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.

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

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1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. . An annual charge to income is made to cover both these liabilities.

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1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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 45.

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1.14 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.

1.15 Commitments

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

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.

1.16 Revenue from exchange transactions

Exchange transaction are transactions 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. Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of service charges, rental, licences and permits, interest and other income.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, revenue is shown net of value added tax, returns rebates and discounts for the supply of services in the ordinary course of activities.

Sale of goods

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1.16 Revenue from exchange transactions (continued)

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 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 services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of municipal assets yielding interest or similar distributions is recognised when:

it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and

the amount of the revenue can be measured reliably.

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

Service charges

Service charges relating to electricity, water and sanitation are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

Services provided on a prepaid basis.

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1.16 Revenue from exchange transactions (continued)

Various services are provided on a prepaid basis in which case no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

Income from agency services

Income from agency services is recognised on a monthly basis, limited to the agency fees, once the income collected on behalf of the agents has been quantified. The income recognised is in terms of an agency agreement. Amounts collected on behalf of the principal are accounted for as liability in the statement of financial position.

Housing rental and instalments

Income in respect of housing rental and instalments are accrued monthly in advance. Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time-proportionate basis.

Collection charges

Collection charges are recognised when such amounts are incurred/earned.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an 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. Revenue from property rates is recognised when the legal entitlement to this revenue arises and that ratepayers have been duly notified. Interest unpaid rates is recognised on a time-proportionate basis with reference to the principal amount receivable and effective rate applicable.

Fines constitute both spot fines and summons. The revenue is recognised when the fine is issued.

Government grants and subsidies are recognised in terms of the amount that has been received.

Measurement

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

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

Fines

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

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

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

Investment income

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

Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

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1.17 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

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.

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.

1.18 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.

1.19 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act

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

1.20 Fruitless and wasteful expenditure

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

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

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1.21 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).

1.22 Internal reserves

1.23 Revaluation reserve

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

1.24 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 is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2022 to 30/06/2023.

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.25 Related parties

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.

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Accounting Policies

1.25 Related parties (continued)

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.

1.26 Events after reporting date

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

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

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.

1.27 Statutory receivables

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.

Statutory receivables for the Municipality constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
 - the definition of an asset is met; and
 - it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

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1.27 Statutory receivables (continued)

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory 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;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the receivable;
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
2. Inventories		
Work in progress	4,100,953	5,317,490
Carrying value of inventories carried at fair value less costs to sell	4,100,953	5,317,490
<p>Dannhauser municipality entered into an Electrification programme with Eskom, whereby the municipality electrifies projects in the Eskom area of supply and hand over on completion. The municipality incurred expenditure during the year construct prepaid meters in different households. On completion of the prepaid meters, the Municipality will hand over these meters to Eskom and Eskom will provide the Municipality with a hand over certificate. Upon project completion and final handover the municipality is required to provide Eskom with a Project Close - Out Report. The Municipality needs to complete a checklist and handover to Eskom before a Hand over certificate is issued. These prepaid meters are treated as Inventory until a handover certificate is issued by Eskom. Once a completion certificate is issued by service provider, the Inventory (pre-paid meters) are then expensed. These expenses are disclosed as Transfer / donation inflows in the statement of financial performance. The municipality also recognises child care facility, meter conversion and boreholes as an inventory. The portion of expenditure was funded by INEP.</p>		
No Inventory pledged as security for liabilities		
Opening balance	5,317,490	9,407,878
Inventory capitalised	6,135,178	1,207,100
Inventory expensed	(4,273,451)	(6,572,193)
Prior year adjustment	-	1,274,705
	7,179,217	5,317,490
3. Receivables from non-exchange transactions		
Gross balances		
Consumer debtors - Rates	58,230,282	48,433,630
Fines	2,728,020	1,386,250
	60,958,302	49,819,880
Less: Allowance for impairment		
Consumer debtors - Rates	(39,587,466)	(33,593,183)
Fines	(2,318,529)	(678,025)
	(41,905,995)	(34,271,208)
Net balance		
Consumer debtors - Rates	18,642,816	14,840,447
Fines	409,491	708,225
	19,052,307	15,548,672
Rates		
Current (0 -30 days)	3,773,955	1,530,249
31 - 60 days	1,449,901	1,264,282
61 - 90 days	1,285,835	1,186,680
91 - 120 days	1,213,887	1,115,238
121 - 365 days	50,506,704	43,337,181
Less Allowance for impairment	(39,587,466)	(33,593,183)
	18,642,816	14,840,447

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3. Receivables from non-exchange transactions (continued)

Total past due but not impaired

Current - 30days	476,431	356,596
31 - 60 days	476,184	3,555,585
> 61 days	16,987,047	10,447,934
	17,939,662	14,360,115

Fines

Current	388,220	114,100
30 days	-	170,100
60 days	-	143,800
90 days	-	191,150
120 days	-	239,450
150 + days	2,339,800	527,650
Less Allowance for Impairment	(2,318,529)	(678,025)
	409,491	708,225

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Notes to the Annual Financial Statements

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3. Receivables from non-exchange transactions (continued)

Statutory Receivables

Transactions arising from statute: Property Rates is levied in terms of the Local Government Municipality Property Rates Act No 6 of 2004, approved Property Rate policy and by-laws.

Transactions arising from statute: fines is levied in terms of the National Road Traffic Act 1996. Section 156 (1) of the Constitution states that " A municipality has executive authority in respect of, and has the right to administer – the local government matters listed in Part B of Schedule 4 and Part B of Schedule 5" Part B of Schedule 5 includes amongst others Traffic and Parking matters. Therefore, municipalities have the executive mandate over Traffic and Parking. Determination of transaction amount: Tariffs are reviewed annually as part of the MTREF process and applied as per Property Rate policy which is guided by the Local Government Property Rate Act no 6 of 2004

Determination of transaction amount property rates: Property rates will be assessed on the market value of all rateable properties in the jurisdiction of the Municipality and for the purpose of generating revenue to balance the budget after taking into account:

a) profits generated on trading and economic services; and

b) the amounts required to finance exemptions, rebates and reductions of rates as approved by council from time to time.

Determination of transaction amount fines: Based on the guidance issued to the traffic department from Local Government.

Interest and other charges levied/charged: According to the Credit Control and Debt Collection policy, interest is levied on arrear municipal debt in excess of 120 days. Interest is levied at 2.54% per month.

Interest on other charges levied/charged Traffic fines: No interest is charged on outstanding traffic fines.

Basis used to test and assess whether a statutory receivable is impaired for rate: GRAP 108 statutory receivables sets out the requirements and guidelines for the impairment of financial assets subsequently carried at mortised cost. (Refer to the impairment methodology)

Basis used to test and assess whether a statutory receivable is impaired for traffic fines: The municipality receives the schedule for all traffic fines issued for the financial year and compare these schedules with the previous years issued and the income received. Refer to detailed Impairment methodology for traffic fines.

Discount rate applied to the estimated future cash flow of traffic fines: The municipality does not estimate future cash flow. It applies an impairment rate based on past recoveries.

Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivable rate: Recognition is as per GRAP 108 requirement and guidelines. Reversal will be due to the amount being settle which will automatically be excluded from future impairment calculations.

Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivable fines: There was no reversal of traffic fines impairments.

Significant impairment losses recognized rates: The impairment loss recognized for the year ended 30 June 2023 is R39 587 465.82.

Significant impairment losses recognized traffic fines: The impairment loss for traffic fines recognized for the year ended 30 June 2023 is R2 318 529.

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Figures in Rand	2023	2022
3. Receivables from non-exchange transactions (continued)		
Rates	18,642,817	14,840,447
Fines	409,491	708,225
4. VAT receivable		
VAT	2,306,574	477,939

Value Added Tax is accounted for on an accrual basis and declared to SARS on a payment basis. All VAT returns were submitted throughout the year.

Statutory receivables general information:

Included in the VAT receivables amount is statutory receivable of R2 478 504, (2022 : R 477 939) application of Value Added Tax Act No. 89 of 1991.

