



AbaQulusi Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2024

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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**Legal form of entity**

Local Municipality

**Nature of business and principal activities**

The primary function of Abaqulusi Local Municipality is to provide basic services i.e. water, electricity, sanitation and refuse to the Abaqulusi communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment.

**Mayoral committee**

Mayor

MR S E MKHWANAZI

Deputy Mayor

MR MA MAZIBUKO (Changed to normal councillor on 29 April 2024)

Speaker

MS N P NDLELA

Executive Committee Members

MR HB KHUMALO

MR L DUBE

MS L N NTULI

MR L M XULU (Changed to EXCO member on 31 May 2024)

MR LWC MTSHALI (Changed to normal councillor on 29 April 2024)

MR ML MTSHALI (Changed to normal councillor on 29 April 2024)

Councillors

MR M C MAPHISA (Dismissed on 29 April 2024)

MISS PF BUTHELEZI (Resigned on 30 October 2023)

MR BP BUTHELEZI (Resigned on 23 October 2023)

MS M VIKTOR

MR SB MKHWANAZI

MR KZ MBATHA

MR BE NDLELA

MISS TE VILAKAZI

MR BW MDLALOSE

MR MD KHUMALO

MR SS MTHEMBU

MR JX SANGWENI

MR ZM NGCOBO

MRS KM NTULI

MR MM LAMBISO

MR XJ ZUNGU

MR MD BUTHELEZI

MR E CRONJE

MS PP SELEPE

MR SN BUTHELEZI

MISS MB MABASO

MR SN NDLELA

MS ST MBOKAZI

MR BI NGEMA

MR VV DLAMINI

MR NM SIBIYA

MR HV KHUMALO

MR CB HLATSHWAYO

MR S SHELEMBE

MR S P NDABA

MR T KUNENE

MR S KHUZWAYO

MS S Z MDLULI

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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	MR M B KHUMALO MS S O XABA (Engaged on 06 November 2023) MS K R JIYANE (Engaged on 06 November 2023) MR T M NTSHINGILA (Engaged on 06 November 2023) MS E RODWAY (Engaged on 07 February 2024)
<b>Grading of local authority</b>	Grade 04 Medium Capacity
<b>Chief Finance Officer (CFO)</b>	Mr MPE Mthembu
<b>Accounting Officer</b>	Mrs SP Dlamini (Acting Municipal manager)
<b>Business address</b>	Cnr of Mark and High Street Vryheid Kwa-Zulu Natal 3100
<b>Postal address</b>	P. O. Box 57 Vryheid Kwa-Zulu Natal 3100
<b>Tel</b>	034 982 2133 or 080 020 1102
<b>Email</b>	information@abaqulusi.gov.za
<b>Website</b>	www.abaqulusi.gov.za
<b>Bankers</b>	ABSA Bank of South Africa Limited  Nedbank of South Africa Limited  Standard Bank
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Garlicke & Bousfield Nxumalo & Partners Mathopo Attorneys S Pearl Ndaba Attorneys

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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

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### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
LGSETA	Local Government Services Sector Education & Training Authority
MEC	Member of the Executive Council
SALGA	South African Local Government Association

# **AbaQulusi Local Municipality**

Annual Financial Statements for the year ended 30 June 2024

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

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. My assumption is made based on the municipality receiving continuous grant funding from both National and Provincial Government. The municipality is dependent on revenue received from billing of property rates and services to the community and state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that Abaqulusi Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. (Refer to note for going concern for the detailed analysis).

I certify that the salaries, allowances and benefits of Councillors as disclosed in the note entitled Remuneration of Councillors of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

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**Accounting Officer**  
**Mrs SP Dlamini (Acting Municipal manager)**

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023Resated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	18 176 753	20 109 382
Receivables from exchange transactions	3	67 867 514	64 572 750
Receivables from non-exchange transactions	4	34 062 488	24 922 785
VAT Input Accrual	56	28 463 922	18 545 773
Inventories	2	84 205 670	84 720 717
		<b>232 776 347</b>	<b>212 871 407</b>
<b>Non-Current Assets</b>			
Investment property	6	64 397 000	62 037 000
Property, plant and equipment	7	918 327 777	981 745 455
Intangible assets	8	155 591	239 471
Heritage assets	9	3 854 571	3 854 571
		<b>986 734 939</b>	<b>1 047 876 497</b>
<b>Total Assets</b>		<b>1 219 511 286</b>	<b>1 260 747 904</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	15	7 701 335	2 836 599
Payables from exchange transactions	10	255 333 698	165 490 295
VAT Output Accrual	55	25 910 141	18 430 467
VAT statutory payable	57	2 360 863	1 919 119
Consumer deposits	11	18 004 052	18 064 885
Employee benefit obligation	13	4 191 000	4 191 000
Unspent conditional grants and receipts	12	3 616 330	5 441 876
Provisions	14	879 701	966 115
		<b>317 997 120</b>	<b>217 340 356</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	15	7 313 549	4 607 425
Employee benefit obligation	13	55 989 001	52 247 001
Provisions	14	69 060 516	42 468 187
		<b>132 363 066</b>	<b>99 322 613</b>
<b>Total Liabilities</b>		<b>450 360 186</b>	<b>316 662 969</b>
<b>Net Assets</b>		<b>769 151 100</b>	<b>944 084 935</b>
Accumulated surplus		769 151 100	944 084 935
<b>Total Net Assets</b>		<b>769 151 100</b>	<b>944 084 935</b>

\* See Note

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	17	321 140 657	282 482 429
Sales of Goods and Rendering of services	26	620 061	591 310
Rental of facilities and equipment	18	1 040 448	1 124 298
Licences and permits	19	51 263	33 553
Agency services	20	5 797 435	5 762 966
Operational Income	21	1 035 919	853 582
Interest on Investments	22	3 773 168	1 703 914
Interest on receivables from exchange transactions	23	12 687 734	11 174 752
Actuarial gains	13	5 654 000	9 146 000
Gain on disposal		-	21 391 517
Water Inventory Gain		6 101 462	6 464 725
<b>Total revenue from exchange transactions</b>		<b>357 902 147</b>	<b>340 729 046</b>
<b>Revenue from non-exchange transactions</b>			
Property rates	24	118 186 250	99 002 165
Property rates - penalties imposed	24	9 211 067	9 134 158
Electricity availability charges		14 335 836	12 868 608
Water availability charges		18 224 860	10 001 933
Sanitation availability charges		9 188 451	10 179 949
Government grants & subsidies	27	280 294 157	242 763 364
Fines, Penalties and Forfeits	25	10 909 860	8 881 412
Legal Fees Refundable		2 000 000	-
Fair value adjustments	6	2 360 000	2 117 450
<b>Total revenue from non-exchange transactions</b>		<b>464 710 481</b>	<b>394 949 039</b>
<b>Contract Revenue</b>	53	<b>4 231 827</b>	<b>17 126 343</b>
<b>Total revenue</b>		<b>826 844 455</b>	<b>752 804 428</b>
<b>Expenditure</b>			
Employee related costs	28	200 757 381	182 820 900
Remuneration of councillors	29	17 744 099	17 264 678
Inventories losses/write-downs	2	-	560 180
Water Losses	54	18 922 504	17 349 064
Depreciation and amortisation	30	130 246 229	132 272 867
Finance costs	31	14 494 191	5 474 907
Lease rentals on operating lease	32	3 861 736	5 166 560
Debt Impairment	33	72 376 308	3 635 729
Bad debts written off	34	-	73 664 232
Impairment losses on non cash generating assets	7	413 335	1 164 914
Bulk purchases	35	264 243 266	215 217 611
Contracted services	36	138 512 336	100 387 920
Contract expenditure	53	4 231 827	17 126 343
Loss on disposal of assets		3 681 648	-
Inventory Consumed		60 638 281	47 176 495
Operational Expenditure	38	47 655 149	48 137 834
Land Purchase Provision Increases	14	24 000 000	-
<b>Total expenditure</b>		<b>1 001 778 290</b>	<b>867 420 234</b>

\* See Note

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2023
<b>Deficit for the year</b>		<b><u>(174 933 835) (114 615 806)</u></b>

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\* See Note

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
<b>Balance at 01 July 2022</b>	<b>1 044 886 674</b>	<b>1 044 886 674</b>
Changes in net assets		
Deficit for the year as previously reported	(133 985 850)	(133 985 850)
Total changes	(133 985 850)	(133 985 850)
Opening balance as previously reported	913 546 187	913 546 187
Adjustments		
Effect of prior period adjustments (2021/22)	11 168 704	11 168 704
Effect of prior period adjustments (2022/23)	19 370 044	19 370 044
<b>Restated* Balance at 01 July 2023 as restated*</b>	<b>944 084 935</b>	<b>944 084 935</b>
Changes in net assets		
Deficit for the year	(174 933 835)	(174 933 835)
Total changes	(174 933 835)	(174 933 835)
<b>Balance at 30 June 2024</b>	<b>769 151 100</b>	<b>769 151 100</b>

\* See Note

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service Charges		323 350 885	247 352 903
Rates and Fines		96 899 495	119 512 754
Grants		284 525 984	240 681 243
Interest income		8 531 176	12 878 667
Penalties		5 438 123	-
Other receipts		14 646 588	30 855 592
		<u>733 392 251</u>	<u>651 281 159</u>
<b>Payments</b>			
Employee costs		(209 105 480)	(188 693 576)
Suppliers		(450 456 415)	(423 800 989)
Finance costs on trade and other payables		(14 494 191)	(3 192 053)
		<u>(674 056 086)</u>	<u>(615 686 618)</u>
<b>Net cash flows from operating activities</b>	39	<b><u>59 336 165</u></b>	<b><u>35 594 542</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	<u>(56 788 066)</u>	<u>(51 956 757)</u>
<b>Cash flows from financing activities</b>			
Finance lease payments		<u>(4 480 730)</u>	<u>7 444 024</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(1 932 631)</u></b>	<b><u>(8 918 191)</u></b>
Cash and cash equivalents at the beginning of the year		20 109 382	29 027 573
<b>Cash and cash equivalents at the end of the year</b>		<b><u>18 176 753</u></b>	<b><u>20 109 382</u></b>

Cash and Cash equivalents at year end comprise of various operational and capital conditional grants (R3,616,330 (2024) and R5,441,876 (2023)) for which the municipality has previously received proceeds for, however, the conditions for the amounts to be spent have not yet been met, resulting in a restriction to the cash balance.

\* See Note

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Performance

#### Revenue

Property Rates	120 645 000	-	<b>120 645 000</b>	127 397 317	<b>6 752 317</b>	5%
Service charges	394 104 000	-	<b>394 104 000</b>	362 889 804	<b>(31 214 196)</b>	-7%
Investment Revenue	1 706 000	3 000 000	<b>4 706 000</b>	3 773 168	<b>(932 832)</b>	-22.5%
Transfers and subsidies (Operational and Capital)	296 111 000	(5 279 000)	<b>290 832 000</b>	284 526 184	<b>(6 305 816)</b>	-2%
Other own revenue	50 286 000	42 000 000	<b>92 286 000</b>	48 257 982	<b>(44 028 018)</b>	-45%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>862 852 000</b>	<b>39 721 000</b>	<b>902 573 000</b>	<b>826 844 455</b>	<b>(75 728 545)</b>	

#### Expenditure

Personnel	(188 376 000)	(20 547 000)	<b>(208 923 000)</b>	(200 757 381)	<b>8 165 619</b>	4%
Remuneration of councillors	(19 305 000)	1 345 000	<b>(17 960 000)</b>	(17 744 099)	<b>215 901</b>	1%
Depreciation, amortisation and asset impairment	(42 503 000)	-	<b>(42 503 000)</b>	(130 246 229)	<b>(87 743 229)</b>	-207%
Finance costs	-	(5 474 000)	<b>(5 474 000)</b>	(14 494 191)	<b>(9 020 191)</b>	-180%
Inventory consumed and bulk purchases	(303 352 000)	30 559 000	<b>(272 793 000)</b>	(324 881 547)	<b>(52 088 547)</b>	-19%
Other expenditure	(166 958 000)	15 340 000	<b>(151 618 000)</b>	(313 654 843)	<b>(162 036 843)</b>	-107%
<b>Total expenditure</b>	<b>(720 494 000)</b>	<b>21 223 000</b>	<b>(699 271 000)</b>	<b>(1 001 778 290)</b>	<b>(302 507 290)</b>	
<b>Deficit Before Taxation</b>	<b>142 358 000</b>	<b>60 944 000</b>	<b>203 302 000</b>	<b>(174 933 835)</b>	<b>(377 151 835)</b>	

