



Umkhandlu wakwa  
**NONGOMA**  
Local Municipality

**ANNUAL FINANCIAL STATEMENTS  
REGISTRATION NUMBER KZN265  
FOR THE YEAR ENDED  
30 JUNE 2024**

# NONGOMA 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 council:

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UIF	Unemployment Insurance Fund
GRAP	General Recognised Accounting Practice
FMG	Financial Management Grant
AGSA	Auditor General South Africa
INEP	Integrated National Electrification Program
LG SETA	Local Government Sector Education and Training Authority
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
SARS	South Africa Revenue Services
PAYE	Pay As You Earn
SIC	Standard Industrial Classification
mSCOA	Municipal Standard Charts of Accounts
SALGA	South Africa Local Government Association

**NONGOMA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

**General Information**

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**MEMBERS OF COUNCIL AS AT 30 JUNE 2024**

Cllr. C.M. Ndabandaba: Hon. Mayor: Chairperson of the Finance Portfolio & Executive Committee  
Cllr. B.H. Sithole: Hon. Speaker: Chairperson of the Council  
Cllr. G.S. Nkosi: Hon. Deputy Mayor: Chairperson of the Planning & Economic Development Portfolio  
Cllr S.M. Zulu: Chief Whip  
Cllr. K.M. Dladla: Chairperson of the Community Services Portfolio  
Cllr. M.N. Sokhela: Chairperson of the Corporate Services  
Cllr. M.N. Mthembu: Chairperson of the Technical & Infrastructure Portfolio  
Cllr. S.C. Ndwandwe: Chairperson of the MPAC  
Cllr. M.A. Mncwango: Exco Member (Resigned June 2024)  
Cllr. S.L. Mbongwa: Exco Member  
Cllr J.T. Nkosi: Exco Member  
Cllr T.J. Nsele: Exco Member  
Cllr P.W. Gumbi  
Cllr N.A. Manqele  
Cllr. L.N. Buthelezi  
Cllr. L.N. Mdluli  
Cllr. Z.N. Sithole  
Cllr. N.G. Xaba  
Cllr. T.J.C. Mthimkhulu  
Cllr. F.M. Shongwe  
Cllr. G.N. Mthiyane  
Cllr. N.S Duma (Deceased 07 January 2024)  
Cllr. B.C Mvelase (Appointed June 2024)  
Cllr. B.G. Ndwandwe  
Cllr. S.A. Mhlongo  
Cllr. M.P. Nxumalo  
Cllr. S.S.Z. Dlamini  
Cllr. T.M. Ndwandwe  
Cllr. M.A. Mtshali  
Cllr. Z.H. Zungu  
Cllr. N.P. Ndebele  
Cllr. B.L. Buthelezi  
Cllr. M.H. Zulu  
Cllr. V.P. Mpanza  
Cllr. B.W. Zulu  
Cllr S.S.P. Mbatha  
Cllr. D.J. Mtshali  
Cllr. N.M. Manqele  
Cllr. S.V. Nxumalo  
Cllr. N.F. Zungu  
Cllr. M.E. Ndwandwe  
Cllr. C.S.P. Sithole  
Cllr. B.A. Mncwango  
Cllr. B.S. Mbatha  
Cllr. N. Msomi  
Cllr. N.M Mchunu (Deceased 30 July 2023)  
Cllr. S. Gazu (Appointed in October 2023)

**AUDITORS**

Auditor-General of South Africa  
460 Town Bush Rd, Town Bush Office Park, Montrose, Pietermaritzburg  
KwaZulu Natal

**NONGOMA LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

**BANKERS**

First National Bank  
Shop 1 Kwa Mngandi, Main Road  
Nongoma 3950

**REGISTERED OFFICE**

Lot 103, Main Street  
Nongoma  
3950

P O Box 84  
Nongoma  
3950

Tel: (035) 831 7500  
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Webpage: [www.nongoma.gov.za](http://www.nongoma.gov.za)  
E-mail: [info@nongoma.gov.za](mailto:info@nongoma.gov.za)

**MUNICIPAL MANAGER**

Vacant at the time of submission

**CHIEF FINANCIAL OFFICER**

Vacant at the time of submission

**LEGAL FORM**

Category B Municipality which operates in accordance with Chapter 7 of the Constitution of South Africa.