Transactions arising from statute:

The municipality is required to levy or pay tax at a rate of 15% as per requirements of section 7 of the No. 89 of 1991. VAT amount is based on the supply of good or service by the municipality in the company enterprises conducted by the municipality.

Determination of the transaction amount:

The transaction amount is determine by application of 15% on all taxable supplies incurred by the amount between the amount actually received from sale of taxable goods or services and acquisition services will be submitted to SARS as the amount receivable / payable. A receivable arises when VAT paid is more than output amount received from customers.

Basis used to assess and test whether statutory receivables is impaired:

Upon declaration, SARS is required by the Act to refund the municipality by the filling of the return, refunds have been made on time unless if there is an audit assessment . This guarantees recoverability of the amount declared to SARS and not impairment.

Discount Rate applied to estimate future cash flows

No discounting applied as this amount declared to SARS represents the present value of the future received from SARS.

5. Receivables from exchange transactions

Gross balances

Property Rental	610,581	524,333
Refuse	6,588,801	5,764,312
Sundry Debtors	586,612	696,359
	7,785,994	6,985,004

Less: Allowance for impairment

Refuse	(3,960,270)	(3,382,549)
Property Rental	(460,064)	(408,629)
Sundry Debtors	(361,220)	(307,683)
	(4,781,554)	(4,098,861)

Net balance

Property Rental	150,516	216,650
Refuse	2,628,531	2,381,763
Sundry Debtors	225,392	287,729
	3,004,439	2,886,142

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5. Receivables from exchange transactions (continued)

Waste

Current (0 -30 days)	128,249	125,716
31 - 60 days	127,139	115,917
61 - 90 days	113,764	111,370
91 - 120 days	110,735	109,085
121 - 365 days	6,108,914	5,302,223
Less Allowance for impairment	(3,960,270)	(3,382,549)
	2,628,531	2,381,762

Property Rental

Current (0 -30 days)	11,817	11,433
31 - 60 days	11,805	18,888
61 - 90 days	11,800	8,816
91 - 120 days	11,783	8,800
>365 days	563,376	476,397
Less allowance for impairment	(460,065)	(307,683)
	150,516	216,651

Sundry Debtors

Current (0 -30 days)	2,359	1,906
31 - 60 days	3,474	1,881
61 - 90 days	2,448	1,856
91 - 120 days	3,125	1,829
121 - 365 days	575,205	688,887
Less allowance for impairment	(361,220)	(408,629)
	225,391	287,730

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8,175	3,374
Bank balances	1,288,313	3,225,934
Short-term deposits	6,491,356	11,737,312
	7,787,844	14,966,620

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6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB Bank - Primary Bank Account - 62369194106	1,025,119	2,981,962	1,314,800	1,025,119	2,981,962	1,314,800
Standard Bank - Savings Account - 060032073	234,125	247,347	34,920	234,125	247,347	34,920
ABSA Bank new Primary Bank Account - 4108323641	51	-	-	51	-	-
ABSA Revenue Account - 4108655193	41,482	-	-	41,482	-	-
FNB - Call Account - 62392884659	-	3,847	403,350	-	3,847	403,350
Standard Bank - Notice Deposit - 068480520-003	-	20,590	20,413	-	20,590	20,413
Standard Bank - Call Account - 068480520001	33,406	36,452	74,713	33,406	36,452	74,713
FNB Bank - Call Account - 62084062894	-	754	30,459	-	754	30,459
STANDARD BANK - Equitable Share -068480520 - 002	-	1,055	60,469	-	1,055	60,469
ABSA BANK - Housing Call Account - 9259916188	611,877	580,501	565,727	611,877	580,501	565,727
ABSA BANK - Fixed Deposit Account - 2072034421	4,116,904	3,982,776	3,846,351	4,116,904	3,982,776	3,846,351
FNB Bank -Municipal Infrastructure Grant - 62392885855	1,819	2,053,301	12,115	1,819	2,053,301	12,115
FNB - Call Account - 62422725682	40	9,939	389,519	40	9,939	389,519
NEDBANK - Call Account - 7165020829	-	75,812	540,422	-	75,812	540,422
STANDARD BANK - Call account - 268436894001	1,723,021	1,614,007	1,555,778	1,723,021	1,614,007	1,555,778
Nedbank - Call Account - 7165022015	-	3,149	42,609	-	3,149	42,609
Std Bank call account (068480520-004)	-	3,348,214	3,259,319	-	3,348,214	3,259,319
Nedbank call account (7881147458)	-	6,914	115,489	-	6,914	115,489
Total	7,787,844	14,966,620	12,266,453	7,787,844	14,966,620	12,266,453

Restricted cash balances

STANDARD BANK - Call account - 268436894001 Housing account for human settlement	1,723,021	1,614,007
ABSA BANK - Housing Call Account - 9259916188 Housing account for human settlement	611,877	580,501
ABSA BANK - Fixed Deposit Account - 2072034421 DBSA loan cessions	4,116,904	3,982,776

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7. Investment property

	2023			2022		
	Cost / Valuation	Fair Value adjustment	Revalued Amount	Cost / Valuation	Fair Value Adjustment	Revalued Amount
Investment property	8,349,000	489,000	8,838,000	8,030,000	319,000	8,349,000

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	8,349,000	489,000	8,838,000

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	8,030,000	319,000	8,349,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. No revenue was earned from or expenditure incurred on Investment property.

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8. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	43,905,700	-	43,905,700	43,905,700	-	43,905,700
Buildings	292,510,589	(155,784,842)	136,725,747	292,510,588	(125,203,714)	167,306,874
Plant and machinery	2,875,702	(1,975,283)	900,419	2,849,144	(1,542,851)	1,306,293
Furniture and fixtures	2,922,892	(2,183,045)	739,847	2,803,915	(1,830,987)	972,928
Motor vehicles	21,264,948	(14,926,281)	6,338,667	21,956,191	(13,434,937)	8,521,254
IT equipment	3,259,443	(1,926,749)	1,332,694	2,497,429	(1,406,260)	1,091,169
Infrastructure	442,828,155	(307,802,057)	135,026,098	442,828,155	(254,926,420)	187,901,735
Landfill site assets	12,062,656	(4,440,584)	7,622,072	13,073,519	(3,779,700)	9,293,819
Construction work in progress	196,616,876	-	196,616,876	154,039,709	-	154,039,709
Total	1,018,246,961	(489,038,841)	529,208,120	976,464,350	(402,124,869)	574,339,481

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Movement	Depreciation	Impairment loss	Total
Land	43,905,700	-	-	-	-	-	-	43,905,700
Buildings	167,306,874	-	-	-	-	(8,501,207)	(22,079,920)	136,725,747
Plant and machinery	1,306,293	26,559	-	-	-	(412,540)	(19,893)	900,419
Furniture and fixtures	972,928	118,976	-	-	-	(328,645)	(23,412)	739,847
Motor vehicles	8,521,254	3,950	(506,069)	983,124	-	(2,663,592)	-	6,338,667
IT equipment	1,091,169	685,034	(20,236)	101,499	-	(467,853)	(56,919)	1,332,694
Infrastructure	187,901,735	-	-	-	-	(31,501,833)	(21,373,804)	135,026,098
Landfill Site	9,293,819	-	-	-	(1,010,863)	(644,654)	(16,230)	7,622,072
Other property, plant and equipment	154,039,709	42,577,167	-	-	-	-	-	196,616,876
	574,339,481	43,411,686	(526,305)	1,084,623	(1,010,863)	(44,520,324)	(43,570,178)	529,208,120

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Foreign exchange movements	Depreciation	Impairment loss	Total
Land	43,905,700	-	-	-	-	-	-	-	43,905,700
Buildings	167,899,019	2,560,236	-	4,453,012	-	-	(7,605,393)	-	167,306,874
Plant and machinery	1,559,372	341,063	-	-	-	-	(523,915)	(70,227)	1,306,293
Furniture and fixtures	1,177,670	13,800	-	-	-	-	(218,414)	(128)	972,928
Motor vehicles	10,623,984	699,998	-	-	-	-	(2,802,728)	-	8,521,254
IT equipment	1,650,551	186,268	(152,549)	-	-	-	(573,557)	(19,544)	1,091,169
Infrastructure	175,590,394	14,058,734	-	18,142,725	-	-	(19,890,118)	-	187,901,735
Landfill	6,273,189	-	-	-	-	3,333,763	(313,133)	-	9,293,819
Work In Progress	144,320,588	32,314,858	-	-	(22,595,737)	-	-	-	154,039,709
	553,000,467	50,174,957	(152,549)	22,595,737	(22,595,737)	3,333,763	(31,927,258)	(89,899)	574,339,481

Pledged as security

No assets have been pledged with security

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8. Property, plant and equipment (continued)

Change in Estimates

The useful lives of certain property, plant and equipment have been reviewed and re-assessed by management during the current reporting period to reflect a more accurate pattern of consumption expected to be derived from these assets. The changes were made prospectively from the beginning of the reporting period. Depreciation is accounted for over the remaining useful lives of the assets.