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	%
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Current Assets</b>						
Cash	59 796 000	48 557 000	<b>108 353 000</b>	18 176 753	<b>(90 176 247)</b>	-83%
Inventory	19 160 000	65 413 000	<b>84 573 000</b>	84 205 670	<b>(367 330)</b>	-0.1%
Receivables from exchange transactions	132 635 000	(12 920 000)	<b>119 715 000</b>	67 867 514	<b>(51 847 486)</b>	-42%
Receivables from non-exchange transactions	33 209 000	(26 578 000)	<b>6 631 000</b>	34 062 488	<b>27 431 488</b>	405%
VAT receivable	180 875 000	44 579 000	<b>225 454 000</b>	192 918	<b>(225 261 082)</b>	-100%
Other current assets	70 000	(12 000)	<b>58 000</b>	-	<b>(58 000)</b>	-100%
<b>Total Current Assets</b>	<b>425 745 000</b>	<b>119 039 000</b>	<b>544 784 000</b>	<b>204 505 343</b>	<b>(340 278 657)</b>	
<b>Non-Current Assets</b>						
Investment property	99 933 000	(57 520 000)	<b>42 413 000</b>	64 397 000	<b>21 984 000</b>	54%
Property, plant and equipment	1 308 594 000	(276 669 000)	<b>1 031 925 000</b>	918 327 777	<b>(113 597 223)</b>	-11%
Intangible assets	152 000	(82 000)	<b>70 000</b>	155 591	<b>85 591</b>	120%
Heritage assets	3 855 000	-	<b>3 855 000</b>	3 854 571	<b>(429)</b>	0%
	<b>1 412 534 000</b>	<b>(334 271 000)</b>	<b>1 078 263 000</b>	<b>986 734 939</b>	<b>(91 528 061)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	-	2 837 000	<b>2 837 000</b>	7 701 335	<b>4 864 335</b>	200%
Payables from exchange transactions	123 101 000	21 434 000	<b>144 535 000</b>	255 333 698	<b>110 798 698</b>	30%
Taxes and transfers payable (non-exchange)	7 524 000	(2 082 000)	<b>5 442 000</b>	3 616 330	<b>(1 825 670)</b>	-20%
VAT payable	178 273 000	49 031 000	<b>227 304 000</b>	-	<b>(227 304 000)</b>	-98%
Consumer deposits	16 928 000	1 137 000	<b>18 065 000</b>	18 004 052	<b>(60 948)</b>	-3%
Provisions	5 008 000	4 108 000	<b>9 116 000</b>	879 701	<b>(8 236 299)</b>	-89%
Employee benefit obligation	2 743 000	(502 000)	<b>2 241 000</b>	4 191 000	<b>1 950 000</b>	87%
	<b>333 577 000</b>	<b>75 963 000</b>	<b>409 540 000</b>	<b>289 726 116</b>	<b>(119 813 884)</b>	
<b>Non-Current Liabilities</b>						
Finance lease obligation	-	4 607 000	<b>4 607 000</b>	7 313 549	<b>2 706 549</b>	100%
Provisions	50 237 000	1 591 000	<b>51 828 000</b>	69 060 516	<b>17 232 516</b>	33%
Employee benefit obligation	42 715 000	172 000	<b>42 887 000</b>	55 989 001	<b>13 102 001</b>	30%
	<b>92 952 000</b>	<b>6 370 000</b>	<b>99 322 000</b>	<b>132 363 066</b>	<b>33 041 066</b>	
<b>Total Liabilities</b>	<b>426 529 000</b>	<b>82 333 000</b>	<b>508 862 000</b>	<b>422 089 182</b>	<b>(86 772 818)</b>	
Accumulated surplus	1 411 750 000	(297 546 000)	<b>1 114 204 000</b>	769 151 100	<b>(345 052 900)</b>	-34%
<b>Total Net Assets</b>	<b>1 411 750 000</b>	<b>(297 546 000)</b>	<b>1 114 204 000</b>	<b>769 151 100</b>	<b>(345 052 900)</b>	

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	%
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates	115 013 000	-	<b>115 013 000</b>	96 899 495	<b>(18 113 505)</b>	-15%
Service Charges	365 334 000	-	<b>365 334 000</b>	323 350 885	<b>(41 983 115)</b>	-11%
Other revenue	8 670 000	2 000 000	<b>10 670 000</b>	14 646 588	<b>3 976 588</b>	30%
Transfers and Subsidies - Capital and Operational	296 111 000	(5 279 000)	<b>290 832 000</b>	284 525 984	<b>(6 306 016)</b>	-2%
Interest	1 706 000	3 000 000	<b>4 706 000</b>	8 531 176	<b>3 825 176</b>	250%
Other cash item	-	-	-	5 438 123	<b>5 438 123</b>	100%
	<b>786 834 000</b>	<b>(279 000)</b>	<b>786 555 000</b>	<b>733 392 251</b>	<b>(53 162 749)</b>	
<b>Payments</b>						
Suppliers and employees	(672 629 000)	15 200 000	<b>(657 429 000)</b>	(674 056 086)	<b>(16 627 086)</b>	-2%
<b>Net cash flows from operating activities</b>	<b>114 205 000</b>	<b>14 921 000</b>	<b>129 126 000</b>	<b>59 336 165</b>	<b>(69 789 835)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(83 440 000)	2 555 000	<b>(80 885 000)</b>	(56 788 066)	<b>24 096 934</b>	30%
Proceeds from sale of property, plant and equipment	-	40 000 000	<b>40 000 000</b>	-	<b>(40 000 000)</b>	-100%
Decrease in non-current receivables	-	40 000 000	<b>40 000 000</b>	-	<b>(40 000 000)</b>	-100%
<b>Net cash flows from investing activities</b>	<b>(83 440 000)</b>	<b>82 555 000</b>	<b>(885 000)</b>	<b>(56 788 066)</b>	<b>(55 903 066)</b>	
<b>Cash flows from financing activities</b>						
Finance Leases	-	-	-	(4 480 730)	<b>(4 480 730)</b>	-100%
Cash and cash equivalents at the beginning of the year	29 031 000	(8 918 000)	<b>20 113 000</b>	20 109 382	<b>(3 618)</b>	0%
Cash and Cash equivalents at year end	59 796 000	48 557 000	<b>108 353 000</b>	18 176 753	<b>(90 176 247)</b>	83%

Refer to note 52 for discussions about variances between budgeted and actual.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

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

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

#### Standards approved and effective for the year ending 30 June 2024

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 9	Revenue from Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non -Cash Generating Assets
GRAP 23	Revenue from Non- Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 31	Intangible Assets
GRAP 34	Separate Financial Statements
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-Living resources

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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These accounting policies are consistent with the previous period.

### Standards approved and not yet effective for the year ending 30 June 2024

GRAP 01	Presentation of Financial Statements
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
Amendments	Improvements to Standards of GRAP

### Interpretations of Standards of GRAP approved and effective for the year ending 30 June 2024

IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an arrangement contains a lease
IGRAP 4	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 16	Intangible Assets – Website Costs
IGRAP 18	Recognition and Derecognition of Land
IGRAP 19	Liabilities to Pay Levies
IGRAP 20	Accounting for Adjustments to Revenue
IGRAP 21	The Effect of Past Decisions on Materiality

The impact of the proposed amendments as per the Standards and Interpretations have been considered by the municipality and has been determined to be not material.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

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

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

#### 1.4 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:

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

#### Revenue Recognition

Accounting policy 1.18 & 1.19 on Revenue from Exchange Transactions and Revenue from Non-Exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### Impairment testing

Accounting policy 1.9 Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

#### Useful lives of Property Plant & Equipment

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

#### Impairment

Write down of property plant and equipment, intangible assets and inventories. The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

#### Post-retirement benefits

As described in accounting policy 1.15 Employee Benefits, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-Retirement Health Benefit Obligations and Long Service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25 Employee Benefits.

#### Recognition and Derecognition of Land

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. This includes land under the SASCO area to which legal ownership rests with the municipality, however, due to the agreement with Human Settlements to construct RDP houses on these land parcels, the municipality ultimately loses control of the said land .

#### Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are based on the nature of the agreement and the roles and responsibilities as defined in the agreements.

#### Impairment of statutory receivables

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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, 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.

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

#### Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

#### Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

- (a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or
- (b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

#### Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

#### Offsetting

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

#### Provisions

Provisions have been raised by the municipality for rehabilitation of the landfill site in accordance with IGRAP2. Additional disclosure of these estimates of provisions are included in note to the Financial Statements.

### 1.5 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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.5 Investment property (continued)

- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

#### **Fair value**

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

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

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

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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.

Land is initially recognised at cost. Due to the nature of the asset, land is not depreciated over its indefinite useful life and as such, initial and subsequent measurement is at cost less any potential impairments

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

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

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Item	Depreciation method	Average useful life
Infrastructure		
• Roads and Stormwater	Straight-line	05-80 years
• Electricity	Straight-line	03-50 years
• Sanitation	Straight line	15-100 years

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# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

• Water	Straight line	05-80 years
• Landfill Sites	Straight-line	15-50 years
Community		
• Sport and recreational facilities	Straight-line	05-50 years
• Cemeteries	Straight-line	05-50 years
• Halls	Straight-line	05-50 years
• Libraries	Straight-line	05-50 years
• Parks	Straight-line	05-50 years
• Fire Station	Straight-line	05-50 years
• Clinics	Straight-line	05-50 years
• Sports Fields	Straight-line	15-30 years
• Stadium	Straight-line	05-30 years
Plant and Machinery	Straight-line	02-15 years
• Motor Vehicles	Straight-line	05-15 years
• Office Equipment	Straight-line	03-10 years
• IT Equipment	Straight-line	03-07 years

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note no.36).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note no.07).

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Computer software, other	Straight-line	05-10 years

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The municipality does not have any intangible assets under construction or development to disclose in the notes to the financial statements.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.8 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.

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

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

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note no.36).

The municipality does not have any heritage assets under construction or development to disclose in the notes to the financial statements.

### Recognition

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

### Initial measurement

Heritage assets are measured at cost.

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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.8 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.

### 1.9 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).

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

A financial asset is:

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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.9 (continued)

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.

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

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

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

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

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

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

### Classification

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

<b>Class</b>	<b>Category</b>
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash & cash equivalents	Financial asset measured at amortised cost

The entity 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:

<b>Class</b>	<b>Category</b>
Payables from exchange transactions	Financial liability measured at amortised cost

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.10 Statutory receivables

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The VAT portion due to - From SARS is considered a statutory receivable and is recognised and measured per below.

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

### 1.11 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 - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the rate implicit in the lease agreement to amortise these finance leases of 13% to 16% (2023: 13% to 16%) .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.11 Leases (continued)

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.12 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 consumables, stores, materials, and finished is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Land is however carried at cost until distribution

The municipality's inventory consists of water, consumables, stores, materials, Land held for distribution and finished goods.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.12 Inventories (continued)

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.

### Non-Living Resources

The Municipality has non-living resources in the form of water dams. There are no liabilities, nor contingent liabilities that are associated with these resources. There is no amount of compensation from third parties for these non living resources.

### 1.13 Construction contracts and receivables

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

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

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

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

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

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

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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.

### 1.14 Impairment of 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.

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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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(continued)

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

### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

### Identification

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

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

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

### Value in use

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

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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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(continued)

### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### 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.

### 1.15 Employee benefits

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

GRAP 25 on employee benefits is to provide accounting principles for amounts or benefits due to employees, their spouses or third parties when employees have rendered services to the municipality, and the rendering of those services entitles employees to certain benefits.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

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

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

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

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

#### Post-employment benefits

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

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

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

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

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

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

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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.15 Employee benefits (continued)

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

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.15 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### 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. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.16 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).

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.16 Provisions and contingencies (continued)

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.

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 41.

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, an 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.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.16 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

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

The related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14.

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

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

### 1.17 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.

### 1.18 Revenue from exchange transactions

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

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

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

#### Measurement

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

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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.18 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the 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 .

#### Interest, service fees

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends 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 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.

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

### 1.19 Revenue from non-exchange transactions

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

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

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

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

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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

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

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

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

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

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

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

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

#### 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.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### Transfers

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

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

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

#### Fines

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

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

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

### 1.20 Accounting by principals and agents

#### Identification

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

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

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

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

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

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

#### Binding arrangement

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

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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

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

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

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

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

#### Recognition

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

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

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

### 1.21 Comparative figures

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.22 Unauthorised expenditure

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

“unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—

- (a) overspending of the total amount appropriated in the municipality’s approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) 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
- (f) a grant by the municipality otherwise than in accordance with this Act.

### 1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.24 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).

### 1.25 Segment information

A segment is an activity of an entity:

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

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

#### Measurement

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

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

### 1.26 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 accrual basis and presented by economic classification linked to performance outcome objectives.

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

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.

### 1.27 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.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.27 Related parties (continued)

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

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

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

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

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

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

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

### 1.28 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.

### 1.29 Cash & Cash Equivalents

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

### 1.30 Changes in accounting policies, estimates, errors

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balance. The provisions of IGRAP 1 have been applied retrospectively in line with IGRAP1.