The Objects of Local Government are:

- to provide democratic and accountable government for local communities;
- to ensure the provision of services to communities in a sustainable manner;
- to promote social and economic development;
- to promote a safe and healthy environment; and
- to encourage the involvement of communities and community organisations in the matters of local government.

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)"

**NATURE OF BUSINESS**

The provision of services (Property rates and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.

**LEGISLATIONS GOVERNING THE MUNICIPALITY**

- Constitution of the Republic of south Africa (Act 108 of 1998)
- Local Government: Municipal Finance Management Act (Act 56 of 2003)
- Local Government: Municipal Systems Act (Act 32 of 2000)
- Local Government: Municipal Structures Act (Act 117 of 1998)
- Municipal Property Rates Act (Act of 6 2004)
- Division of Revenue Act (Act 1 of 2007)

**NONGOMA LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

**Approval of Annual Financial Statements**

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

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

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

The Accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting officer to meet these responsibilities, the 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 2024 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I also certify that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the 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 8, which have been prepared on the going concern basis.

In absence of the Accounting Officer, honourable Mayor takes the responsibility to authorise/approve Annual Financial Statements of Nongoma Local Municipality for the financial year ended 30 June 2024.

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**Cllr C.M. Ndabandaba**  
Honourable Mayor

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31 August 2024  
**Date**

**NONGOMA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

**Report of the Auditor General**

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**NONGOMA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2024**

	Note	Actual	
		2024 R	2023 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>34 595 029</b>	<b>47 287 641</b>
Receivables from Exchange Transactions	2.	7 262 423	10 208 061
VAT Receivable	3.	6 299 639	10 936 355
Receivables from Non-Exchange Transactions	4.	21 032 967	25 721 027
Cash and Cash Equivalents	5.	-	422 197
<b>Non-Current Assets</b>		<b>393 609 088</b>	<b>399 490 045</b>
Property, Plant and Equipment	6.	393 558 578	399 383 331
Intangible Assets	7.	50 510	106 714
<b>Total Assets</b>		<b><u>428 204 117</u></b>	<b><u>446 777 686</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>110 321 115</b>	<b>104 278 726</b>
Bank Overdraft	5.	2 321 073	-
Payables from Exchange Transactions	8.	92 388 478	101 179 572
Unspent Conditional Grants and Receipts	9.	10 960 582	-
Operating Lease Liabilities	10.	1 046 508	213 591
Finance Lease obligation	10.	2 910 475	2 513 563
Provisions	12.	694 000	372 000
<b>Non-Current Liabilities</b>		<b>18 308 191</b>	<b>20 717 793</b>
Finance Lease obligation	10.	2 611 516	5 552 276
Provisions	12.	15 696 674	15 165 517
<b>Total Liabilities</b>		<b><u>128 629 306</u></b>	<b><u>124 996 519</u></b>
<b>Total Assets and Liabilities</b>		<b><u>299 574 811</u></b>	<b><u>321 781 167</u></b>
<b>NET ASSETS</b>		<b>299 574 811</b>	<b>321 781 167</b>
Accumulated Surplus / (Deficit)	13.	299 574 811	321 781 167
<b>Total Net Assets</b>		<b><u>299 574 811</u></b>	<b><u>321 781 167</u></b>