The impact of the change in estimate is a decrease in the current year depreciation by R4,054,396 and a decrease in future years depreciation by the same amount. The resulting decrease in the current year depreciation for each class of property.

plant and equipment was as follows:

Buildings:	R104,412
Computer:	R178,833
Furniture:	R51,291
Infrastructure:	R3,105,787
Machinery:	R88,448
Transport assets:	R525,626.

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	2,110,183	151,929,524	154,039,707
Additions/capital expenditure	10,080,300	32,496,867	42,577,167
	12,190,483	184,426,391	196,616,874

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	2,720,952	135,568,094	138,289,046
Additions/capital expenditure	-	32,314,858	32,314,858
Other movements	(610,769)	6,642,309	6,031,540
Transferred to completed items	-	(22,595,737)	(22,595,737)
	2,110,183	151,929,524	154,039,707

Expenditure incurred to repair and maintain property, plant and equipment

The expenditure incurred while maintaining the asset amounts to R33 581 428.93

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8. Property, plant and equipment (continued)

Assets that are taking long to be completed

Construction of testing has been delayed due to the poor performance by the first service provider. Further the project has been impaired by R697 175 following physical damages to the project. The carrying amount of the project as at 30 June 2023 is R19 177 215.67

New offices delay was initially caused by realization that the area / Site the offices are built on needed a change of the structure, further more the municipality has been struggling to finance the project

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

Sport Combo Ward 11:

The completion of the Sports Combo Ward 11 project, involving various sports courts, experienced a delay due to financial constraints. The first phase, developing a football pitch, was completed, and despite the temporary halt, the municipality intends to resume the project upon securing funding. The WIP asset underwent impairment assessment, and no impairment was identified.

Road Link Design and the Rail Bridge:

Financial constraints led to temporary halts in these projects. Upon securing funding, the municipality intends to resume them as per the original plan. Impairment assessments were conducted for each WIP asset, confirming no impairment.

LED Factory - Tsqwekelo (Incubator):

The LED Factory project is near completion, but administrative issues, including senior personnel changes within the Technical Department, delayed the full completion of the project and the issuance of the completion certificate. The municipality commits to finishing the factory and issuing the completion certificate before the end of the 2023/24 financial year. An impairment assessment was conducted, revealing no impairment for the WIP asset.

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.

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9. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	106,000	-	106,000	106,000	-	106,000

Reconciliation of heritage assets 2023

	Opening balance	Total
Mayoral Chain	106,000	106,000

Reconciliation of heritage assets

	Opening balance	Total
Mayoral Chain	106,000	106,000

Heritage assets

Heritage assets were assessed for impairment and no impairment was considered necessary. Heritage assets are not pledged as security for liabilities..

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10. Payables from exchange transactions		
Trade payables	27,419,582	10,345,429
Payments received in advanced	2,050,001	2,394,521
Retention liability	13,219,388	15,274,427
Leave accruals	2,653,443	1,805,314
	45,342,414	29,819,691

11. Employee benefit obligations

Defined benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a members death in services or death in retirement, the surviving dependants may continue membership of medical scheme.

Eligible employee will receive a post a post employment subsidy of 60% of the contribution payable should the be a member of a medical scheme at retirement .Continuation members and their eligible dependants receive a 60% subsidy.

Upon a members death in service, surviving dependants are not allowed to commence receipt of the subsidy. upon a members death in retirement, surviving depents are allowed to continue to receive the same subsidy. All post employment subsidies are subject to a maximun of R 5007 per member per month, for the year ending 30 June 2023. The maximum subsidy amount has been assumed to increase in furure at 75% of salary inflation.

Long service awards

The municipality offers employees long service for every 5 years of service completed, from 5 years of service to 45 years years of service. The provision is an estimate of the long service award based on the historical staff turnover, taking into accounts management's estimate of the likelihod that staff may leave before the long service award become due. No othe long service benefit are provided to employees.

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

Carrying value

Present value of long service award	2,334,000	2,153,000
Present value of the medical aid subsidy	5,162,000	5,232,000
	7,496,000	7,385,000
Non-current liabilities	(6,945,000)	(7,035,000)
Current liabilities	(551,000)	(350,000)
	(7,496,000)	(7,385,000)

The council and its employees contribute to the National Joint Municipal Pension Fund's which constitute three funds providing retirement benefits to such employees.

The funds are subject to the Pension Funds Act 1956, self administered, defined benefi plans . Pensions are calculated on the average annual pensionable emoluments during the last years of service. Current contributions are charged against operating income on the basis of current service costs. Full actuarial valuations are performed every three years. Certain employees of the municipality belong to the Natal Joint Municipal Pension Fund (retirement). Natal Joint Municipal Pension Fund (provident) and Natal Joint Municipal Pension Fund (Superannuation) which are administered by the Province.

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11. Employee benefit obligations (continued)

Changes in the present value of the post employment medical aid subsidy liability are as follows:

Opening balance	5,232,000	5,133,000
Pat service cost	265,000	264,000
Interest Cost	592,000	511,000
Benefits paid	(186,000)	(183,000)
Actuarial gain or loss	(741,000)	(493,000)
	5,162,000	5,232,000

Changes in the present value of the Long service awards liability

Opening balance	2,153,000	2,213,000
Current Service Cost	237,000	223,000
Actuarial gains (losses)	(117,000)	(290,000)
Interest Cost	225,000	197,000
Expected benefit vested	(164,000)	(190,000)
	2,334,000	2,153,000

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out as at 30 June 2023 by Independent Actuarial Consulting (Pty) Ltd, fellow of the Actuarial Society of South Africa. A long service award is payable after 5 years of continuous service and every 5 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with service of 5 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used Long service award	11.38 %	10.84 %
General Inflation rate (Long Term)	6.62 %	7.03 %
Net Discount rate	4.47 %	3.56 %
Dscount rates used Medical Aid	11.52 %	11.52 %
Health Care Costs inflation rate	8.00 %	8.13 %
Net of health care cost inflation discount rate	7.00 %	3.14 %
Maximum subsidy inflation rate	7.00 %	5.72 %
Net of maximum subsidy inflation discount rate	6.00 %	5.48 %
Other material actuarial assumptions	2.00 %	0.79 %

Other assumptions

The long service award and the medical aid subsidy liability trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost and medical subsidy liability trend rates would have the following effects

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	183,821	6,183,408
Library Grant	1,237,296	783,374
	1,421,117	6,966,782

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12. Unspent conditional grants and receipts (continued)

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.

13. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Interest Cost	Change in discount factor	Total
Provision	10,416,087	1,297,844	(1,010,863)	10,703,068

Reconciliation of provisions - 2022

	Opening Balance	Interest Cost	Change in discount factor	Total
Opening balance and movements	6,328,306	754,334	3,333,447	10,416,087

Provision for rehabilitation

The Municipality engages in disposal of general waste, garden waste and garden rubble from the residents and businesses in Dannhauser and surrounding areas.