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023 *Restated
<b>2. Inventories</b>		
Water for distribution	179 551	164 060
Stores, materials and fuels	25 576 826	24 937 362
Land inventory	58 449 293	59 619 294
	<b>84 205 670</b>	<b>84 720 716</b>
Inventory written off during the year amounted to R Nil (2023: R560 180)		
* Prior year inventory balances have been restated. The restatements performed have been disclosed in Note 42		
<b>3. Receivables from exchange transactions</b>		
Consumer debtors - Electricity	30 855 312	14 757 410
Consumer debtors - Water	9 573 052	5 979 090
Consumer debtors - Waste water	1 214 657	5 428 017
Consumer debtors - Waste Management	5 035 580	5 996 082
Consumer debtors - Other	21 188 913	32 412 150
	<b>67 867 514</b>	<b>64 572 749</b>
<b>Breakdown Net Consumer Debtors - Other</b>		
Abeyance	-	169 922
Land Sale Debtor	18 985 167	27 803 995
Property Rental Debtors	1 641 980	228 617
Sundry Debtors	558 156	4 208 707
Service charges	3 610	909
	<b>21 188 913</b>	<b>32 412 150</b>
<b>Reconciliation of provision for impairment of Receivables from exchange transactions</b>		
Opening balance	144 952 128	162 199 637
Provision for impairment	46 438 440	(17 247 509)
	<b>191 390 568</b>	<b>144 952 128</b>
	-	-

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## 3. Receivables from exchange transactions (continued)

### Gross receivables from exchange transactions

Consumer Debtors - Electricity	51 520 102	25 435 812
Consumer Debtors - Water	62 506 124	39 804 458
Consumer Debtors - Waste Water	58 984 506	46 853 489
Consumer Debtors - Waste Management	54 223 530	38 529 274
Consumer Debtors - Other	32 023 820	58 901 961
	<b>259 258 082</b>	<b>209 524 994</b>

### Gross consumer debtors - other includes the following:

Abeyance	-	942 844
Property rental debtors	4 203 096	3 800 780
Sundry Debtors	3 174 228	20 682 723
Service charges	159 010	169 300
Land sale debtors	24 487 486	33 306 314
	<b>32 023 820</b>	<b>58 901 961</b>

### Provision for doubtful debts

Consumer Debtors - Electricity	(20 664 790)	(10 678 401)
Consumer Debtors - Water	(52 933 071)	(33 825 368)
Consumer Debtors - Waste Water	(57 769 849)	(41 425 355)
Consumer Debtors - Waste Management	(49 187 951)	(32 533 191)
Consumer Debtors - Other	(10 834 907)	(26 489 812)
	<b>(191 390 568)</b>	<b>(144 952 127)</b>

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Receivables from exchange transactions (continued)

#### Consumer Debtors - Other includes the following:

Abeyance	-	(772 922)
Property rental debtors	(2 561 116)	(3 572 163)
Sundry Debtors	(2 616 072)	(16 474 017)
Service charges	(155 400)	(168 391)
Land sale debtors	(5 502 319)	(5 502 319)
	<b>(10 834 907)</b>	<b>(26 489 812)</b>

#### Ageing of Trade and other receivables from exchange transactions Heading

Electricity		
Current (0-30 days)	13 692 905	10 091 138
31-60 days	4 555 724	2 905 111
61-90 days	3 924 966	996 870
91-120 days	2 174 877	1 544 480
121-365 days	1 919 838	7 867 189
> 365 days	25 015 068	8 280 244
	<b>51 283 378</b>	<b>31 685 032</b>

#### Water

Current (0-30 days)	6 011 596	4 219 456
31-60 days	5 501 482	2 847 708
61-90 days	4 360 922	1 476 083
91-120 days	2 509 944	1 312 089
121-365 days	2 281 051	9 814 375
> 365 days	41 841 128	27 516 487
	<b>62 506 123</b>	<b>47 186 198</b>

#### Waste Water

Current (0-30 days)	3 484 543	3 059 522
31-60 days	2 445 197	7 263 508
61-90 days	2 149 871	1 616 245
91-120 days	1 969 407	1 511 460
121-365 days	1 881 679	9 354 210
> 365 days	47 053 809	29 953 917
	<b>58 984 506</b>	<b>52 758 862</b>

#### Waste Management

Current (0-30 days)	3 604 352	2 538 712
31-60 days	2 293 691	1 668 737
61-90 days	2 060 754	1 500 379
91-120 days	1 903 945	1 425 399
121-365 days	1 824 360	8 330 807
> 365 days	42 536 429	23 065 240
	<b>54 223 531</b>	<b>38 529 274</b>

#### Consumer Debtors - Other

Current (0-30 days)	112 756	3 225 893
31-60 days	96 249	2 047 283
61-90 days	86 784	457 989
91-120 days	173 475	394 260
121-365 days	84 348	8 126 588
> 365 days	12 485 042	44 649 949

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Receivables from exchange transactions (continued)

	<b>13 038 654</b>	<b>58 901 962</b>
<b>Ageing of debtors past due but not impaired</b>		
Consumer Debtors - electricity (31 - 365 days)	30 855 312	14 757 410
Consumer Debtors - Water (31 - 365 days)	9 573 052	5 979 090
Consumer Debtors - Waste Water (31 - 365 days)	1 214 657	5 428 017
Consumer Debtors - Waste Management (31 - 365 days)	5 035 579	5 996 082
Consumer Debtors - Other (31 - 365 days)	21 118 913	32 412 150
	<b>67 797 513</b>	<b>64 572 749</b>

#### Factors considered in assessing impairment losses

The municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired. The last day of each financial year is the reporting date for the municipality, being 30 June.

#### Impairment exclusions

The following accounts are specifically excluded from the assessment for impairment:

- Receivable accounts with a total credit balance at reporting date;
- Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due.

#### Calculation and recognition of impairment loss

##### Receivables from Exchange Transactions:

The municipality assesses all receivables from exchange transactions, for both individual receivable impairment as well as collective group impairment.

##### Individual receivable impairment

Individual receivable impairment identifies individual receivable accounts that meet any one of the following criteria:

- Debtors where a formal arrangement has been made, however the last payment date by the customer was before 31 March of the current financial year;
- Accounts handed over to debt collectors and/or power of attorney;
- Debtors where the last payment date by the customer was before 01 July 2023;
- All accounts indicated as in-active accounts on the system;
- When accounts have been formally presented to the CFO for consideration for write off; and
- Indigent debtors where accounts are outstanding for more than 90 days

The individual debtors that meet the above mentioned criteria, will be considered for an impairment value of 100% of the outstanding debt due as at the reporting date.

##### Group receivable impairment

A group assessment of receivables is further conducted on the remaining receivables balance. This impairment is calculated based on the average collection rate for the previous three financial years for each group category and sub-category of receivables

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Receivables from non-exchange transactions

Fines	244 447	52 070
Service Availability charges	13 604 601	12 685 508
Other Non-financial debtors	283 388	479 857
Legal fees receivable	2 000 000	-
Property Rates	17 930 052	11 705 350
	<b>34 062 488</b>	<b>24 922 785</b>

#### Statutory receivables included in receivables from non-exchange transactions above are as follows:

Taxes	17 930 052	11 705 350
Fines	244 447	52 070
	<b>18 174 499</b>	<b>11 757 420</b>

#### Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:

Insurance Debtor	217 409	217 409
Overpayment to Creditor	-	203 995
Cashier Shortages	65 979	58 453
	<b>283 388</b>	<b>479 857</b>

### Statutory receivables general information

#### Transaction(s) arising from statute

Property Rates Taxes are imposed in accordance with the Municipal Property Rates Act 6 of 2004. The Act gives the Municipality the right to levy Property Rates taxes on all properties within the Municipal jurisdiction.

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

#### Determination of transaction amount

Municipal Property Rates taxes is determined by using the municipal property valuation roll and is imposed on a Property that is within the Municipal Jurisdiction on usage.

Municipal Traffic fines are determined based on the tariffs for offences in accordance with the National Road Traffic Act.

#### Basis used to assess and test whether a statutory receivable is impaired

Assessing impairment is an event that takes place subsequent to the initial recognition of revenue charged. The Municipality assesses the probability of collecting revenue for traffic fines that are in arrears. Traffic fines will be impaired when the possibility of collecting the fines cannot be ascertained and where the prospects of a successful prosecution of an offender are not certain. The municipality also considers that offenders may make legal representation to have the fines reduced or voided. Therefore, the collection rate average over a 3-year period is used to determine future cashflows against outstanding fines, and the difference between future cash flows and outstanding fines will be considered as impaired.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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Figures in Rand

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

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	188 649 824	173 971 196
Provision for impairment	33 955 275	14 678 628
	<b>222 605 099</b>	<b>188 649 824</b>

#### Ageing of Trade and Other Receivables from Non-Exchange Transactions

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Traffic Fines

Current (0 - 30 days)	722 450	823 900
31 - 60 days	742 000	627 850
61 - 90 days	766 100	727 300
91 - 120 days	795 950	754 900
121 - 365 days	5 795 650	676 600
> 365 days	74 028 161	74 882 305

**82 850 311**      **78 492 855**

Statutory receivables past due and impaired	82 605 864	78 440 784
Statutory receivables past due not impaired	244 447	52 070

**82 850 311**      **78 492 854**

#### Rates

Current (0 - 30 days)	7 455 437	6 124 185
31 - 60 days	3 558 591	2 849 465
61 - 90 days	3 210 533	2 542 250
91 - 120 days	3 004 060	2 257 584
121 - 365 days	2 976 786	15 091 345
> 365 days	127 702 453	86 198 617

**147 907 860**      **115 063 446**

Statutory receivables past due and impaired	129 977 808	103 358 097
Statutory receivables past due not impaired	17 930 052	11 705 350

**147 907 860**      **115 063 447**

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

#### Factors considered in assessing impairment losses

The municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired. The last day of each financial year is the reporting date for the municipality, being 30 June.

#### Impairment exclusions

The following accounts are specifically excluded from the assessment for impairment:

- Receivable accounts with a total credit balance at reporting date;
- Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due.

#### Calculation and recognition of impairment loss

##### Receivables from Non-Exchange Transactions, excluding traffic fine receivables:

The municipality assesses all receivables from non-exchange transactions, with the exception of traffic fine receivables, for both individual receivable impairment as well as collective group impairment.

##### Individual receivable impairment

Individual receivable impairment identifies individual receivable accounts that meet any one of the following criteria:

- Debtors where a formal arrangement has been made, however the last payment date by the customer was before 31 March of the current financial year;
- Accounts handed over to debt collectors and/or power of attorney;
- Debtors where the last payment date by the customer was before 01 July 2023;
- All accounts indicated as in-active accounts on the system;
- When accounts have been formally presented to the CFO for consideration for write off; and
- Indigent debtors where accounts are outstanding for more than 90 days

The individual debtors that meet the above mentioned criteria, will be considered for an impairment value of 100% of the outstanding debt due as at the reporting date.

##### Group receivable impairment

A group assessment of receivables is further conducted on the remaining receivables balance. This impairment is calculated based on the average collection rate for the previous three financial years for each group category and sub-category of receivables.

\*Prior year Receivables from non-exchange transaction balances have been restated. The restatements performed have been disclosed in Note 42

#### Breakdown of net Property Rates debtors 2024

Gross Debtors	147 907 860	115 063 446
Provision for impairment	(129 977 808)	(103 358 097)
	<b>17 930 052</b>	<b>11 705 349</b>

#### Breakdown of net Traffic Fines debtors 2024

Gross Debtors	82 850 311	78 492 855
Provision for impairment	(82 605 864)	(78 440 784)
	<b>244 447</b>	<b>52 071</b>

#### Breakdown of net Service Charge Availability Debtors 2024

Gross Debtors	23 626 028	19 536 451
Provision for impairment	(10 021 427)	(6 850 943)
	<b>13 604 601</b>	<b>12 685 508</b>

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	7 291	6 660
Bank balances	4 615 660	4 772 967
Short-term deposits	13 553 802	15 329 755
	<b>18 176 753</b>	<b>20 109 382</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA Bank - Cheque Account - 1005001109	3 035 371	3 472 643	3 198 843	3 565 147	3 472 643	3 198 843
Nedbank Bank - CurrentAccount - 106 737 9770	741 869	1 300 324	2 452 551	1 048 969	1 300 324	2 452 551
Standard Bank 32 Day Account- Account Number 06846 176 3-003	5 079	4 800	4 584	5 079	4 800	4 584
Standard Bank Money MarketAccount Number 068461763-011	80 123	74 828	70 473	80 123	74 828	70 473
ABSA Call Deposit AccountNumber - 9195460586	243	243	243	243	243	243
ABSA Call Deposit AccountNumber - 9122861337	2 476	2 349	2 269	2 476	2 349	2 269
ABSA Liquidity Account Number- 9363389794	47 995	2 864 019	11 187 249	47 995	2 864 019	11 187 249
Nedbank Call Deposit AccountNumber - 03/7165020780/000030	4 007 561	3 673 474	3 962 657	4 007 561	3 673 474	3 962 657
Nedbank Call Deposit AccountNumber - 03/7165020780/000039	4 456	4 084	3 837	4 456	4 084	3 837
Nedbank Call Deposit AccountNumber - 03/7165020780/000040	4 845	4 441	4 172	4 845	4 441	4 172
Nedbank Call Deposit AccountNumber - 03/7165020780/000042/44	869 467	796 984	748 628	869 467	796 984	748 628
Nedbank Call Deposit AccountNumber - 03/7165020780/000043	8 531 564	7 820 339	7 345 849	8 531 564	7 820 339	7 345 849
Interest accrued	-	81 378	45 114	-	81 378	45 114
Petty cash	8 828	9 476	-	7 291	9 476	-
<b>Total</b>	<b>17 339 877</b>	<b>20 109 382</b>	<b>29 026 469</b>	<b>18 175 216</b>	<b>20 109 382</b>	<b>29 026 469</b>

The following bank accounts are pledged by the Municipality

Name of bank	Bank account number	Amount (R)
Nedbank Limited	03/7165020780/000042/44	869 467
	03/7165020780/000043	8 531 564

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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. (continued)

### Restricted cash balances

Conditional grants

Amounts comprise of various operational and capital conditional grants for which the municipality has previously received proceeds for, however, the conditions for the amounts to be spent have not yet been met, resulting in a restriction to the cash balance.

3 616 330

5 441 876

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 6. Investment property

	2024			2023		
	Cost / Valuation	Fair value adjustments	Carrying value	Cost / Valuation	Fair value adjustments	Carrying value
Investment property	59 919 550	4 477 450	64 397 000	59 919 550	2 117 450	62 037 000

#### Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	62 037 000	2 360 000	64 397 000

#### Reconciliation of investment property - 2023

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	63 172 445	(3 252 895)	2 117 450	62 037 000

#### Pledged as security

No investment property was pledged as security against any liability:

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.