**NONGOMA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024**

		Actual	
	Note	2024	2023
		R	Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>277 245 931</b>	<b>289 406 870</b>
Property Rates	14.	31 929 596	29 549 853
Fines, Penalties and Forfeits	15.	434 600	1 540 352
Revenue from construction contracts	18.	3 080 336	3 000 000
Transfers and Subsidies	17.	239 101 062	254 002 131
Interest, Dividends and Rent on Land Earned	22.	2 700 337	1 314 534
<b>Revenue from Exchange Transactions</b>		<b>4 711 216</b>	<b>5 779 130</b>
Licences and Permits	16.	1 579 985	1 343 576
Service Charges	19.	2 176 731	2 101 048
Sales of Goods and Rendering of Services	20.	67 415	64 721
Rental from Fixed Assets	21.	248 662	249 234
Interest, Dividends and Rent on Land Earned	22.	632 653	1 061 083
Operational Revenue	23.	5 770	803 871
Gains on Disposal of Property, Plant and Equipment	34.	-	155 597
<b>Total Revenue</b>		<b>281 957 147</b>	<b>295 185 999</b>
<b>EXPENDITURE</b>			
		<b>305 418 504</b>	<b>286 741 317</b>
Employee Related Costs	24.	116 913 126	115 644 176
Remuneration of Councillors	25.	18 002 681	17 461 470
Depreciation, Amortisation and Assets Impairments	26.	36 667 776	22 208 249
Debtors write-off and Impairment Losses	27.	16 048 558	17 760 470
Interest, Dividends and Rent on Land	28.	3 286 897	2 604 551
Contracted Services	29.	61 256 989	57 161 761
Inventory Consumed	30.	7 429 728	5 980 466
Transfers and Subsidies Paid	31.	3 169 566	3 251 626
Operating Leases	32.	2 808 307	2 573 160
Operational Costs	33.	39 708 882	42 095 389
Loss on Disposal of Property, Plant and Equipment	34.	125 994	-
<b>Total Expenditure</b>		<b>305 418 504</b>	<b>286 741 317</b>
<b>OPERATING SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>(23 461 356)</b>	<b>8 444 683</b>
<b>OTHER REVENUE / EXPENDITURE INCURRED</b>			
Actuarial gains/Loss	12.	1 255 000	589 000
Reversal of accrual			-
<b>TOTAL OTHER REVENUE / EXPENDITURE INCURRED</b>		<b>(22 206 356)</b>	<b>9 033 681</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>(22 206 356)</b>	<b>9 033 681</b>

## NONGOMA LOCAL MUNICIPALITY

### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2024

	Accumulated Surplus/ (Deficit)	Total Net Assets
	R	R
<b>2023</b>		
Balance at 30 June 2022	312 675 615	312 675 615
<b>Restated Balance</b>	<b>312 675 615</b>	<b>312 675 615</b>
Surplus / (Deficit) as per prior 2022/23 AFS	9 033 681	9 033 681
Prior period adjustment	71 871	71 871
Restated Surplus / (Deficit) for the year	9 033 681	9 033 681
<b>Balance at 30 June 2023</b>	<b>321 781 167</b>	<b>321 781 167</b>
<b>Balance at 01 July 2023 as Restated</b>	<b>321 781 167</b>	<b>321 781 167</b>
Surplus / (Deficit) for the year	(22 206 356)	(22 206 356)
<b>Balance at 30 June 2024</b>	<b>299 574 811</b>	<b>299 574 811</b>

Details on the movement of the Funds and Reserves are set out in Note 35.1

**NONGOMA LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2024**

	Note	2024	Actual 2023
		R	R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates		24 063 635	38 304 365
Fines, Penalties and Forfeits		332 496	1 540 352
Transfers and Subsidies		242 181 398	257 002 131
Service Charges		1 170 102	2 101 048
External Interest and Dividends Received		632 652	521 586
Rental of fixed assets		230 369	249 234
Licence and permits		1 579 985	1 343 576
Sale of goods and services		67 415	64 720
Other Receipts		5 770	803 871
Prepayments and advances		746 340	-
VAT Received		4 636 716	-
<b>Payments</b>			
Employee Related Costs		(116 913 126)	(115 644 176)
Remuneration of Councillors		(18 002 681)	(17 461 470)
External Interest and Dividends Paid		(3 286 897)	(2 604 551)
Suppliers Paid		(107 643 281)	(92 243 475)
VAT Paid		-	(1 120 319)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>47.</b>	<b><u>29 800 894</u></b>	<b><u>72 856 892</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	6.	(30 094 602)	(59 293 525)
Purchase of Intangible Assets	7.	-	(126 522)
Proceeds / (Losses) on Disposal of Property, Plant and Equipment	6.	94 285	200 000
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b><u>(30 000 316)</u></b>	<b><u>(59 220 047)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in Finance Leases (Leases Redeemed)		(2 543 848)	(1 058 799)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b><u>(2 543 848)</u></b>	<b><u>(1 058 799)</u></b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b><u>(2 743 270)</u></b>	<b><u>12 578 046</u></b>
Cash and Cash Equivalents at Beginning of Financial Year	5.	422 197	(12 155 849)
Cash and Cash Equivalents at End of Financial Year	5.	(2 321 073)	422 197