A new Waste Management Licence for operation of Dannhauser waste disposal facility was issued in terms of section 49 (1) of the National environment Management Waste Act 29 of 2008. The waste management licence was issued to Dannhauser local municipality in February 2014 for continued operation of the landfill site at the above subject to the conditions stated in section 5 of the licence. The amount of the rehabilitation on future cost technology, inflation and site consumption.

Provision

The engineer who compiled the EMS Solutions (Pty) Ltd inspected the landfill site and it is thus managements opinion that if the site had closed and rehabilitated today the unused areas cannot be disregarded and not be rehabilitated..

14. Other financial liabilities

At amortised cost

DBSA Loan 23,379,876 28,575,404

The above is funding capital project for the period of ten years and paid quartely at the fixed interest rate of 10.685%.

The municipality has entered into a new finance loan agreement with DBSA during the 2017/ 2018 financial year. The above loan is funding capital project for the period of ten year and paid quartely at the fixed interest rate of 10.685%. The municipality expenses borrowing cost incurred on qualifying assets only when the commencement date for the capitalisation is on or after the effective date of GRAP 5 for any assets acquired after the initial adoption of this Standard. No withdrawals may be made from the debt service reserve account by the Cedent, except only in respect of making debt service payments due to the Cessionary, as and when such payments become due and payable as per provisions of the loan agreement.

Non-current liabilities

At amortised cost 18,194,995 23,379,876

Current liabilities

At amortised cost 5,184,881 5,195,528

15. Service charges

Refuse removal 1,345,288 1,302,029

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16. Rental of facilities and equipment		
Premises		
Rental income	19,357	30,794
17. Agency services		
Driver's Licenses	177,890	-
Vehicle Registration	1,219,441	1,126,839
	1,397,331	1,126,839
18. Other income		
Insurance Refunds claims	35,820	821,269
19. Investment revenue		
Interest revenue		
Interest Received	1,149,864	667,866
20. Property rates		
Rates received		
Property rates	30,853,236	28,114,975

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21. Government grants & subsidies		
Operating grants		
Equitable share	108,935,000	100,522,000
Expanded Public Works Program Grant	950,000	-
Cyber Cadet Grant	254,000	242,000
KwaMdakane Library	664,079	283,625
Library Provincialisation Grant	981,000	935,000
Financial Management Grant (FMG)	1,950,000	1,850,000
	113,734,079	103,832,625
Capital grants		
Municipal Infrastructure Grant	25,363,180	28,610,592
	139,097,259	132,443,217
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	6,183,408	-
Current-year receipts	19,363,592	34,794,000
Conditions met - transferred to revenue	(25,363,179)	(28,610,592)
	183,821	6,183,408
Conditions still to be met - remain liabilities (see note 12).		
The purpose of the municipal infrastructure grant is to provide basic residential infrastructure for poor households. The grant can be used for new infrastructure, upgrading bulk and connector infrastructure, or the rehabilitation of existing infrastructure. The balance of the grant whose conditions have not yet been met has been transferred to liabilities.		
Kwamdakane Library		
Balance unspent at beginning of year	783,374	-
Current-year receipts	1,118,000	1,067,000
Conditions met - transferred to revenue	(664,078)	(283,626)
	1,237,296	783,374
Conditions still to be met - remain liabilities (see note 12).		
The grant is from the Department of Arts and Culture for the library, which will incur costs of employing staff, connection of municipal services, security, photocopying, cleaning services, stationery and procurement of protective clothing.		
Financial Management Grant		
Current-year receipts	1,950,000	1,850,000
Conditions met - transferred to revenue	(1,950,000)	(1,850,000)
	-	-
The purpose of the community library services grant, administered by Department of Co-operative governments and traditional affairs, is to help South Africans access knowledge and Information, so that their socioeconomic situation can be improved. The grant is allocated to the relevant provincial department and either administered by that department or through a service level agreement with municipalities.		
Expanded Public Works Program (EPWP)		
Current-year receipts	950,000	-
Conditions met - transferred to revenue	(950,000)	-

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Figures in Rand	2023	2022
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21. Construction contracts and receivables (continued)

	-	-
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The purpose of the grant is to incentivise municipalities to expand job creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Program (EPWP) guidelines: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure); other economic and social infrastructure.

Cyber Cadet Grant

Current-year receipts	254,000	242,000
Conditions met - transferred to revenue	(254,000)	(242,000)
	-	-

The purpose of the Cyber Cadet grant, which is administered by the Department of Co-operative Governance and Traditional Affairs, is to assist in the cost of appointing the library computer assistant for the Dannhauser Community Library

Library Provincialisation Grant

Current-year receipts	981,000	935,000
Conditions met - transferred to revenue	(981,000)	(935,000)
	-	-

The purpose of the grant is, administered by the Department of Co-operative governments and traditional affairs, is to help South Africans access knowledge and information, so that their socioeconomic situation can be improved. The grant is allocated to the relevant provincial department and either administered by that department or through a service-level agreement with municipalities.

22. Fines, Penalties and Forfeits

Law Enforcement Fines	1,368,950	21,190
Overdue Books Fines	31	427
Pound Fees Fines	6,860	11,010
	1,375,841	32,627

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23. Employee related costs		
Basic	31,649,866	24,991,379
Bonus	1,551,734	1,594,375
Medical aid, Pension and UIF	4,113,848	4,007,556
Overtime payments	578,468	218,510
Other allowance (Travelling, Cellphone)	1,605,953	1,068,552
Housing benefits and allowances	128,495	133,102
Post retirement	502,000	487,000
Bargaining and group life	10,400	10,860
	40,140,764	32,511,334
Remuneration of municipal manager -S. Cele (July 2022 - June 2023)		
Annual Remuneration	1,139,510	1,371,104
Car Allowance	296,747	249,292
Contributions to UIF, Medical and Pension Funds	2,125	19,920
Back Pay	-	382,912
Subsistence and Travel	5,658	14,030
Skills	14,487	16,002
Other	69,480	103
	1,528,007	2,053,363
Remuneration of Chief Finance Officer (August 2022 - June 2023)		
Annual Remuneration	1,732,699	900,212
Car Allowance	429,140	218,318
Performance Bonuses	-	72,772
Contributions to UIF, Medical and Pension Funds	134,371	240,054
Telephone	34,500	18,000
Subsistence and travel	8,089	56,125
Leave	-	104,792
Skills	19,931	12,555
Other	33,718	124
Housing	12,141	11,574
	2,404,589	1,634,526
Remuneration of Technical Services Director - M.R. Nene		
Annual Remuneration	682,287	672,742
Car Allowance	169,892	168,185
Performance Bonuses	-	56,062
Contributions to UIF, Medical and Pension Funds	73,161	126,228
Subsistence and Travel	-	18,171
Housing	9,106	11,574
Telephone	14,295	18,000
Other	840,730	124
Skills	8,441	9,912
Leave	-	67,274
	1,797,912	1,148,272
Remuneration of Community Services Director - S Naidoo		
Annual Remuneration	862,814	672,742
Car Allowance	214,827	168,185
Performance Bonuses	58,809	54,166

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Figures in Rand	2023	2022
23. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	120,034	152,010
Other	33,718	124
Skills	10,695	9,129
Subsistence and travel	13,453	29,608
Housing	5,059	11,574
Telephone	18,000	18,000
Leave	-	53,819
	1,337,409	1,169,357
Remuneration of Corporate Director Services - M.V. Ntanz (July 2022 - May 2023)		
Annual Remuneration	796,960	589,386
Car Allowance	198,371	145,961
Performance Bonuses	-	54,166
Contributions to UIF, Medical and Pension Funds	35,661	28,112
Subsistence and travel	10,386	17,839
Skills	10,007	9,525
Telephone	15,000	15,723
Other	33,295	21
Leave	-	199,033
	1,099,680	1,059,766
Remuneration of Planning and Development Director - N.P. Ndaba (July 2022 - February 2023)		
Annual Remuneration	532,792	-
Car Allowance	132,613	-
Contributions to UIF, Medical and Pension Funds	76,754	-
Telephone	9,578	-
Housing	8,094	-
Leave	56,134	-
Other	22,258	-
Skills	7,107	-
	845,330	-