The effective date of valuation was 30 June 2024. Revaluations were performed by an Independent Valuer Umhlaba Geomatics Incorporated, who has experience in location and category of the Investment property being valued. The Valuation was based on open market value for existing use of Investment Property which are used for Rentals and Capital Appreciation. The Municipality has Investment Properties in the Towns of Vryheid, Bhekuzulu, Mondlo A, Mondlo B and Louwsburg.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 6. Investment property (continued)

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	1 040 448	1 124 298
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

\*Prior year Investment property balances have been restated. The restatements performed have been disclosed in Note 42

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 7. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	119 690 806	-	119 690 806	119 690 806	-	119 690 806
Plant and machinery	2 925 556	(2 211 361)	714 195	3 394 231	(2 479 064)	915 167
Furniture and fixtures	2 735 160	(2 410 443)	324 717	2 763 477	(2 409 601)	353 876
Motor vehicles	34 776 003	(16 030 534)	18 745 469	23 312 058	(8 778 608)	14 533 450
IT equipment	4 682 031	(3 259 239)	1 422 792	3 779 374	(2 958 740)	820 634
Infrastructure	2 532 884 825	(1 970 594 686)	562 290 139	2 504 867 848	(1 862 334 904)	642 532 944
Community Buildings	289 958 406	(160 866 477)	129 091 929	266 285 879	(156 246 228)	110 039 651
Solid Waste Infrastructure	149 943 183	(83 578 853)	66 364 330	150 028 169	(80 271 135)	69 757 034
	67 445 640	(47 762 240)	19 683 400	67 445 640	(44 343 747)	23 101 893
<b>Total</b>	<b>3 205 041 610</b>	<b>(2 286 713 833)</b>	<b>918 327 777</b>	<b>3 141 567 482</b>	<b>(2 159 822 027)</b>	<b>981 745 455</b>

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

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	119 690 806	-	-	-	-	-	-	119 690 806
Plant and machinery	915 167	-	(74 597)	-	-	(126 375)	-	714 195
Furniture and fixtures	353 876	76 628	(25 639)	-	-	(80 148)	-	324 717
Motor vehicles	14 533 450	12 051 656	(297 344)	-	-	(7 526 735)	(15 558)	18 745 469
IT equipment	820 634	1 027 686	(27 119)	-	-	(394 502)	(3 907)	1 422 792
Infrastructure	642 532 944	30 015 762	(225 706)	36 487 960	(36 487 960)	(109 641 175)	(391 686)	562 290 139
Community Buildings	110 039 650	24 709 636	(38 863)	7 235 216	(7 235 216)	(5 616 238)	(2 256)	129 091 929
Solid Waste Infrastructure	69 757 035	-	(34 021)	-	-	(3 358 684)	-	66 364 330
	23 101 893	-	-	-	-	(3 418 493)	-	19 683 400
	<b>981 745 455</b>	<b>67 881 368</b>	<b>(723 289)</b>	<b>43 723 176</b>	<b>(43 723 176)</b>	<b>(130 162 350)</b>	<b>(413 407)</b>	<b>918 327 777</b>

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

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

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	155 238 705	2 779 000	(38 326 899)	-	-	-	-	119 690 806
Plant and machinery	441 303	573 304	(910)	-	-	(98 530)	-	915 167
Furniture and fixtures	238 132	172 144	(746)	-	-	(55 654)	-	353 876
Motor vehicles	9 911 656	7 791 382	(208 117)	-	-	(2 679 228)	(282 243)	14 533 450
IT equipment	656 454	344 943	(3 537)	-	-	(177 226)	-	820 634
Infrastructure	722 759 945	38 973 957	(2 197 967)	22 977 532	(22 977 532)	(116 419 959)	(583 032)	642 532 944
Community Buildings	116 140 301	1 479 344	-	695 810	(695 810)	(7 282 630)	(297 365)	110 039 650
Buildings	74 022 335	21 185	-	-	-	(4 284 211)	(2 274)	69 757 035
Solid Waste Infrastructure	24 295 219	-	-	-	-	(1 193 326)	-	23 101 893
	<b>1 103 704 050</b>	<b>52 135 259</b>	<b>(40 738 176)</b>	<b>23 673 342</b>	<b>(23 673 342)</b>	<b>(132 190 760)</b>	<b>(1 164 914)</b>	<b>981 745 455</b>

#### Assets subject to finance lease (Motor Vehicles)

Opening Balance	7 195 334	-
Additions	12 051 588	7 791 382
Depreciation	(3 012 347)	(596 048)
	<b>16 234 575</b>	<b>7 195 334</b>

#### Reconciliation of work in progress - 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	32 606 970	2 466 368	35 073 338
Additions/capital expenditure	29 676 540	24 709 636	54 386 176
Transferred to completed items	(36 487 960)	(7 235 216)	(43 723 176)
	<b>25 795 550</b>	<b>19 940 788</b>	<b>45 736 338</b>

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

#### Reconciliation of work in progress - 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	16 610 545	1 682 834	18 293 379
Additions/capital expenditure	38 973 957	1 479 344	40 453 301
Transferred to completed items	(22 977 532)	(695 810)	(23 673 342)
	<b>32 606 970</b>	<b>2 466 368</b>	<b>35 073 338</b>

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

Contracted services	45 919 418	29 243 628
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\*Prior year Property, Plant and Equipment balances have been restated. The restatements performed have been disclosed in Note 42

Projects affected by significant delays

Reason for delay	Project name	Carrying Value as at 30 June 2024	Expected completion date
The contractor had cash flow issues, There was slow progress on the project progress due to the local supplier delay	Mhlanga Gravel Road Phase 3	1 353 959	Sunday, 07 July 2024
There were delays from suppliers in delivering materials	Market Stalls - Ward 18	3 495 751	Tuesday, 24 September 2024
There were delays from suppliers in delivering materials	Mvuzini community Hall - Ward 18	7 257 425	Friday, 05 July 2024
There were delays from suppliers in delivering materials	KwaGwebu sportsfield - Ward 12	3 993 372	Friday, 29 November 2024
Project delayed due to adverse weather, delays in a shortfall of funds	Louwsberg Sportfield	3 023 336	Wednesday, 19 July 2023
Project delayed due to the contractor abandoning the site	Mpongoza Acces Road & Bridge Structure (Phase 3 to Phase 4) Ward4	1 922 258	Wednesday, 19 July 2023
		<b>21 046 101</b>	

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 8. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 402 633	(2 247 042)	155 591	2 484 741	(2 245 270)	239 471

#### Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	239 471	(83 880)	155 591

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	321 578	(82 107)	239 471

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 9. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	3 854 571	-	3 854 571	3 854 571	-	3 854 571

#### Reconciliation of heritage assets 2024

	Opening balance	Total
Historical buildings	3 854 571	3 854 571

#### Reconciliation of heritage assets - 2023

	Opening balance	Total
Historical buildings	3 854 571	3 854 571

### 10. Payables from exchange transactions

Trade payables and accruals	204 040 527	121 334 547
Retentions	14 419 601	13 115 367
Accrued leave pay	14 877 847	12 817 648
Unallocated deposits	7 347 398	6 032 617
Advanced payments	7 171 309	5 798 738
Standby allowance payable	2 668 740	-
Payroll related - third parties payable	3 150 698	5 022 089
Overtime payable	1 657 578	1 369 294
	<b>255 333 698</b>	<b>165 490 300</b>

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 11. Consumer deposits

Electricity	15 137 260	15 379 659
Water	1 676 212	1 605 637
Housing rental	1 190 580	1 079 588
	<b>18 004 052</b>	<b>18 064 884</b>

### 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

LED Market stalls grant	-	1 617 546
Provincial Housing Grant	167 393	167 393
Sports and recreation	-	26 242
Provincial Housing Deeds Restoration Programme	3 448 936	3 630 695
	<b>3 616 330</b>	<b>5 441 876</b>

#### Movement during the year

Balance at the beginning of the year	5 441 876	7 523 997
Additions during the year	73 658 188	73 703 729
Income recognition during the year	(75 483 734)	(75 785 849)
	<b>3 616 330</b>	<b>5 441 876</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See note for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilised.

#### Eskom Schedule 6B Allocation for Electrification Projects

As a requirement of the Department of Mineral Resources and Energy (DMRE), and in support of the municipality Integrated Development Plan (IDP), Eskom Receives a grant allocation as per DoRa for the purpose of implementing electrification projects as identified that are part of the municipality's portfolio. Eskom then electrifies these areas for the benefit of the community, however, this grant funding goes directly to Eskom and is not required to be recognised by the municipality.

The value of projects planned to be electrified under this scheme, amounted to R26 258 402 Including VAT and Admin Costs for the 2023/2024 year.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 12. Unspent conditional grants

#### Equitable Share

Current year receipts	203 715 000	187 494 000
Conditions met transferred to revenue	(203 715 000)	(187 494 000)
	-	-

#### Provincial Housing Grant

Balance unspent at beginning of year	167 393	167 393
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#### Provincial Housing Deeds Restoration Programme

Balance unspent at beginning of year	3 630 695	3 713 557
Current year receipts	309 781	535 474
Conditions met transferred to revenue	(491 710)	(618 336)
	<b>3 448 766</b>	<b>3 630 695</b>

#### Bhekumthetho rural Housing Project

Current year receipts	-	1 940 892
Conditions met transferred to revenue	-	(1 940 892)
	-	-

#### Provincial Library Grant

Current year receipts	4 763 000	1 587 306
Conditions met - transferred to revenue	(4 763 000)	(1 587 306)
	-	-

#### Municipal Infrastructure Grant

Current year receipts	40 385 000	42 083 000
Conditions met - transferred to revenue	(40 385 000)	(42 083 000)
	-	-

#### Financial Management Grant

Current year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(3 000 000)	(3 000 000)
	-	-

#### Museum Grant

Current year receipts	249 000	235 000
Conditions met - transferred to revenue	(249 000)	(235 000)
	-	-

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 12. Unspent conditional grants

#### Expanded Public Works Grant

Current year receipts	2 220 000	2 773 000
Conditions met - transferred to revenue	(2 220 000)	(2 773 000)
	-	-

#### Sports and Recreation Grant

Balance unspent at beginning of year	26 242	2 064 741
Current year receipts	5 666 667	-
Conditions met - transferred to revenue	(5 692 909)	(2 038 499)
	-	<b>26 242</b>

#### Human Settlements Glukstad

Current year receipts	-	2 651 620
Conditions met - transferred to revenue	-	(2 651 620)
	-	-

#### LED Market Stalls Grant

Balance unspent at beginning of year	1 617 546	2 000 000
Current year receipts	2 000 000	(382 454)
Conditions met - transferred to revenue	(3 617 546)	-
	-	<b>1 617 546</b>

### 13. Employee benefit obligations

#### Defined benefit plan

#### Post retirement benefit plan

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

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 13. Employee benefit obligations (continued)

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(48 599 000)	(45 128 001)
Present value of the defined benefit obligation-partly or wholly funded	(11 581 000)	(11 310 000)
	<b>(60 180 000)</b>	<b>(56 438 001)</b>
Non-current liabilities	(55 989 000)	(52 247 001)
Current liabilities	(4 191 000)	(4 191 000)
	<b>(60 180 000)</b>	<b>(56 438 001)</b>

The Provision for Post Employment Medical Aid Subsidy was determine in accordance with GRAP 25 Accounting Standard which requires the liability to be measure using the Projected Unit Credit Method at valuation date as at 30 June 2024.

:

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

Opening balance	56 438 000	56 496 000
Net expense recognised in the statement of financial performance	3 742 000	(58 000)
	<b>60 180 000</b>	<b>56 438 000</b>

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

Current service cost	2 771 000	2 736 000
Interest cost	6 625 000	6 352 000
Actuarial (gains) losses	(5 654 000)	(9 146 000)
	<b>3 742 000</b>	<b>(58 000)</b>

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 13. Employee benefit obligations (continued)

#### Key assumptions used

The following assumptions were used at the reporting date for Post Employment Medical Aid Subsidy:

Actual return on plan assets	12,20 %	12,42 %
Discount rates used	6,19 %	8,03 %
Expected rate of return on assets	7,69 %	4,06 %
Expected rate of return on reimbursement rights	5,39 %	5,65 %
Actual return on reimbursement rights	6,46 %	6,41 %

Key Assumption used in the valuation of Post Employee Medical Aid Benefits for the period end 30 June 2024, was on the Yield and Norminal Curves, and therefore comparison between the assumption used at the current and previous valuation dates is detailed below. The table is intended to provided the user with a comparable basis since rates was not clearly defined in the 30 June 2024 valuationst

Discount rate	12.2	12.42
Health care cost inflation rate	6.19	8.03
Net-of-health-care-cost-inflation discount rate	7.69	4.06
Maximum subsidy inflation rate	5.39	5.65
Net-of-maximum-subsidy-inflation rate	6.46	6.41

The table below summaries the eligible employees:

	Female	Male	Total
Number of in service members	125	141	266
Number of in service non members	47	132	179
<b>Total employees</b>	<b>172</b>	<b>273</b>	<b>445</b>
Average age	42.8	46.8	45.2
Average past service	10	13.3	12
Proportion with a spouse dependent (members)	28%	50%	39%

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 13. Employee benefit obligations (continued)

#### Other assumptions

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

Table 7.1: Sensitivity analysis on the defined benefit obligation (R Millions)

Assumption	Change	Eligible Employees	Continuation Members	Total DBO	% Change
<b>Central assumptions</b>		25.325	23.274	48.599	
<b>Medical aid contribution inflation rate</b>	+1%	27.388	23.777	51.165	5%
	-1%	22.690	22.603	45.293	-7%
<b>Discount rate</b>	+1%	21.708	21.727	43.435	-11%
	-1%	29.854	25.037	54.891	13%
<b>Post-employment mortality</b>	+1 yr	24.773	22.571	47.344	-3%
	-1 yr	25.861	23.971	49.832	3%
<b>Average retirement age</b>	-1 yr	27.493	23.274	50.767	4%
<b>Membership continuation</b>	-10%	22.154	23.274	45.428	-7%

Note to Table 7.1: The post employment mortality adjustment “-1 yr”, for example, assumes that someone aged 70 will experience the mortality of someone aged 69. The DBO is expected to increase under this scenario because members are expected to live longer.