NONGOMA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024

30 June 2024

Description	Original Budget	Adjustment	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>							
<b>Current Assets</b>							
Cash and Cash Equivalents	46 038 000,0	(41 983 000,0)	4 055 000,0	0,00	(4 055 000,0)	-100%	-100%
Receivables from exchange Transactions	6 190 000,0	4 287 000,0	10 477 000,0	7 262 423,3	(3 214 576,7)	-31%	17%
VAT Receivable	(1 174 000,0)	30 091 000,0	28 917 000,0	6 299 638,7	(22 617 361,3)	-78%	100%
Receivables from Non-exchange Transactions	1 674 000,0	1 167 000,0	2 842 000,0	21 032 966,8	18 190 966,8	640%	1156%
	<b>52 728 000</b>	<b>(6 438 000)</b>	<b>46 291 000</b>	<b>34 595 029</b>	<b>(11 695 971)</b>	<b>-25%</b>	<b>-34%</b>
<b>Non-Current Assets</b>							
Property, Plant and Equipment	464 690 000,0	(39 149 000,0)	425 541 000,0	393 558 577,8	(31 982 422,2)	-8%	-15%
Intangible	2 829 000,0	78 000,0	2 906 000,0	50 510,0	(2 855 490,0)	-98%	-98%
<b>Total Assets</b>	<b>467 519 000,0</b>	<b>(39 071 000,0)</b>	<b>428 447 000,0</b>	<b>393 609 087,8</b>	<b>(34 837 912,2)</b>	<b>-8%</b>	<b>-16%</b>
	<b>520 247 000,0</b>	<b>(45 509 000,0)</b>	<b>474 738 000,0</b>	<b>428 204 116,6</b>	<b>(46 533 883,4)</b>	<b>-10%</b>	<b>-18%</b>
<b>Current Liabilities</b>							
Bank Overdraft	0,00	0,00	0,00	2 321 072,9	2 321 072,9	100%	100%
Borrowing	2 654 000,0	(2 216 000,0)	438 000,0	2 910 474,7	2 472 474,7	564%	10%
Trade and other payables exchange transactions	14 835 000,0	93 633 000,0	108 468 000,0	92 388 477,7	(16 079 522,3)	-15%	523%
Unspent Conditional Grants and Receipts	0,00	0,00	0,00	10 960 581,6	10 960 581,6	100%	100%
Lease Payables	0,00	0,00	0,00	1 046 508,1	1 046 508,1	100%	100%
VAT Payable	421 000,0	160 000,0	581 000,0	0,00	(581 000,0)	-100%	-100%
Provisions	0,00	372 000,0	372 000,0	694 000,0	322 000,0	87%	0%
<b>Non-Current Liabilities</b>							
Borrowing	0,00	5 552 000,0	5 552 000,0	2 611 516,3	(2 940 483,7)	-53%	0%
Provisions	15 128 000,0	38 000,0	15 166 000,0	15 696 674,3	530 674,3	3%	4%
<b>Total Liabilities</b>	<b>107 856 000,0</b>	<b>22 721 000,0</b>	<b>130 577 000,0</b>	<b>128 629 305,6</b>	<b>(1 947 694,4)</b>	<b>-1%</b>	<b>19%</b>
<b>Total Assets and Liabilities</b>	<b>412 391 000,0</b>	<b>(68 230 000,0)</b>	<b>344 161 000,0</b>	<b>299 574 810,9</b>	<b>(32 890 217,8)</b>	<b>-13%</b>	<b>-27%</b>
<b>Net Assets (Equity) for the year</b>							
Accumulated Surplus / (Deficit) for the year	419 183 000,0	(46 531 000,0)	372 652 000,0	299 574 810,9	(73 077 189,1)	-20%	-29%
<b>Total Net Assets</b>	<b>419 183 000,0</b>	<b>(46 531 000,0)</b>	<b>372 652 000,0</b>	<b>299 574 810,9</b>	<b>(73 077 189,1)</b>	<b>-20%</b>	<b>-29%</b>