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24. Remuneration of councillors

Executive Mayor	945,537	874,310
Deputy Executive Mayor	746,865	599,875
Speaker	769,709	716,076
Councillors	6,491,426	6,453,879
Executive Committee Mmbers	1,852,018	954,998
	10,805,555	9,599,138

1 July 2022 to 30 June 2023

	Annual Remuneratic n	Travel Allowance	Cellphone Allowance	Data Card allowance and other	Subsistence Allowance	Total
Cllr: Mayor: SEC Kunene	879,260	-	40,800	254,768	-	945,537
Cllr Deputy Mayor: S Nzuzza	684,963	-	40,800	21,102	-	746,865
Cllr Speaker: XM Nkosi	703,409	-	40,800	21,102	4,398	769,708
	2,267,632	-	122,400	296,972	4,398	2,462,110

1 July 2022 to 30 June 2023

	Annual Remuneratic n	Travel Allowance	Cellphone Allowance	Data Card Allowance and other	Subsistence Allowance	Total
Cllr MS Dhlamini	68,593	22,864	13,600	1,200	7,909	114,166
Cllr SE Myaka	278,253	-	40,800	10,523	-	329,576
Cllr FR Simelane	208,690	69,563	40,800	10,523	15,434	345,011
Cllr MT Mabaso	208,690	69,563	40,800	10,523	13,473	343,050
Cllr MJ Nkabinde	278,253	-	40,800	10,523	17,068	346,645
Cllr EN Buthelezi	243,229	35,024	40,800	10,523	6,380	335,957
Cllr MP Mathebula	243,229	35,024	40,800	10,523	6,362	335,938
Cllr N Mthembu	278,253	-	40,800	10,523	-	329,576
Cllr NP Kumalo	278,253	-	40,800	10,264	-	329,318
Cllr BS Sikhakhane	278,253	-	40,800	10,523	-	329,576
Cllr KB Khanye	225,717	52,536	40,800	10,523	13,532	343,109
Cllr SM Kunene	208,690	69,563	40,800	10,523	14,005	343,581
Cllr SW Ndlela	208,690	69,563	40,800	10,523	13,432	343,009
Cllr MS Mthembu	208,690	69,563	40,800	10,523	16,032	345,609
Cllr ES Kunene	267,819	89,273	40,800	10,523	26,102	439,260
Cllr R.S Langa	208,690	69,563	40,800	10,523	10,856	340,433
Cllr CMF Maphisa	70,049	-	10,200	900	-	81,149
Cllr GV Ngcane	367,892	-	40,800	12,754	-	421,446
Cllr M Kunene	208,690	69,563	40,800	13,305	13,805	346,164
Cllr MS Mkhumane	208,690	69,563	40,800	13,305	16,495	348,853
	4,547,313	791,225	758,200	199,050	190,885	6,491,426

1 July 2022 to 30 June 2023

	Annual Remuneratic n	Travel allowance	Cellphone	Data Card allowance	Subsistence allowance	Total
Cllr RN Made	404,364	134,788	40,800	15,536	45,322	640,810
Cllr BA Radebe	404,364	134,788	40,800	12,754	20,572	613,278
Cllr BTD Langa	469,980	69,172	40,800	12,754	5,225	597,931
	1,278,708	338,748	122,400	41,044	71,119	1,852,019

1 July 2021 - 30 June 2022

	Annual Remuneratic n	Travel Allowance	Cellphone	Data Card Allowance	Total
Cllr Myaka SE	175,711	-	26,293	2,320	204,324
Cllr Dhlamini MS	164,360	11,351	26,293	15,248	217,252
Cllr Simelane ER	164,360	11,351	26,293	11,731	213,735

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24. Remuneration of councillors (continued)					
Cllr Mabaso MT	164,360	11,351	26,293	12,023	214,027
Cllr Nkabinde MJ	175,711	-	26,293	2,320	204,324
Cllr Buthelezi EN	175,711	-	26,293	2,320	204,324
Cllr Mathebula MP	175,711	-	26,293	2,320	204,324
Cllr Mthembu N	175,711	-	26,293	2,320	204,324
Cllr Khumalo LN	84,901	-	12,693	2,320	99,914
Cllr Sikhakhane BS	175,711	-	26,293	2,320	204,324
Cllr Khanye KB	175,711	-	26,293	2,320	204,324
Cllr Kunene SM	164,360	11,351	26,293	8,333	210,337
Cllr Ndlela SW	164,360	11,351	26,293	10,247	212,251
Cllr Mthembu MS	164,360	11,351	26,293	10,358	212,362
Cllr Langa RS	164,360	11,351	26,293	7,157	209,161
	2,465,398	79,457	380,795	93,657	3,019,307

Executive Committee members	Annual remuneration	Cellphone allowance	Data card	Total
Cllr . Mayor Phakathi JP	518,961	26,293	2,320	573,867
Cllr. Deputy Mayor Msibi SD	418,528	26,293	2,320	473,434
Cllr Speaker Ngubeni ZS	418,528	26,293	5,889	477,003
Cllr Chairperson Ndaba	226,906	26,293	2,320	281,812
Subtotal	1,582,923	105,172	12,849	1,806,116
	1,582,923	105,172	12,849	1,806,116

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has two full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

25. Depreciation and amortisation

Property, plant and equipment	44,520,326	31,467,609
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26. Finance costs

Non-current borrowings	2,845,674	4,109,196
Interest on landfill site	1,297,844	754,018
Interest on retirement benefit	817,000	708,000
	4,960,518	5,571,214

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Figures in Rand	2023	2022
27. Contracted services		
Outsourced Services		
Administrative and Support Staff	345,460	1,200,074
Burial Services	199,941	254,169
Business and Advisory	267,427	824,303
Clearing and Grass Cutting Services	-	241,161
Internal Auditors	1,231,243	1,067,106
Personnel and Labour	1,068,621	45,250
Professional Staff	532,149	1,458,976
Security Services	4,414,755	3,899,982
Consultants and Professional Services		
Business and Advisory	4,393,595	2,890,648
Infrastructure and Planning	75,882	325,922
Laboratory Services	-	1,163,866
Legal Cost	3,197,153	549,007
Contractors		
Catering Services	75,139	83,390
Fire Services	1,782,055	-
Maintenance of Buildings and Facilities	285,224	317,565
Repairs and maintenance- Equipment	33,296,189	18,677,965
Maintenance of Unspecified Assets	-	406,931
Preservation/Restoration/Dismantling/Cleaning Services	4,580	5,000
Traffic and Street Lights	-	28,000
Sports and Recreation	6,034	-
	51,175,447	33,439,315
28. General expenses		
Advertising	2,575,173	2,779,147
Auditors remuneration	2,408,356	1,989,352
Bank charges	109,708	116,719
Covid Expenses	-	436,029
Entertainment	10,471	62,506
Communication-Licences (Radio and Television)	278,182	46,503
Insurance	1,190,366	1,469,435
Conferences and seminars	650,525	336,107
IT expenses	2,531,798	2,202,171
Skills Development Levy	396,699	266,399
Fuel and oil	3,324,618	2,481,170
Printing and stationery	695,604	694,091
Protective clothing	5,380	274,510
Subscriptions and membership fees	500,000	625,089
Telephone and fax	275,400	851,607
Travel - local	1,733,920	1,332,908
Title deed search fees	24	94,000
Assets expensed	-	2
Electricity	3,523,965	4,209,830
Utilities - Other	3,106,875	3,011,453
Other costs	-	153,369
	23,317,064	23,432,397
29. Fair value adjustments		
Investment property (Fair value model)	489,000	319,000

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30. Impairment loss

Impairments

Property, plant and equipment	43,570,181	91,942
Receivables from exchange and non-exchange transactions	8,317,481	6,152,287
	51,887,662	6,244,229