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

#### 6.5 History of the DBO, Plan Asset and Experience Adjustments

Table 6.8 summarises the DBO and plan asset for the current and previous periods.

Table 6.8: History of net defined benefit liability (R millions)

Net Defined Benefit Liability History	30/06/2020	30/06/2021	30/06/2022	30/06/2023	30/06/2024
Defined benefit obligation	51.097	43.185	45.458	45.128	48.599
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
<b>Net def. benefit liability</b>	<b>51.097</b>	<b>43.185</b>	<b>45.458</b>	<b>45.128</b>	<b>48.599</b>

Table 6.9 summarises the experience adjustments for the current and previous periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has occurred.

Table 6.9: History of experience adjustments (R millions)

Experience Adjustments	Year Ending 30/06/2020	Year Ending 30/06/2021	Year Ending 30/06/2022	Year Ending 30/06/2023	Year Ending 30/06/2024
DBO: (gain) / loss	unknown	(6.369)	(0.725)	(1.003)	(0.826)
Plan asset: gain / (loss)	0.000	0.000	0.000	0.000	0.000

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 13. Employee benefit obligations (continued)

Key Demographic Assumption	Value
Average retirement age	63
Continuation of membership at retirement	75%
Proportion with a spouse dependant at retirement	60%
Proportion of in service non members joining a scheme by retirement and continuing with the subsidy at retirement	15%
Mortality during employment	SA 85-90
Mortality post-employment	PA (90) - 1 with a 1% mortality improvement p.a from 2010
Withdrawal from service (sample annual rate)	See Table A.4.2

#### Withdrawal Rates

Age	Females	Males
20 - 24	9%	9%
25 - 29	8%	8%
30 - 34	6%	6%
35 - 39	5%	5%
40 - 44	5%	5%
45 - 49	4%	4%
50 - 54	3%	3%
55+	0%	0%

#### Long Service Award Liability

It is the policy of the municipality to provide Long Service Awards to eligible employees. The municipality makes a provision for

Long Service Awards in accordance with GRAP 25. The municipality offers employees Long Service Awards for every five years of service completed, from five years of service to 45 years of service, inclusive.

The Long Service Award is an unfunded arrangement and the municipality has not set aside separate assets to meet this liability. The table below describes the benefits awards:

Completed Service (In Years)	Long Service Award (1% of Annual Earnings)	Description
5	4.0%	10 / 250 x annual earnings
10	8.0%	20 / 250 x annual earnings
15, 20, 25, 30, 35, 40, 45	12.0%	30 / 250 x annual earnings

In addition, employees receive a cash award of R 10,000 at their 25 year service anniversaries. This value is fixed and no planned future increases are taken into during the valuation of the Liability. Below are the key assumptions that was used to calculate the Financial Liability.

Key Financial Assumption	Value p.a
Discount rate	10.89%
General earnings inflation rate (long-term)	6%
Net effective discount rate	4.62%

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 13. Employee benefit obligations (continued)

#### Eligible Employees

	Female	Male	Total
Number of eligible employees	173	273	446
Average annual earnings	R240,356	R252,842	R247,999
Earnings-weighted average age	42.9	46.8	45.3
Earnings-weighted average past service	10.1	13.3	12

### 14. Provisions

#### Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	42 468 187	-	-	2 592 329	45 060 516
Land Purchase	-	24 000 000	-	-	24 000 000
Bonus	966 115	-	(86 414)	-	879 701
	<b>43 434 302</b>	<b>24 000 000</b>	<b>(86 414)</b>	<b>2 592 329</b>	<b>69 940 217</b>

#### Reconciliation of provisions - 2023

	Opening Balance	Change in discount factor	Reversed during the year	Total
Environmental rehabilitation	40 185 333	2 282 854	-	42 468 187
Bonus	1 021 505	-	(55 390)	966 115
	<b>41 206 838</b>	<b>2 282 854</b>	<b>(55 390)</b>	<b>43 434 302</b>

Current liabilities	879 701	966 115
Non-current liabilities	69 060 516	42 468 187
	<b>69 940 217</b>	<b>43 434 302</b>

The determination of the cost required for the rehabilitation of the Vryheid and Coronation was done as at 30 June 2024. The cost estimate is based on 25% Preliminary and general (P&G) and a 10% contingency of the construction amount for unforeseen items.

**Bonus provision** – This is a provision for the payment of bonuses to senior management that occurs post year-end on an annual basis. Bonus payments occur in December of the said financial year. The amounts are based on an estimated % against the employee's salary. The % of the bonus is finalised in December, indicating that the amount is subject to uncertainties.

**Environmental Rehabilitation** – This is a provision for the rehabilitation of 1 active land fill site and 4 that have been closed but not yet rehabilitated. The sites closed are in the process of rehabilitation, indicating that outflows are imminent. The Vryheid site is estimated to close in 2033, indicating that any cash outflows for rehabilitation are non-current.

**Land Purchase Court order provision** - On 15 September 2023, the Pietermaritzburg High Court (PMB) in case no: 8926/2019P brought by the applicant "Autumn Storm Investments 379 (Pty)LTD" granted an order against the municipality to negotiate a sale of property with the claimant and provide reimbursement of rentals for the previous years that the municipality has occupied such land.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 15. Finance lease obligation

#### Minimum lease payments due

- within one year	7 701 335	2 836 599
- in second to fifth year inclusive	7 313 547	4 607 425
	<u>15 014 882</u>	<u>7 444 024</u>
less: future finance charges	(2 601 234)	(2 199 460)
<b>Present value of minimum lease payments</b>	<b>12 413 648</b>	<b>5 244 564</b>

#### Present value of minimum lease payments due

- within one year	5 947 448	1 801 144
- in second to fifth year inclusive	6 466 202	3 443 420
	<u>12 413 650</u>	<u>5 244 564</u>

Non-current liabilities	7 313 547	4 607 425
Current liabilities	7 701 335	2 836 599
	<u>15 014 882</u>	<u>7 444 024</u>

The Municipality leases motor vehicles and these are classified as finance leases. The lease term of these assets is three years.

The Municipality has used the rate implicit in the lease agreement of 13%-16% (202313%-16%) to amortise these finance leases. The carrying values of the leased assets are included under property plant and equipment.

The leasing arrangement stipulates that that the Municipality shall be entitled to exercise the option to purchase FML vehicles from FHS upon this MSA reaching its termination date. Two of the leased vehicles are subjected to escalation clauses in relation to discount rates.

There are no restrictions imposed by lease arrangement..

### 16. Revenue

Rendering of services	620 061	591 310
Service charges	321 140 657	282 482 429
Rental of facilities and equipment	1 040 448	1 124 298
Interest on receivables from exchange transactions	12 687 734	11 174 752
Agency services	5 797 435	5 762 966
Licences and permits	51 263	33 553
Contract Revenue	4 231 827	17 126 343
Operational Income	1 035 919	853 582
Interest received - investment	3 773 168	1 703 914
Property rates	118 186 250	99 002 165
Property rates - penalties imposed	9 211 067	9 134 158
Legal Fees Refundable	2 000 000	-
Government grants & subsidies	280 294 157	242 763 364
Actuarial gains	5 654 000	9 146 000
Gain on disposal of assets	-	21 391 517
Water Inventory Gain	6 101 462	6 464 725
Fines, Penalties and Forfeits	10 909 860	8 881 412
Fair value adjustments	2 360 000	2 117 450
Electricity availability charges	14 335 836	12 868 608
Water availability charges	18 224 860	10 001 933
Sanitation availability charges	9 188 451	10 179 949
	<u>826 844 455</u>	<u>752 804 428</u>

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 16. Revenue (continued)

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

Service charges	321 140 657	282 482 429
Rendering of services	620 061	591 310
Rental of facilities and equipment	1 040 448	1 124 298
Interest on receivables from exchange transactions	12 687 734	11 174 752
Agency services	5 797 435	5 762 966
Licences and permits	51 263	33 553
Gain on disposal of assets	-	21 391 517
Other income	1 035 919	853 582
Actuarial gains	5 654 000	9 146 000
Interest on Investments	3 773 168	1 703 914
Water Inventory gains	6 101 462	6 464 725
	<b>357 902 147</b>	<b>340 729 046</b>

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

#### Taxation revenue

Property rates	118 186 250	99 002 165
Property rates - penalties imposed	9 211 067	9 134 158
Electricity availability charges	14 335 836	12 868 608
Water availability charges	18 224 860	10 001 933
Sanitation availability charges	9 188 451	10 179 949

#### Transfer revenue

Government grants & subsidies	280 294 157	242 763 364
Legal Fees Refundable	2 000 000	-
Fines, Penalties and Forfeits	10 909 860	8 881 412
Fair value adjustments	2 360 000	2 117 450
	<b>464 710 481</b>	<b>394 949 039</b>

### 17. Service charges

Sale of electricity	229 381 695	200 910 990
Sale of water	37 605 520	35 318 700
Solid waste	40 589 588	28 144 431
Sewerage and sanitation charges	25 857 572	26 115 430
Indigent customer rebates - Water	(2 079 756)	(1 989 825)
Indigent customer rebates - Solid Waste	(10 213 962)	(6 017 297)
	<b>321 140 657</b>	<b>282 482 429</b>

### 18. Rental of facilities and equipment

#### Premises

Rental of facilities	1 040 448	1 124 298
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### 19. Licences and permits

Trading	51 263	33 553
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### 20. Agency services

Drivers Licence	3 198 590	2 881 939
Motor Vehicle Licence	2 598 845	2 881 027
	<b>5 797 435</b>	<b>5 762 966</b>

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 21. Operational income

Incidental cash surpluses	8 934	9 605
Staff Recoveries	130 917	16 926
Insurance Refund	169 952	135 000
Request for Information	1 636	7 180
Commission	4 654	-
Skills Development Levy refund	719 826	684 871
	<b>1 035 919</b>	<b>853 582</b>

### 22. Interest on Investments

#### Interest revenue

Interest on investments	3 773 168	1 703 914
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### 23. Interest on receivables from exchange transactions

Property rental debtors	342 115	176 030
Service charges	12 345 619	10 998 723
	<b>12 687 734</b>	<b>11 174 753</b>

### 24. Property rates

#### Rates received

Property rates	120 507 381	100 871 125
Less: Income forgone	(2 321 131)	(1 868 960)
	118 186 250	99 002 165
Property rates - penalties imposed	9 211 067	9 134 158
	<b>127 397 317</b>	<b>108 136 323</b>

### 25. Fines, Penalties and Forfeits

Illegal Connections Fines	6 278 462	296 192
Overdue Books Fines	2 411	900
Municipal Traffic Fines	4 628 987	8 584 320
	<b>10 909 860</b>	<b>8 881 412</b>

### 26. Sale of Goods and Rendering of Services

Library Fees	7 152	10 483
Entrance fees	626	-
Advertisements	13 270	27 938
Application fees for land usage	16 265	10 400
Building plan approval	111 748	71 473
Cemetery and burial	236 833	253 971
Clearance certificates	59 632	67 675
Encroachment Fees	150 164	91 377
Photocopies faxes and telephone charges	1 381	7 120
Removal of Restrictions	8 569	5 928
Valuation Services	3 957	2 878
Building Plan Clause Levy	3 108	27 391
Sale of goods	7 356	10 776
Streets/Street Markets (Informal Traders)	-	3 900
	<b>620 061</b>	<b>591 310</b>

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 27. Government grants & subsidies

#### Operating grants

Equitable share	203 715 000	187 494 000
Museum Grant	249 000	235 000
Expanded Public Works Programme	2 220 000	2 773 000
Financial Management Grant	3 000 000	3 000 000
Provincial Library Grant	4 763 000	1 578 306
DoT Schola Patrols	346 990	-
LED Market Stalls	3 617 546	382 454
Housing grant	491 710	2 559 228
	<b>218 403 246</b>	<b>198 021 988</b>

#### Capital grants

Integrated National Electrification Programme	10 768 003	-
Sports and Recreation	5 692 908	2 038 499
Donations received from Departments	5 045 000	620 360
Municipal Infrastructure Grant	40 385 000	42 083 000
	<b>61 890 911</b>	<b>44 741 859</b>
	<b>280 294 157</b>	<b>242 763 847</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	72 376 248	55 269 847
Unconditional grants received	207 917 909	187 494 000
	<b>280 294 157</b>	<b>242 763 847</b>

### 28. Employee related costs

Allowances: Housing Benefits	394 128	373 563
Allowances: Service related	26 781 589	25 890 032
Allowances: Cellular and Telephone	1 299 638	1 389 007
Allowances: Travel or Motor Vehicle	10 337 586	9 625 722
Bargaining Council	64 892	56 484
Basic salary and wages	98 539 071	87 626 422
Bonuses	9 073 966	8 070 286
Medical	12 173 257	9 093 223
Other Benefits: Leave Gratuity	1 379 908	102 190
Other Benefits: Long Term Service Awards	1 578 564	1 607 933
Pension	29 967 933	28 363 866
Salaries and Allowances: Basic Salary	6 549 807	7 970 727
Salaries and Allowances: Cellular and Telephone	159 500	183 259
Salaries and Allowances: Travel or Motor Vehicle	1 431 721	1 530 813
Unemployment insurance	1 025 820	937 372
	<b>200 757 380</b>	<b>182 820 899</b>

The remuneration of senior management is included in Note 51

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 29. Remuneration of councillors