31. Revenue

Sale of goods	313,527	384,978
Service charges	1,345,288	1,302,029
Rental of facilities and equipment	19,357	30,794
Interest received	104,589	75,982
Agency services	1,397,331	1,126,839
Other income	35,820	821,269
Interest received - investment	1,149,864	667,866
Property rates	30,853,236	28,114,975
Government grants & subsidies	139,097,259	132,443,217
Levies	3,078,261	-
Fines, Penalties and Forfeits	1,375,841	32,627
Donations received in kind	1,084,626	-
Other transfer revenue 2	26,533	-
	179,881,532	165,000,576

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

Sale of goods	313,527	384,978
Service charges	1,345,288	1,302,029
Rental of facilities and equipment	19,357	30,794
Interest received	104,589	75,982
Agency services	1,397,331	1,126,839
Other income	35,820	821,269
Interest received - investment	1,149,864	667,866
	4,365,776	4,409,757

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

Taxation revenue

Property rates	30,853,236	28,114,975
Licences or permits	468,889	854,642

Transfer revenue

Government grants & subsidies	139,097,259	132,443,217
Levies	3,078,261	-
Fines, Penalties and Forfeits	1,375,841	32,627
Other transfer revenue	1,084,626	-
Other transfer revenue	26,533	-
	175,984,645	161,445,461

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32. Accounting by principals and agents

Revenue recognised by municipality as agency fee (includes VAT)	1,397,331	1,126,839
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Agent for Department of Human Settlements

The Municipality acts as an agent on behalf of the Department for the implementation of housing projects. The Municipality receives funds from the Department and pays it over to contractors once invoices are received and certified by the Department.

The municipality assessed the terms of the agreement and some of the assumptions considered as listed below:

(a) Whether economic benefits will flow to the municipality upon completion of the project: The municipality will not have any revenue in the form of fee charged.

(b) Whether the municipality will have control over the completed projects upon completion: The municipality will transfer all the completed projects to Department of Human settlements. In addition, the municipality have to submit progress reports to the department highlighting the extent of work done as well as amount paid up to that specific date. In this case Department of Human Settlement still retain significant control over the project during and after completion.

Based on this assessment, it has been concluded that Dannhauser municipality is acting as an agent to the agreement. Terms and conditions of the arrangement have not changed in current year and no significant risk identified. Application of the principle-agent relationship, Dannhauser municipality did not record any revenue, expenditure, asset or liability in the statement of financial statement

Reconciliation of the carrying amount of payables

Amount received from principal	22,669,038	36,184,507
Cash paid on behalf of the principal	(22,669,038)	(36,184,507)
	-	-

33. Auditors' remuneration

Fees	2,408,356	1,989,352
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34. Construction Contract

Construction Cost	3,078,261	-
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Figures in Rand	2023	2022
35. Cash generated from operations		
(Deficit) surplus	(52,766,884)	18,560,085
Adjustments for:		
Depreciation and amortisation	44,520,326	31,467,609
Gain (loss) on sale of assets and liabilities	526,305	70,311
Fair value adjustments	(489,000)	754,000
Impairment deficit	51,887,662	6,012,746
Loss on disposal	-	152,549
Movements in retirement benefit assets and liabilities	(111,000)	39,000
Movements in provisions	1,297,844	4,087,781
Fair value adjustment	-	(319,000)
Non-cash donations and other in-kind benefits	(161,819)	-
leave provision	848,136	-
Donation received	(1,084,623)	-
Changes in working capital:		
Inventories	1,216,537	5,365,093
Receivables from exchange transactions	-	(4,662,654)
Receivables from non exchange	(800,991)	(2,242,771)
Other receivables from non-exchange transactions	(11,138,422)	(4,664,575)
Payables from exchange transactions	15,522,723	(5,030,683)
VAT	(1,828,635)	1,475,379
Unspent conditional grants and receipts	(5,545,665)	6,966,782
Employee benefit obligation	-	39,000
	41,892,494	58,070,652

36. New standards and interpretations

36.1 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 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2009	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

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37. Lease rentals on operating lease		
Office equipment		
Contractual amounts	654,755	489,918
Lease rentals on land		
Contractual amounts	228,107	228,020
	882,862	717,938
38. Operational lease receivables		
Premises - Rental of land		
- within one year	235,710	214,281
- in second to fifth year inclusive	167,278	402,988
	402,988	617,269
Rental of office machine		
- within one year	34,001	32,641
- in second to fifth year inclusive	24,243	58,244
	58,244	90,885
<p>The municipality is renting Land from Transnet. The land that is being rented is portion of Erf 125 Dannhauser with improvements thereon known as Taxi Rank Office. The monthly rental is R13000 per month excluding VAT with an annual escalation of 10% per annum. The lease commenced on the 1 March 2019 and will terminated on the 29 February 2024. No contingent rent is payable.</p> <p>The municipality is also renting office machinery from Nashua. The Municipality leases out 8 printers per onth from Nashua at different monthly amounts per printer owing to the specifications. The monthly lease payments range from R561 per month (excluding VAT) to an amount of R3473 per printer excluding VAT. The lease period with Nashua if for 3 years. No contingent rent is payable.</p>		
39. Construction contracts and receivables		
Integrated National Electrification Programme		
Contract Revenue	3,078,263	-
Construction expenditure	3,078,263	-
<p>There is no advance payment receipt, retention withheld for Intergrated National Electrification Programme and there are no amount due to /from Department of Energy.</p>		
40. Licences and Permits		
Road and Transport	468,889	854,642
41. Actuarial gains and loss		
Actuarial gains and loss	1,409,000	783,000
42. Integrated National Electrification Programme		
INEP revenue	3,078,261	-

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2023

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43. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	7,787,844	-	7,787,844
Receivable from exchange transaction	-	7,785,994	7,785,994
	7,787,844	7,785,994	15,573,838

Financial liabilities

	At amortised cost	Total
Other financial liabilities	23,379,875	23,379,875
Trade and other payables from exchange transactions	45,342,414	45,342,414
	68,722,289	68,722,289

2022

Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	14,966,620	-	14,966,620
Receivable from exchange transaction	-	6,985,004	6,985,004
	14,966,620	6,985,004	21,951,624

Financial liabilities

	At fair value	At amortised cost	Total
Employee benefit obligation	7,385,000	-	7,385,000
Trade and other payables from exchange transactions	-	29,812,366	29,812,366
Other liability	-	28,575,404	28,575,404
	7,385,000	58,387,770	65,772,770

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Figures in Rand	2023	2022
44. Commitments		
Authorised capital expenditure and Operating Expenditure		
Already contracted for but not provided for		
• Buildings	10,192,313	10,350,912
• Community assets	874,971	18,355,313
• Infrastructure	175,402	6,722,040
	11,242,686	35,428,265
Not yet contracted for and authorised by accounting officers		
• Buildings	7,000,000	1,000,000
• Community Assets	22,500,000	9,700,000
• Infrastructure	5,000,000	40,000,000
• Office equipment	2,650,000	650,000
	37,150,000	51,350,000
Total capital commitments		
Already contracted for but not provided for	11,242,686	35,428,265
Not yet contracted for and authorised by accounting officers	37,150,000	51,350,000
	48,392,686	86,778,265
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational commitments	12,612,819	8,903,372
Total operational commitments		
Already contracted for but not provided for	12,612,819	8,903,372
Total commitments		
Total commitments		
Authorised capital expenditure	48,392,686	86,778,265
Authorised operational expenditure	12,612,819	8,903,372
	61,005,505	95,681,637

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45. Contingencies

Heading	2023	2022
Farm Vlake- Purchase of land	-	46,729
Collen Krause- Purchase of land	-	42,816
Evection of illegal occupants at Ramaphosa area	-	92,169
Contractor Claim	-	6,359,033
Royal Mdawe Holdings	1,800,000	-
	1,800,000	6,540,747

Royal Mdawe Holdings vs Dannhauser Local Municipality

Litigation against the municipality relating to a dispute with an applicant, the matter is currently in progress at the Pietermaritzburg High Court, the Applicant is claiming R1 800 000 and municipality is defending the matter fully. The municipality will not pay more than a R1 000 000 should the court be in favor of the applicant.

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46. Related parties

Accounting Officers

Close family member of key management

Refer to accounting officers' report note

As per 2022 financial year Mrs S Narothumb former director Corporate Services had disclosed her related parties as follows;

Ukwenza Electrical - The son and the daughter in law of Mrs S Narothumb.

Niksa Industries - The nephew of Mrs S Narothumb

Dookies Electrical - The brother of Mrs S Narothumb

Awards to close family members

Heading	2023	2022
Ukwenza Electrical	-	98,032
Niksa Industries	-	99,407
Dookies Electrical	-	78,867
	-	276,306

There were no awards occurred in 2023 financial year, Mrs S Narothumb was not employed by Dannhauser Municipality in 2022 /2023 financial year.

Key management information

Class	Description
Community Services Director	Senior Management
Corporate Services Director	Senior Management
Chief Financial Officer	Senior Management
Technical Services Director	Senior Management
Planning and development Director	Senior Management
Councillors	Ward councillors (acting as representatives of the community they serve , act as custodians or guardians of public finances
Municipal Manager	Accounting Officer

Remuneration of management

Councillors / Mayoral committee members

Refer to note 24 "Remuneration of councillor". Refer to the general information page for full list of Councillors.

Executive management

*Refer to note 23 "Employee related costs"

Payment of remuneration of senior managers and councillors - detail payments are set out in notes 23 and 24.

47. Prior-year adjustments

Statement of financial position

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47. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange		5,282,667	(2,396,526)	-	2,886,141
Receivables from non exchange		15,512,471	36,201	-	15,548,672
Inventory		4,042,785	-	1,274,705	5,317,490
Trade payables - Advanced payment		(29,812,366)	(7,325)	-	(29,819,691)
Property Plant and Equipment		509,755,691	65,858,495	(1,274,705)	574,339,481
		504,781,248	63,490,845	-	568,272,093

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Employee Related Cost		32,777,733	-	(266,399)	32,511,334
Interest on Receivables		-	-	75,982	75,982
Agency Services		-	-	1,126,839	1,126,839
Licence and permits		1,981,481	-	(1,126,839)	854,642
General expenditure (SDL & Lease)		23,883,929	-	(451,532)	23,432,397
Property rates		28,711,531	-	(596,555)	28,114,976
Interest on Receivables		-	-	520,573	520,573
Finance Costs		4,863,214	-	-	4,863,214
Lease rental		-	-	717,931	717,931
Contracted services		32,522,846	916,949	-	33,439,795
Impairment loss		6,012,746	231,483	-	6,244,229
Surplus for the year		130,753,480	1,148,432	-	131,901,912

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47. Prior-year adjustments (continued)

Restated balance

Inventory

The prior year amounts for Inventory have been restated for reclassification of boreholes and creche from Property Plant and Equipment

Trade payables - Advance payments

The prior year amounts for Advance paymen have been restated to align trial balance and Age Analysis.

Property Plant and Equipment

The prior year amounts for Property Plant and Equipment have been restated for reclassification of boreholes and creche from Property Plant and Equipment and correction of Retention, Professional Fees and adjustment of accumulated depreciation.

The municipality's annual review of the assets' useful lives resulted in an increase of R59,595,570 in the accumulated depreciation due to the corrections in the remaining useful lives of assets that are still in use but whose carrying amounts were either zero or very low.

Employee Related Cost

The prior year amounts for Employee Related Costs have been restated to correctly disclose the expenditure for Employee Cost as Skills Development levy is operational cost

Interest on Receivables (Exchange and Non Exchange)

Reclassification on Interest was to correctly disclose it separately, it was discovered that from previous years property rates was reported including interest on receivables which resulted in correction of error.

Property Rates

The prior year amounts for property rates have been restated to correctly disclosed interest on receivables from exchange and non exchange , it was discovered that from previous years property rates was reported including interest on receivables which resulted in correction of error

Agency services and liicence and permit

Reclassification of Agency fees from licence and permit.

General expenditure

The prior year amounts for general expense have been restated for reclassification of operating lease and SDL .

Finance costs

Reclassification of operating leases from operational cost.

Contracted Services and Professional Fees

The prior year amounts for Contracted Services have been restated for correction of Professional Services

Receivable from exchange transaction

The prior year amounts for Receivables from Exchange have been restated, it was discovered that the trial balance and age analysis was not agreeing that resulted in correction of error therefore we had to align trial balance and Age Analysis, Advance payments.

Receivable from non exchange

The prior year amounts for Receivables from non Exchange have been restated, it was discovered that the trial balance and age analysis was not agreeing that resulted in correction of error therefore we had to align trial balance and Age Analysis, Advance paymentsI .and traffic fines.

Reclassification - General Expenditure

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47. Prior-year adjustments (continued)

Prior year amounts of items in Expenditure included in the Statement of Financial Performance have been restated as indicated below:

Reason for reclassification on below expenditure line items was due to strings mapping as per MSCOA chart of accounts..

Reclassification : General Expenses	As previously reported	Reclassification	Total
Advertising	694,764	- 2,084,383	2,779,147
Mayoral Expense	-	- (2,084,383)	(2,084,383)
Business Advisory	-	- 1,067,106	1,067,106
Auditors remuneration	3,056,458	- (1,067,106)	1,989,352
Communication - licences (Radio & Television)	-	- 46,503	46,503
Mayoral expense	-	- (46,503)	(46,503)
Conference and Seminar	477,823	- 141,716	619,539
Business advisory	-	- (141,716)	(141,716)
IT Expense (general)	-	- 2,202,171	2,202,171
IT Support (Contracted)	-	- (2,202,171)	(2,202,171)
Skills Development Levy	-	- 266,399	266,399
Employee Related costs	-	- (266,399)	(266,399)
Fuel and oil	-	- 2,481,170	2,481,170
Transport Official	-	- (2,481,170)	(2,481,170)
Protective clothing	-	- 274,510	274,510
Uniforms	-	- (274,510)	(274,510)
Subscription and membership	-	- 625,089	625,089
Membership fees	-	- (625,089)	(625,089)
Telephone and fax	456,104	- 395,503	851,607
Business and advisory	-	- (395,503)	(395,503)
Travel local	1,187,291	- 145,617	1,332,908
Conference and seminars	-	- (145,617)	(145,617)
Title deeds	-	- 94,000	94,000
Plans	-	- (94,000)	(94,000)
Assets expensed	-	- 2	2
IT Support	-	- (2)	(2)
Utilities	239,765	- 2,771,688	3,011,453
Business and advisory	-	- (2,771,688)	(2,771,688)
Other Costs	-	- 153,369	153,369
Business Advisory	-	- (153,369)	(153,369)
	6,112,205	-	6,112,205

48. Risk management

Financial risk management

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

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.

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

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48. Risk management (continued)

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.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to receivables on an ongoing basis. If receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivables, 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 management.

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

Financial instrument	2023	2022
Receivables from exchange transactions	294,060	5,282,667
Cash and Cash equivalent	7,787,844	14,966,620

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Market risk

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

49. Going concern

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

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 and that the subordination agreement remain in force for so long as it takes to restore the solvency of the municipality.

50. Events after the reporting date

:Approval of UIFW expenditure write offs by the municipal council refer to note 47.

Change in political leadership (Mayor, Deputy Mayo, Speaker, Whip and MPAC chairperson in August 2023. and administration (Municipal manger was also appointed in August 2023.

The above changes are non adjusting events..