Mayor	896 622	827 254
Deputy Mayor	609 592	738 854
Speaker	727 444	630 220
Executive Committee Members	3 382 988	3 476 669
Other Councillors	12 127 454	11 591 681
	<b>17 744 100</b>	<b>17 264 678</b>

The detail of the councillors remuneration is included in Note 51

### 30. Depreciation and amortisation

Property, plant and equipment	130 162 349	132 190 760
Intangible assets	83 880	82 107
	<b>130 246 229</b>	<b>132 272 867</b>

### 31. Finance costs

Interest on landfill site rehabilitation	2 592 328	2 282 854
Interest on unpaid creditors	9 486 826	3 192 053
Interest on Finance Lease	2 415 037	-
	<b>14 494 191</b>	<b>5 474 907</b>

### 32. Lease rentals on operating lease

<b>Motor vehicles</b>		
Contractual amounts	2 822 369	3 850 074
<b>Equipment</b>		
Contractual amounts	1 039 367	347 361
<b>Plant and equipment</b>		
Contractual amounts	-	969 125
	<b>3 861 736</b>	<b>5 166 560</b>

### 33. Debt impairment

Revenue from exchange transactions	45 546 452	(14 997 834)
Revenue from non-exchange transactions	26 829 856	18 633 563
	<b>72 376 308</b>	<b>3 635 729</b>

### 34. Bad debts written off

Bad debts written off	-	73 664 232
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### 35. Bulk purchases

Electricity - Eskom	264 243 266	215 217 611
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# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 36. Contracted services

#### Outsourced Services

Business and Advisory	2 952 245	3 172 938
Hygiene Services	-	5 451
Meter Management	4 302 833	4 899 890
Refuse Removal	11 743 653	10 512 612
Security Services	22 369 682	19 034 470
Traffic Fines Management	209 333	482 868
Water Tankers	6 939 078	4 950 944

#### Consultants and Professional Services

Business and Advisory	5 346 494	3 251 158
Infrastructure and Planning	5 060 082	7 122 228
Laboratory Services	1 480 413	127 873
Legal Cost	9 678 468	2 206 866

#### Contractors

Catering Services	27 878	237 188
Electrical	13 275 522	1 122 807
Gardening Services	9 207 246	9 140 322
Maintenance of Buildings and Facilities	8 398 220	7 144 646
Maintenance of Equipment	-	28 057
Maintenance of Unspecified Assets	37 521 189	22 119 872
Tracing Agents and Debt Collectors	-	4 827 730

**138 512 336 100 387 920**

\*Prior year Contracted services balances have been restated. The restatements performed have been disclosed in Note 42

### 37. Auditors' remuneration

Fees	4 578 871	3 968 262
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### 38. Operational Expenditure

Advertising; Publicity and Marketing	1 122 444	571 963
Assets less than the Capitalisation Threshold	135 951	-
External audit fees	4 578 871	3 968 262
Bank charges, facilities and card fees	1 829 134	1 645 640
Commission paid	1 599 464	2 531 981
Insurance underwriting	2 754 811	2 472 743
External computer service	11 541 657	9 530 961
Skills Development Fund Levy	1 803 196	1 574 416
Wet Fuel	6 616 112	4 519 935
Professional bodies membership and subscription	2 343 741	2 297 841
Communication	105 736	40 735
Vehicle tracking	118 566	-
Travel and subsistence	2 054 278	1 696 003
Registration fees	2 546 140	1 051 025
Repayment of forfeited deposits	-	(12 964)
Ward Committees	4 021 500	4 080 000
Workmens compensation fund	1 121 071	1 151 592
Municipal services	1 851 980	10 177 856
Learnerships and internships	650 601	695 583
Seating Allowance for Traditional Leaders	10 500	13 500
Bursaries (employees)	849 396	130 762

**47 655 149 48 137 834**

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 39. Cash generated from operations

Deficit	(174 933 736)	(131 340 487)
<b>Adjustments for:</b>		
Depreciation and amortisation	130 246 229	132 272 867
Loss on Disposal	3 681 648	2 380 419
Fair value adjustments	(2 360 000)	(1 182 950)
Debt impairment	72 376 308	3 635 729
Impairment loss	413 335	1 164 914
Bad debts written off	-	73 664 232
Inventory write downs	-	560 180
Actuarial Gains/Losses	(5 654 000)	(9 146 000)
Water inventory gain	-	(6 464 725)
Employee related costs: actuarial valuations	-	9 032 610
Rehabilitation provision interest	-	2 282 855
<b>Changes in working capital:</b>		
Inventories	515 047	(46 113)
Receivables from exchange transactions	(40 911 490)	(70 786 409)
Other receivables from non-exchange transactions	(32 196 615)	2 495 019
Advance Payments	1 372 571	-
Interest receivable	(7 929 726)	-
Penalties Receivable	(3 772 944)	-
Payables from exchange transactions	88 470 832	23 441 393
VAT	(1 996 731)	5 324 209
Unspent conditional grants and receipts	(1 825 645)	(2 082 121)
Consumer deposits	(60 833)	388 920
Legal fees receivable	(2 000 000)	-
Employee benefit obligation	9 396 000	-
Provisions	26 505 915	-
	<b>59 336 165</b>	<b>35 594 542</b>

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 40. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Community Assets	14 042 302	14 258 868
• Infrastructure Assets	26 192 245	16 211 872
	<b>40 234 547</b>	<b>30 470 740</b>

##### Total capital commitments

Already contracted for but not provided for	40 234 547	30 470 740
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##### Total commitments

##### Total commitments

Authorised capital expenditure	40 234 547	30 470 740
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This committed expenditure relates to plant and equipment and will be financed by government grants and subsidies and contracted services will be financed from equitable share, property rates and service charges. All commitments are disclosed inclusive of vat.

#### Finance Leases - as lessee

##### Minimum lease payments due

- within one year	7 701 335	2 836 599
- in second to fifth year inclusive	7 313 547	4 607 425
	<b>15 014 882</b>	<b>7 444 024</b>

### 41. Contingencies

#### Contingent Liabilities

Individual A and Individual B - Claim for damages on behalf of a child who was allegedly electrocuted and sustained injuries	3 100 000	3 100 000
Summons issued to institute action against the service provider	70 040	-
Claim for unpaid invoices relating to cleaning of parks and related services.	1 700 000	-
Individual D - Claim for personal injury sustained due to damaged sidewalk which should be maintained by the municipality	-	865 090
Entity B (Pty) Ltd - Claim for unpaid services relating to refuse removal services	-	14 543 700
Entity C (Pty) Ltd - Claim for compensation for alleged land expropriation by a community in the jurisdiction of the municipality	-	18 500 000
Pothole claim of R14,000 for one tyre of a citi golf	100 000	-
AbaQulusi Municipality - This matter concerns a dispute with KZN- Department Aon various issues emanating from the section 139 intervention	-	1 500 000
AbaQulusi Municipality - The Municipality made a review application to challenge two (2) conflicting section 106 investigation reports	-	2 000 000
Non-governmental organisation A - This is a challenge to the municipality's decision to appoint Mr Mbatha to manage and operate its farm	150 000	150 000
	<b>5 120 040</b>	<b>40 658 790</b>

### 42. Prior period errors

#### Inventories

Inventory was restated as follows:

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Prior period errors (continued)

	<b>Balance</b>	<b>Total</b>
Balance previously reported	84 750 613	84 750 613
Less: Effect of payables misallocated to inventory	(29 896)	(29 896)
<b>Restated Balance</b>	<b>84 720 717</b>	<b>84 720 717</b>

#### Payables from exchange transactions

Payables from exchange transactions were restated as follows  
:

	<b>Balance</b>	<b>Total</b>
Balance previously reported	163 089 726	163 089 726
Less: Effect of payables misallocated to inventory	29 896	29 896
Add: stand by allowance not accrued for	2 370 673	2 370 673
<b>Restated Balance</b>	<b>165 490 295</b>	<b>165 490 295</b>

#### Contracted Services

Contracted Services was restated as follows

	<b>Balance</b>	<b>Total</b>
Balance previously reported	100 358 240	100 358 240
Add: contracted services invoices previously not recognised	29 680	29 680
<b>Restated Balance</b>	<b>100 387 920</b>	<b>100 387 920</b>

#### Operating Expenses

Expenses were restated as follows:

	<b>Balance</b>	<b>Total</b>
Balance previously reported	48 112 459	48 112 459
Add: Operating expenditure invoices previously not recognised	22 469	22 469
Add: Operational cost missallocated to employee costs	2 936	2 936
<b>Restated Balance</b>	<b>48 137 864</b>	<b>48 137 864</b>

#### Inventory Consumed

Inventory consumed was restated as follows:

	<b>Balance</b>	<b>Total</b>
Balance previously reported	47 174 283	47 174 283
Add: Invoices not recognised	2 212	2 212
<b>Restated Balance</b>	<b>47 176 495</b>	<b>47 176 495</b>

#### Operating Leases

Operating Leases were restated as follows:

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Prior period errors (continued)

Balance previously reported	5 147 293	5 147 293
Add: Invoices not recognised	19 267	19 267
<b>Restated Balance</b>	<b>5 166 560</b>	<b>5 166 560</b>

### Employee Costs

Employee Costs were restated as follows:

	<b>Balance</b>	<b>Total</b>
Balance previously reported	180 461 508	180 461 508
Add: Stand by allowance not accrued for	2 362 328	2 362 328
Less: Operational cost missallocated to employee costs	(2 936)	(2 936)
<b>Restated Balance</b>	<b>182 820 900</b>	<b>182 820 900</b>

### Fair Value Adjustment

Fair Value Adjustments were restated as follows:

	<b>Balance</b>	<b>Total</b>
Balance previously reported	1 182 950	1 182 950
FV Adjustment on land reclassified to PPE	(50 000)	(50 000)
FV Adjustment on land reclassified from PPE	984 500	984 500
<b>Restated Balance</b>	<b>2 117 450</b>	<b>2 117 450</b>

### PPE

PPE was restated as follows:

	<b>Balance</b>	<b>Total</b>
Balance previously reported	993 373 282	993 373 282
Add: Investment Property Land reclassified to PPE	400 000	400 000
Less: Motor vehicle disposal recognised in incorrect period	(30 858)	(30 858)
Less: Land Disposal previously not recognised	(11 346 969)	(11 346 969)
Less: Land reclassified to Investment Property	(650 000)	(650 000)
<b>Restated Balance</b>	<b>981 745 455</b>	<b>981 745 455</b>

### Investment Properties

Investment Property was restated as follows:

	<b>Balance</b>	<b>Total</b>
Balance previously reported	42 413 000	42 413 000
Less: Investment property reclassified to land	(400 000)	(400 000)
Less: FV Adjustments	(50 000)	(50 000)
Add: Land reclassified from PPE	650 000	650 000
Add: Land FV adjustment	984 500	984 500
Add: Investment property incorrectly disposed of	18 439 500	18 439 500
<b>Restated Balance</b>	<b>62 037 000</b>	<b>62 037 000</b>

### Cash and Cash Equivalents

Bank and cash was restated with the nature, timing and amounts as indicated below:

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### 42. Prior period errors (continued)

	<b>Balance</b>	<b>Total</b>
Balance previously reported	20 113 122	20 113 122
Less: payments not cleared	(3 740)	(3 740)
<b>Restated Balance</b>	<b>20 109 382</b>	<b>20 109 382</b>

Receivables from non exchange transactions

Receivables from non exchange transactions were restated as follows:

	<b>Balance</b>	<b>Total</b>
Balance previously reported	12 225 311	12 225 311
Add: property rates previously not recognised	11 966	11 966
Add: Availability charges reclassified from exchange transactions	12 685 508	12 685 508
<b>Restated Balance</b>	<b>24 922 785</b>	<b>24 922 785</b>

Gain on disposal of assets and liabilities

Gain on disposal of assets and liabilities was restated as follows:

	<b>Balance</b>	<b>Total</b>
Balance previously reported	2 983 121	2 983 121
Less: Land disposed of in incorrect period	(31 104)	(31 104)
Add: Farmland incorrectly disposed of	18 439 500	18 439 500
<b>Restated Balance</b>	<b>21 391 517</b>	<b>21 391 517</b>

Service charges

Service charges were restated as follows:

	<b>Balance</b>	<b>Total</b>
Balance previously reported	282 664 717	282 664 717
Less: Service Charges accrued for in incorrect period	(182 288)	(182 288)
<b>Restated Balance</b>	<b>282 482 429</b>	<b>282 482 429</b>

VAT Payables

VAT Payables were restated as follows:

	<b>Balance</b>	<b>Total</b>
Balance previously reported	1 831 592	1 831 592
Less: VAT effect on Service Charges accrued for in incorrect period	(27 779)	(27 779)
<b>Restated Balance</b>	<b>1 803 813</b>	<b>1 803 813</b>

Receivables from exchange transactions

Receivables from exchange transactions were restated as follows:

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	<b>Balance</b>	<b>Total</b>
Balance previously reported	49 663 894	49 663 894
Less: Correction to property rates recognised	(209 631)	(209 631)
Less: Availability charges reclassified to non-exchange	(12 685 508)	(12 685 508)
Add: Land sale debtor	27 803 995	27 803 995
<b>Restated Balance</b>	<b>64 572 750</b>	<b>64 572 750</b>

### Sundry Debtors

Based on investigations of the aging analysis and understanding of the accounts ther in, the line items under exchange receivables that were previously disclosed as Marketing Agency and Merchandising and Jobbing, have been merged together due to the similar nature of the receivable under the new Sundry Debtor line item. Gross and Net balances have remained the same.

### Water Losses:

Water losses were restated as follows:

	<b>Balance</b>	<b>Total</b>
Balance previously reported	17 366 837	17 366 837
Less: loss adjustment	(17 773)	(17 773)
<b>Restated Balance</b>	<b>17 349 064</b>	<b>17 349 064</b>

## 43. Risk management

### 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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The liquidity ratio is outlined below.

The municipality has no significant interest bearing assets, and the income and operating cash flows are substantially independent of changes in market interest rates. As at 30 June 2024 financial instruments exposed to interest rate risk were call and notice deposits.

### Financial Instruments

Current Assets	214 846 295	201 166 057
Current Liabilities	317 997 120	217 340 356
<b>Liquidity Ratio</b>	<b>0,67</b>	<b>0,92</b>

# AbaQulusi Local Municipality

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### 43. 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 counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis in terms of council policy. Sales to consumers are settled in cash. The municipality's exposure to credit risk is indicated below.

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

Financial instrument	2024	2023
Cash & cash equivalents	18 176 753	20 109 382
Receivables from non-exchange transactions (excl property rates)	16 132 436	13 217 435
Receivables from exchange transactions	67 867 514	64 572 750

### 44. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 769 151 100 and that the municipality's total assets exceeds total liabilities by R 769 151 100.

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### 44. Going concern (continued)

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 municipality used the following ratio to determine the going concern assessment. The ratios can be interpreted as follows:

The acid test ratio is used to determine the to which the municipality is able to settle current obligations. A ratio of 1:1 is used as norm, therefore any ratio above 1, is favourable.

A current asset ratio is used to determine the extent current and short term assets can be disposed to liquidate current or short-term liabilities. A ratio of 1:1 is used as norm, therefore any ratio above 1, is favourable.

The debt ratio is used to determine how much the municipality relies on debt to finance assets.

Other ratios not explicit in the note below have also been considered in our going concern assessment.

### Adverse financial ratios noted

Several adverse financial ratios that may cast significant doubt on the municipality's ability to continue as a going concern were identified as follows:

1. The municipality is in a net current liability position, which entails that the municipality cannot settle their current creditors using current assets.
2. The municipality has been operating on an operating loss position.
3. Creditors' payment period exceeding 30 days
4. Current liabilities as a percentage of next year's budgeted resources: The indicator is adverse if the percentage is greater than 10%
5. Acid test ratio: A ratio of less than 1 suggests that a municipality will be unable to pay all its current or short-term obligations from liquid assets if they fall due at any specific point
6. Current ratio: A ratio of less than 1 suggests that a municipality will be unable to pay all its current or short-term obligations if they fall due at any specific point
7. Total debt vs. total revenue; The indicator's objective is to provide information on whether the municipality is generating revenue that is sufficient to repay liabilities. Alternatively, the ratio assesses the affordability level of a municipality to service debt from own generated revenue. The threshold for total borrowing is 45 per cent of the total operating revenue

### Mitigating circumstances that support the municipality being a going concern

1. The municipality is operating on a net asset position, meaning that the municipality can settle all their creditors using the asset portfolio.
2. The municipality has R18m worth of Cash reserves at year end.
3. The municipality is on an operating deficit of R170m, however, this is mainly due to non-cash estimations that do not accurately reflect the strong cash position that the municipality is in. This deficit, adjusted for Depreciation of R130m, Water losses R18m, Impairment R9m, it is clear that the municipality would be operating on net profit
4. The municipality as at year end, has an accumulated surplus of about R770m.
5. The municipality is not under administration and is guaranteed to receive an equitable share to be used in costs to arise over the next 12 months, various grants have been and will be received over the course of the year. The municipality still intends to bill for all services rendered to the public

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### 44. Going concern (continued)

Acid Test Ratio	Current Assets	Current Liabilities	Ratio
2018/2019	167 530 618	169 827 569	0.98
2019/2020	216 536 478	176 019 602	1.23
2020/2021	124 025 544	115 421 838	1.09
2021/2022	125 307 847	169 598 799	0,7
2022/2023	128 150 690	217 340 356	0,6
2023/2024	148 570 677	317 997 120	0,5

**910 121 854 1 166 205 284**

Current Asset Ratio	Current Asset	Current Liabilities	Ratio
2018/2019	167 530 618	169 827 569	0.98
2019/2020	216 536 478	176 019 602	1.23
2020/2021	124 025 544	115 421 838	1.09
2021/2022	125 307 847	169 598 799	0,7
2022/2023	212 871 407	217 340 356	0,97
2023/2024	232 776 347	317 997 120	0,7

**1 079 048 241 1 166 205 284**

Debt Ratio	Total Liabilities	Total Assets	Ratio
2018/2019	251 448 129	1 653 850 119	15 %
2019/2020	266 204 438	1 575 503 823	17 %
2020/2021	203 793 903	1 411 157 154	14 %
2021/2022	262 551 133	1 329 195 499	19 %
2022/2023	316 662 969	1 260 747 904	25 %
2023/2024	450 360 186	1 219 511 286	36 %

**1 751 020 758 8 449 965 785 126 %**

### 45. Events after the reporting date

The municipality held 1 council meeting on 24 July 2024 and 15 August 2024 which represent dates after the year end but before the reporting date which have effected the following changes to the financial statements presented:

Resolution CR105/2024 taken on 15 August 2024. R220,021,784 unauthorised expenditure relating to the current year was resolved to be written off.

Resolution CR104/2024 taken on 15 August 2024. R37,399,647 irregular expenditure relating to the current year was resolved to be written off

Resolution CR106/2024 taken on 15 August 2024. R553,877 fruitless and wasteful expenditure relating to the current year was resolved to be written off

On the 24th of July 2024 council held a special council meeting where it resolved that the illegally occupied hostel be reclassified to inventory and written off as a result of this illegal occupation.

### 46. Unauthorised expenditure

Opening balance as previously reported	250 142 420	486 582 309
Add: Unauthorised expenditure - current	310 680 546	233 924 000
Less: Amount written off - current	(220 021 784)	-
Less: Amount written off - prior period	(233 924 000)	(470 363 889)
<b>Closing balance</b>	<b>106 877 182</b>	<b>250 142 420</b>

# AbaQulusi Local Municipality

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### 46. Unauthorised expenditure (continued)

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

Non-cash	179 610 418	99 225 295
Cash	131 070 128	134 698 705
	<b>310 680 546</b>	<b>233 924 000</b>

#### Analysed as follows: non-cash

Depreciation and amortisation	88 156 281	99 225 295
Loss on disposal	723 497	-
Water Losses	18 354 332	-
Debt impairment	72 376 308	-
	<b>179 610 418</b>	<b>99 225 295</b>

#### Analysed as follows: cash

Bulk purchases	38 917 312	131 982 440
Contracted services	47 501 513	-
General expenditure	19 405 323	2 716 265
Capital expenditure	3 054 709	-
Inventory consumed	13 171 552	-
Finance Costs - Interest Paid	9 019 719	-
	<b>131 070 128</b>	<b>134 698 705</b>

Unauthorised expenditure amounts have been disclosed exclusive of vat.

### 47. Fruitless and wasteful expenditure

Opening balance as previously reported	3 629 199	1 453 118
Add: Fruitless and wasteful expenditure identified - current	9 860 008	2 387 893
Less: Amount written off - current	(8 347 969)	(211 812)
Less: Amount written off - prior period	(2 387 893)	-
<b>Closing balance</b>	<b>2 753 345</b>	<b>3 629 199</b>

A comprehensive register is maintained by the municipality in accordance with the municipal finance management act

All fruitless and wasteful expenditure is always calculated inclusive of VAT while the figures disclosed above have been presented in this set of financials exclusive of VAT.

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

Expenditure identified in the current year include those listed below:

	<b>Disciplinary steps taken/criminal proceedings</b>		
Eskom (interest on late payment)	Pending investigations by management	9 860 008	2 357 889
Delca Systems (Pty) Ltd (Interest Late payment)	Pending investigations by management	-	30 004
		<b>9 860 008</b>	<b>2 387 893</b>

The municipality maintains a comprehensive register of fruitless and wasteful expenditure as required by the Municipal Finance Management Act.

### 48. Irregular expenditure

Opening balance as previously reported	298 867 536	309 452 597
<b>Opening balance as restated</b>	<b>298 867 536</b>	<b>309 452 597</b>
Add: Irregular Expenditure - current	125 585 967	150 429 612
Less: Amount written off - current	(41 530 149)	-
Less: Amount written off - prior period	(150 429 612)	(161 014 673)
<b>Closing balance</b>	<b>232 493 742</b>	<b>298 867 536</b>

Irregular expenditure is presented exclusive of vat

# AbaQulusi Local Municipality

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### 48. Irregular expenditure (continued)

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

	<b>Disciplinary steps taken/criminal proceedings</b>		
No rotation of suppliers from a panel	Pending investigations by management	95 117 168	133 236 689
Bidder is CSD non compliant	Pending investigations by management	966 000	2 072 885
3 quotations not received	Pending investigations by management	23 958 454	8 136 050
Pool planning by the municipality	Pending investigations by management	817 871	844 573
Month to month contracts	Pending investigations by management	4 066 217	6 139 415
Non-compliance with Section 15(1)(g) of the Government Gazette No. 1426 of 2018	Pending investigations by management	583 996	-
False declarations submitted	Pending investigations by management	76 260	-
		<b>125 585 967</b>	<b>150 429 612</b>

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

#### Audit fees

Current year subscription / fee	4 578 871	3 968 262
Amount paid - current year	(4 578 871)	(3 968 262)
	-	-

#### SDL

Current year subscription / fee	1 803 196	1 574 416
Amount paid - current year	(1 803 196)	(1 574 416)
	-	-

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

#### Pension and Medical Aid Deductions

Current year subscription / fee	42 141 190	37 097 803
Amount paid - current year	(42 141 190)	(37 097 803)
	-	-

#### VAT

VAT Input Accrual	28 463 922	18 545 773
VAT Output Accrual	(25 910 141)	(18 430 467)
VAT Statutory Payable	(2 360 863)	(1 919 119)
	<b>192 918</b>	<b>(1 803 813)</b>

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

#### Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Mkhwanazi SB	8 130	13 871	22 001
Councillor Mbokazi ST	1 683	46 948	48 631
Councillor Cronje E	6 859	27 242	34 101
Councillor Khumalo HB and CN	1 756	6 960	8 716
	<b>18 428</b>	<b>95 021</b>	<b>113 449</b>

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Mbokazi ST	1 411	41 251	42 662
Councillor Ndlela NP	5 141	2 265	7 406
Councillor Mkhwanazi SB	7 246	32 653	39 899
Councillor Cronje E	21 521	14 616	36 137
	<b>35 319</b>	<b>90 785</b>	<b>126 104</b>

# AbaQulusi Local Municipality

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

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer. The expenses incurred as listed hereunder have been condoned. 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 report them to the next meeting of the MPAC and includes a note to the annual financial statements.

#### Incident

Social crime prevention	-	70 000
Investigation of the suspended municipal manager Mr ZG Dhlamini	397 992	-
	<b>397 992</b>	<b>70 000</b>

-

# AbaQulusi Local Municipality

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### 50. Segment information

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

#### Segment information - 2024

	Trading	Community & Public Safety	Economic & Environmental	Other (aggregated)	Total
<b>Revenue</b>					
Non-exchange Revenue	63 027 439	15 292 133	4 008 709	- 382 382 200	464 710 481
Exchange Revenue	334 454 316	9 020 883	6 096 106	- 8 330 842	357 902 147
<b>Total segment revenue</b>	<b>397 481 755</b>	<b>24 313 016</b>	<b>10 104 815</b>	<b>- 390 713 042</b>	<b>822 612 628</b>
Contract Revenue*					4 231 827
<b>Entity's revenue</b>					<b>826 844 455</b>
	Trading	Community & Public Safety	Economic & Environmental	Other (aggregated)	Total
<b>Expenditure</b>					
Employee Costs	51 180 121	36 120 793	26 103 396	- 105 097 170	218 501 480
Contracted Services	69 801 956	36 760 425	10 926 497	- 21 023 458	138 512 336
General expenses	376 294 275	8 325 112	28 923 353	- 166 351 626	579 894 366
Inventory consumed	47 039 874	4 459 146	978 640	- 8 160 621	60 638 281
<b>Total segment expenditure</b>	<b>544 316 226</b>	<b>85 665 476</b>	<b>66 931 886</b>	<b>- 300 632 875</b>	<b>997 546 463</b>
<b>Total segmental surplus/(deficit)</b>					<b>(174 933 835)</b>
Contract Expenditure*					(4 231 827)
Total revenue reconciling items					4 231 827
<b>Entity's surplus (deficit) for the period</b>					<b>-</b>
<b>Assets</b>					
Segment Assets	667 685 199	50 336 481	223 017 887	- 278 471 719	1 219 511 286
<b>Total assets as per Statement of financial Position</b>					<b>1 219 511 286</b>

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### 50. Segment information (continued)

#### Liabilities

Segment liabilities	172 160 520	(10 061 986)	(25 742 809)	314 004 461	-	450 360 186
<b>Total liabilities as per Statement of financial Position</b>						<b>450 360 186</b>