51. Unauthorised expenditure

Opening balance as previously reported	37,743,376	-
Add: Unauthorised expenditure - current	64,654,101	37,743,376
Less: Amount written off - current	(37,743,376)	-
Closing balance	64,654,101	37,743,376

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51. Unauthorised expenditure (continued)

Analysed as follows: non-cash

Depreciation and amortisation	6,759,439	8,467,406
Impairment	49,387,622	6,012,746
Transfer / Donation - Electrification	-	6,572,193
	56,147,061	21,052,345

Analysed as follows: cash

Remuneration for councillors	79,799	-
Finance Charges	883,299	1,295,095
Repairs and Maintenance	3,078,261	15,395,936
Inventory expensed	4,465,681	-
	8,507,040	16,691,031

Recoverability of unauthorised expenditure

After the Internal Audit investigations, council adopted the Internal Audit recommendation to write-off an amount of R 37 743 376 from the total Unauthorised Expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Unauthorised expenditure of R56 147 061 is a non-cash items (Impairment and depreciation) and R85 07040 is for cash items]

52. Fruitless and wasteful expenditure

Opening balance as previously reported	400,000	-
Less: Amount recovered - current	34,736	-
Less: Amount written off - current	(400,000)	-
Supplier appointed with the similar terms of references (Verification of Infrastructure)	-	400,000
Closing balance	34,736	400,000

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52. Fruitless and wasteful expenditure (continued)

Amount written-off

After the Internal Audit investigations, council adopted the Internal Audit recommendation to write-off an amount of R 400 000 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Disciplinary steps taken/criminal proceedings

There were no foul play identified as per investigation report .

53. Irregular expenditure

Opening balance as previously reported	98,101,452	21,639,030
Add: Irregular expenditure - current	4,196,372	1,799,936
Add: Irregular expenditure - prior period	-	74,662,486
Less: Amount written off- prior period	(98,101,452)	-
Closing balance	4,196,372	98,101,452

Amount written-off

After the internal Audit investigations, council adopted the internal audit recommendation to write-off an amount of R 98 101 452 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

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54. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	500,000	500,000
Amount paid - current year	(500,000)	(500,000)
	-	-
Audit fees		
Current year subscription / fee	2,408,356	1,989,352
Amount paid - current year	(2,408,356)	(1,989,352)
	-	-
PAYE and UIF		
Current year subscription / fee	7,086,449	6,298,087
Amount paid - current year	(7,086,449)	(6,298,087)
	-	-
VAT		
VAT receivable	2,306,574	477,939

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

55. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

56. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

57. Deviation from supply chain management regulations(Deviation contiinuation

Deviation	Amount	Total
Impractical to follow normal SCM process	1,359,174	1,359,174
Sole supplier	1,016,921	1,016,921
Emergency	294,630	294,630
	2,670,725	2,670,725

58. Segment information

General information

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58. Segment information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Community and Social Services, Planning and Development, Executive and Council, Finance and Administration, Waste and Management and Environmental and Public Safety. 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.

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 Social Services
Planning and Development

Goods and/or services

Trading Services
Planning and Development

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58. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Other services	Planning and development	Trading services	Total
Revenue				
Revenue from non-exchange transactions	142,747,893	28,441,440	4,795,311	175,984,644
Revenue from exchange transactions	308,844	19,357	2,783,122	3,111,323
Interest revenue	1,895,005	-	104,589	1,999,594
Total segment revenue	144,951,742	28,460,797	7,683,022	181,095,561
Municipal revenue				181,095,561
Expenditure				
Employee related costs	17,718,186	7,501,181	14,921,395	40,140,762
Remuneration of Councillors	10,805,554	-	-	10,805,554
Depreciation and Amortisation	31,678,538	12,841,787	-	44,520,325
Operational cost	16,742,461	3,419,239	3,155,363	23,317,063
Contracted services	14,624,226	33,418,692	3,132,535	51,175,453
Interest	4,960,518	-	-	4,960,518
Inventory Consumed	4,407,350	-	58,265	4,465,615
Operating Leases	882,862	-	-	882,862
Construction Contracts	3,078,261	-	-	3,078,261
Total segment expenditure	104,897,956	57,180,899	21,267,558	183,346,413
Total segmental surplus/(deficit)				(2,250,852)
Loss on Disposal				526,305
Fair Value Adjustments				(1,898,000)
Impairment Loss				51,887,661
surplus (deficit) for the period				50,515,966

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	Other services	Planning and development	Trading services	Total
58. Segment information (continued)				
Assets				
Current Assets	2,306,569	4,100,953	29,844,593	36,252,115
Non-Current Assets	8,517,210	529,634,909	-	538,152,119
Total segment assets	10,823,779	533,735,862	29,844,593	574,404,234
Total assets as per Statement of financial Position				574,404,234
Liabilities				
Current Liabilities	(49,233,258)	(3,266,154)	-	(52,499,412)
Non-Current Liabilities	(25,752,706)	(10,090,357)	-	(35,843,063)
Total segment liabilities	(74,985,964)	(13,356,511)	-	(88,342,475)
Total liabilities as per Statement of financial Position				(88,342,475)

Other services was erroneously included as reportable segment in 2021/ 2022 and it was corrected in 2022/ 2023. The municipality has two reportable segments, namely Planning and Development and Trading services.

2022

	Other Services	Planning and Development	Trading Services	Total
Revenue				
Revenue from non-exchange transactions	130,523,907	28,626,592	2,294,963	161,445,462
Revenue from exchange transactions	1,155,435	30,794	2,479,679	3,665,908
Inter-segment transfers	1,188,439	-	75,982	1,264,421
Total segment revenue	132,867,781	28,657,386	4,850,624	166,375,791
Municipal Revenue				166,375,791

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58. Segment information (continued)

Expenditure

Employee Related Cost	11,586,207	8,515,471	12,676,055	32,777,733
Remuneration of councillors	9,599,138	-	-	9,599,138
Depreciation and amortization	11,577,489	19,890,119	-	31,467,608
Operational Cost	18,251,419	3,511,248	1,403,324	23,165,991
Contracted Services	11,514,318	17,381,183	3,760,812	32,656,313
Interest	4,863,214	-	-	4,863,214
Inventory consumed	6,572,193	-	-	6,572,193
Operating leases	717,938	-	-	717,938

Total segment expenditure

74,681,916 49,298,021 17,840,191 141,820,128

Total segmental surplus/(deficit)

24,555,663

Loss on Disposal

(248,667)

Impairment Loss

6,012,746

Total losses and gain

5,764,079

Assets

Current Assets	477,938	5,317,490	57,631,677	63,427,105
Non Current Assets	10,691,351	572,103,131	-	582,794,482

Total segment assets

11,169,289 577,420,621 57,631,677 646,221,587

Total assets as per Statement of financial Position

646,221,587

Liabilities

Current liabilities	(47,561,686)	(2,418,025)	-	(49,979,711)
Non current liabilities	(23,379,876)	(9,803,376)	-	(33,183,252)

Total segment liabilities

(70,941,562) (12,221,401) - (83,162,963)

Total liabilities as per Statement of financial Position

(83,162,963)

59. Budget differences

Material differences between budget and actual amounts

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59. Budget differences (continued)

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

54.1 Sale of goods - reallocation of income captured after adjustment

54.2 Service charges - Indigent register increased

54.3 Interest received - Budget amount included interest on arrears account while the actual excluded interest on arrears account for property rates

54.4 Agency Services - Loadshedding affected the budget amount, during the loadshedding Licence office closes

54.5 Interest on Investment - More withdrawals were done on investment accounts which affected interest received

54.6 Property rates - Indigent register increases, resulting to the reduction on property rates billing

54.7 Licences and and Permit - During loadshedding Licence office closes which affect budget and revenue

54.8 Surcharge and Taxex - MSCOA Mapping

54.9 Interest, Dividends and tax - Budget was based on prior year actual however there has been improvements on hiring public facilities because of Covid-19 restrictions

54.10 Government grants - Municipal Infrastructure grant withheld

54.11 Fines, Penalties, forfeits - Budget is on cash basisi while actuals are on accrual basisi.

54.12 Other transfer revenue - Mining contribution were not received

54.13 Employee related cost - Casual workers expenditure is included on employees related cost actuals

54.14 Remuneration of councillors - N/A

54.15 Depreciation / Amortization - Change in estimate

54.16 Impairment loss - Assets conditions significantly decrease

54.17 Finance cost - Repayment of DBSA loan

54.18 Lease rental - Budget estimate was high

54.19 Contracted services - Increase in maintenance of infrastructure as a result of floods

54.20 Inventory (Sale of goods) - Electrification projects are donated to communiities after completion

54.21 General Expenses - Cost containment policy strictly impleted.