### Segment information - 2023

	Trading	Community & Public Safety	Economic & Environmental	Other (aggregated)	Total
<b>Revenue</b>					
Exchange Revenue	281 720 463	6 705 901	18 903 059	33 399 623	340 729 046
Non-exchange Revenue	52 784 902	10 398 526	39 818 164	291 947 447	394 949 039
<b>Total segment revenue</b>	<b>334 505 365</b>	<b>17 104 427</b>	<b>58 721 223</b>	<b>325 347 070</b>	<b>735 678 085</b>
Contract Revenue*					17 126 343
<b>Entity's revenue</b>					<b>752 804 428</b>
<b>Expenditure</b>					
Employee Costs	42 263 731	41 831 019	25 328 143	90 662 685	200 085 578
Contracted Services	57 763 727	37 911 633	2 302 439	2 032 439	100 010 238
General expenses	409 924 551	8 437 015	27 284 412	56 997 920	502 643 898
Inventory consumed	30 113 399	2 031 720	5 184 527	9 846 849	47 176 495
<b>Total segment expenditure</b>	<b>540 065 408</b>	<b>90 211 387</b>	<b>60 099 521</b>	<b>159 539 893</b>	<b>849 916 209</b>
<b>Total segmental surplus/(deficit)</b>					<b>(114 238 124)</b>
Total revenue reconciling items					17 126 343
Contract Expenditure*					(17 126 343)
<b>Entity's surplus (deficit) for the period</b>					<b>-</b>
<b>Assets</b>					
Segment Assets	914 632 768	82 720 621	493 112 355	(229 717 840)	1 260 747 904
<b>Total assets as per Statement of financial Position</b>					<b>1 260 747 904</b>

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### 50. Segment information (continued)

#### Liabilities

Segment liabilities	230 694 283	14 191 830	3 759 998	68 016 858	316 662 969
<b>Total liabilities as per Statement of financial Position</b>					<b>316 662 969</b>

\* Contract revenue and contract expenditure are reconciling items due to GRAP 11 disclosure requirements

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The four key business units comprise of:

Community and public safety which includes community and social services, sport and recreation, public safety, health, and housing services;

Economic and environmental services which includes planning and development, road transport and environmental protection services;

Trading services which include energy sources, water management, waste water management and waste management services;

Other, which includes Executive and Council, Finance and Admin, Health, Housing, Internal audit and other services

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

The core function of the municipality is the provision of services to the community. To this end the 4 main segments classified under Trading services are:

The provision of water to the community

The provision of electricity within the municipal licenced area

The provision of sanitation

The removal of refuse, cleaning of streets and maintaining the solid waste site

Economic and environmental services include:

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### **50. Segment information (continued)**

Planning and development which includes town planning, IDP and LED.

Roads which include the project management unit which oversee the monitoring of projects funded from grants and internal funds

Community and public safety comprise of services for the community including Libraries, the Museum, Halls, Cemeteries, Sports fields, Public safety, vehicle licencing and driver testing

Other services comprise of the Mayor, Municipal Manager, Corporate Services, Finance, Internal Audit, Human Resources, Information Technology, Fleet, Licencing, Supply Chain Management – all these services provide support to the other departments

# AbaQulusi Local Municipality

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### 51. Related parties

Related parties	Amount	Total
Councillors	113 449	126 104
Subtotal	113 449	126 104
	<b>113 449</b>	<b>126 104</b>

The figures disclosed above are due to the municipality and are for rates, electricity, water, sanitation and solid waste services rendered to related parties.

Management class: councillors	Councillor upper limit	Total
Deputy executive Mayor	609 592	609 592
Executive Committee	3 382 988	3 382 988
Executive Mayor	896 622	896 622
Speaker	727 444	727 444
Other Councillors	12 127 454	12 127 454
	<b>17 744 100</b>	<b>17 744 100</b>

Refer to note "Remuneration of councillors"

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

### Management class: senior management

Name	Basic salary	Other benefits	Total
ZG DHLAMINI (Municipal Manager)	1 134 409	233 404	1 367 813
MPE MTHEMBU (CFO)	1 230 628	378 337	1 608 965
NW MBONGWA (Director Technical Services)	1 230 628	378 337	1 608 965
S P DLAMINI (Director Corporate Services)	1 230 628	416 002	1 646 630
T XABA and W Mthembu(Director Community Services)	468 606	156 772	625 378
J S LANDMAN (Director Development Planning)	1 230 628	378 337	1 608 965
	<b>6 525 527</b>	<b>1 941 189</b>	<b>8 466 716</b>

### Other Related parties

#### Abaqulusi Enterprise (Pty) Ltd

Farm Rentals billed and paid to municipality 131 400 192 799

On 4 December 2020, the municipality appointed Mr. Hendrick Vusumuzi Mbatha (sole director of Abaqulusi Enterprise (Pty) Ltd) and granted full permission to manage the forestry business of the Grootgewatch and Bloemveld farms. A lease agreement was entered into and signed on 4 December 2020 for a period of two (2) years, and extended on a 12 months basis post expiry.

This entity is a related party due to the significant influence exercised by municipality on its operating decisions through the signed lease agreement

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### **51. Related parties (continued)**

# AbaQulusi Local Municipality

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### 51. Related parties (continued)

#### Remuneration of municipal manager - ZG Dlamini

Annual Remuneration	1 134 409	1 359 947
Gratuity	37 290	2 185
Other Allowances	67 444	-
Travel & Subsistence	4 920	29 182
Contributions	13 872	14 226
Backpay	82 879	12 299
Cellphone Allowance	27 000	36 000
	<b>1 367 814</b>	<b>1 453 839</b>

#### Remuneration of chief finance officer - MPE Mthembu

Annual Remuneration	1 230 628	1 116 587
Gratuity	40 680	18 645
Other Allowances	56 244	-
Travel & Subsistence	160 750	334 173
Contributions	16 243	14 372
Backpay	74 420	23 212
Cellphone Allowance	30 000	30 000
	<b>1 608 965</b>	<b>1 536 989</b>

#### Remuneration of Director Technical Services - NW Mbongwa

Annual Remuneration	1 230 628	1 116 587
Gratuity	40 680	20 340
Other Allowances	67 493	-
Travel & Subsistence	149 654	291 220
Contributions	16 090	14 197
Backpay	74 420	23 403
Cellphone Allowance	30 000	30 000
	<b>1 608 965</b>	<b>1 495 747</b>

#### Remuneration of Director Corporate Services - SP Dlamini

Annual Remuneration	1 230 628	1 116 587
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# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Related parties (continued)

Gratuity	40 680	20 340
Other Allowances	147 641	-
Travel & Subsistence	68 557	287 485
Contributions	17 039	14 199
Backpay	74 420	23 897
Cellphone Allowance	30 000	30 000
	<b>1 608 965</b>	<b>1 492 508</b>

### Remuneration Director Community Services - T Xaba and W Mthembu

Annual Remuneration	468 606	1 090 159
Gratuity	27 120	20 340
Travel & Subsistence	69 587	259 522
Contributions	5 445	13 865
Backpay	42 120	23 403
Cellphone Allowance	12 500	27 259
	<b>625 378</b>	<b>1 434 548</b>

### Remuneration of Director Planning and Development - JS Landman

Annual Remuneration	1 230 628	1 116 587
Gratuity	40 680	20 340
Travel & Subsistence	217 816	291 732
Contributions	15 421	14 212
Backpay	74 420	23 897
Cellphone Allowance	30 000	30 000
	<b>1 608 965</b>	<b>1 496 768</b>

### Remuneration of councillors

Mayor	896 622	827 253
Deputy Mayor	609 592	738 854
Executive Committee Members	3 382 988	3 476 669
Speaker	727 444	630 220
Councillors	12 127 454	11 591 681
	<b>17 744 100</b>	<b>17 264 677</b>

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Related parties (continued)

	Mayor	Deputy Mayor	Speaker	Other councillors	Exco Councillors
Salary	821 684	550 062	681 019	10 421 329	3 000 425
Travel allowance	24 613	8 262	-	24 587	112 412
Cellphone allowance	38 873	40 800	37 400	1 436 840	218 620
Data card	3 300	3 300	3 000	113 400	16 800
Subsistence allowance	304	139	-	595	1 973
Contributions	7 848	7 029	6 025	108 309	32 758
Backpay	-	-	-	22 394	-
	<b>896 622</b>	<b>609 592</b>	<b>727 444</b>	<b>12 127 454</b>	<b>3 382 988</b>

### 52. Budget differences

#### Material differences between budget and actual amounts

Service charges	The municipality continues to experience historical non-payment from customers. Actual is less than budget due to the water shortages. Electricity loadshedding resulting in consumers converting to alternative means of energy.
Property Rates	The municipality did not give a rates rebate to businesses in the 2023/24 financial year and some businesses did not pay
Rental of facilities and equipment	Hall rental decreased and other leases revenue did not materialise
Licences and permits, Agency Services	Less vehicle licences were issued by the municipality

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 52. Budget differences (continued)

Other Income	Less revenue collected from permits, plans, etc
Interest received - investment	Interest on investments is less due to no additional revenue that could be invested and also due to the reduction in revenue for grants
Gains	This item was not budgeted for
Government Grants	The grant funding was reduced
Interest earned – Outstanding debtors	Consumers are not paying the interest on their arrear accounts
Fines, penalties and forfeits	The municipality appointed a new service provider to assist with the collection of fines. Included in this revenue is the provision for fines
Personnel	There were vacant positions including the Municipal Manager for a portion of the financial year
Remuneration of councillors	The saving is due to a vacancy for a Ward Councillor for a portion of the financial year
Depreciation and amortisation	This is due to a recalculation of the depreciation following the conditional assessment of assets. This is a non-cash item and has been disclosed in the note for Unauthorised expenditure
Finance costs	The municipality incurred interest on overdue accounts which was unplanned. These items have been disclosed in the Note for fruitless and wasteful expenditure.
Lease rentals on operating lease	A new tender for the hire of office equipment was awarded
Debt impairment	The provision for debt impairment was not budgeted for

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 52. Budget differences (continued)

Bulk purchases	Due to load shedding less electricity was purchased by consumers who have migrated to Solar. There is a new mall in Emondlo and also illegal connections and non-payment by consumers in Eastern Towns and Emondlo
Contracted services	The Technical Services utilised a panel of service providers to assist with maintenance of the town's infrastructure
Inventory Consumed (Repairs & Maintenance)	The original budget was reduced during the Adjustment budget period and additional expenditure was incurred at the water works and energy section due to load shedding damaging equipment, theft of cables and repairs to roads
Sale of goods/inventory	The original budget was reduced during the Adjustment budget period and additional expenditure was incurred at the water works and energy section due to load shedding damaging equipment and the theft of cables
Proceeds from sale of PPE	The budgeted amount relates to the sale of stands relating to excess land held by the Municipality. The Municipality is holding many stands as inventory with the intention of disposing them, however, the anticipated disposals did not materialise
Non-current liability - Other Liability	The other liabilities non-current relates to the employee benefit obligations which is largely driven by actuarial valuations that are impacted by staff attrition, inflation rates and various payouts etc. The main reason for the increase in the obligation (higher than budgeted) is due to the movement of the Actual gains which were impacted by the decrease in discount rates used
Losses	The provision for losses was not budgeted for
Other expenditure	Leasing of vehicles, fuel and diesel and bank charges

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 53. Construction Contracts

Amount received in the bank account	4 866 601	18 485 000
Deffered revenue recognised	(4 231 827)	(17 126 343)
Output VAT	(634 774)	(1 358 657)
	-	-

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

Contract Revenue	4 231 827	17 126 343
Contract Expenditure	(4 231 827)	(17 126 343)
	-	-

The municipality received a schedule 5b grant to electrify unlicensed areas. The municipality is undertaking construction activities as a primary contractor on behalf of the Department of Mineral Resources and Energy, and Eskom in areas where it does not have an approved licence for the supply of electricity. The municipality has accounted for this transaction according to GRAP 11 Construction Contracts.

To measure reliably the work performed, the completion of a contract is determined by the proportion that contract costs incurred for work performed to date to, bear to the estimated total contract costs and completion of a physical proportion of the contract work.

As at end of 30 June 2024, there were no gross amounts due from customers for work as an asset and the gross amount due to customers for work as a liability.

The municipality will transfer these projects to ESKOM after completion as per the Memorandum of understanding signed between the municipality and ESKOM.

# AbaQulusi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 54. Distribution Losses

#### 54.1 Electricity Losses

Units purchased	127 587 699	120 852 953
Units sold	(94 246 364)	(93 943 057)
<b>Total Loss</b>	<b>33 341 335</b>	<b>26 909 896</b>
Total units lost in distribution	33 341 335	26 909 896
Cost of providing the service	268 626 804	215 217 611
Cost per unit	2,11	1,78
Total cost lost through distribution and theft	70 197 804	47 921 737

The electricity distribution losses experienced by the municipality were 26% in 2023/24 and 22% in 2022/23.

The technical losses tolerable range prescribed by NERSA is between 5 - 12%. These abnormal distribution losses were as a result of aging infrastructure, illegal connections and meter tampering.

#### 54.2 Water Losses

Opening Balance	24 591	21 237
Units purified	6 799 044	8 710 120
Units consumed	(3 253 625)	(3 393 278)
Closing balance	(27 090)	(24 591)
<b>Total loss (units)</b>	<b>3 542 920</b>	<b>5 313 488</b>
Total units lost in distribution	3 542 920	5 313 488
Cost of providing the service	36 356 543	32 491 219
Cost per unit	5,35	3,26
Total cost lost through distribution and theft	18 922 504	17 349 064

The water distribution losses experienced by the municipality were 52% in 2023/24 and 61% in 2022/23.

The technical losses tolerable range is between 5 - 15%. These abnormal distribution losses were as a result of aging infrastructure, illegal connections and meter tampering.

### 55. VAT Output Accrual

VAT payable to SARS	33 986 209	28 247 846
Output VAT accrual impairment on debtors provision	(8 076 068)	(9 817 379)
	<b>25 910 141</b>	<b>18 430 467</b>

### 56. VAT Input Accrual

Receivable from SARS	28 463 922	18 545 773
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### 57. VAT Statutory payable

Statutory amount	2 360 863	1 919 119
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