**Financial Position: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

**Cash and Cash Equivalents:**

The Cash and Cash Equivalents is influenced by the opening creditors to 2023/24 financial year. Furthermore, the existence of unauthorised expenditure influences this account balance.

**Receivables from Non-exchange Transactions**

Refuse removal, and rental debtors increased due to non payment of customers.

**Receivables from Exchange Transactions**

The receivables from exchange transactions dropped due to provision of impairments of government debtors

**Consumer Debtors:**

The interest write off on government debt influenced the consumer debtors balance at 30 June 2024. The collection rate remained stagnant when comparing current year to prior year.

**Intangible:**

Acquisition of computer software linked to acquisition of new computers influences the Intangible Assets. Intangible Assets variance is due to lesser computers acquired during the year which needed Microsoft windows.

**Trade and Other Payables:**

Despite the trade payables, the year-end transactions which included leave provision as well as salary creditors influenced the trade and other payables account balance. The variance is due to the increase in the retention liability as well as the unplanned changes in contracted services, such as the security and the waste removal activities.

**VAT Receivable**

Vat refunds were paid by SARS to the Municipality FNB bank account and some were set-off against the Pay-As-You-Earn.

**Provisions:**

This amount relates to Employee Related Benefits and Rehabilitation of landfill sites. The increase was due to the increase in Landfill site estimate.

**Borrowings:**

The amount of borrowing was only budgeted for under non-current liabilities instead of both non-current and current portion.

**Operating lease liability**

The Municipality planned to pay full amount for lease properties and nothing was budgeted for lease payable as at 30 June 2024.

**Unspent conditional grants**

The municipality planned to utilise all grants hence nothing was budgeted for unspent conditional grants.

**VAT Payables**

It was not budgeted for as the Municipality always received refunds from SARS and never owed SARS Vat amount.

**Bank Overdraft:**

Municipality had cash flow issues and needed an overdraft (short-term debt) for the month of June 2024. This was never budgeted.

**Accumulated Surplus / (Deficit):**

The variance resulted from the budget provision which did not take into account the opening balance of the accumulated surplus. Only current year movements were considered.

Description	Original Budget	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>							
<b>Revenue from Non-exchange Transactions</b>							
Property Rates	30 712 000	404 000	31 116 000	31 929 596	813 596	3%	4%
Interest, Dividends and Rent on Land Earned (External Investments)	1 237 000	638 000	1 874 000	632 653	(1 241 347)	-66%	-49%
Fines, Penalties and Forfeits	821 000	(51 000)	770 000	434 600	(335 400)	-44%	-47%
Transfers and Subsidies	208 295 000	0.00	208 295 000	242 181 398	33 886 398	16%	16%
<b>Revenue from exchange Transactions</b>							
Service Charges	1 786 000	138 000	1 924 000	2 176 731	252 731	13%	22%
Rental of Facilities and Equipment	150 000	222 000	372 000	248 662	(123 338)	-33%	66%
Interest, Dividends and Rent on Land Earned (Outstanding Debtors)	455 000	782 000	1 237 000	2 700 337	1 463 337	118%	493%
Licences and Permits	1 494 000	726 000	2 220 000	1 579 985	(640 015)	-29%	6%
Other Revenue	297 000	472 000	769 000	73 185	(695 815)	-90%	-75%
<b>Total Revenue</b>	<b>245 247 000,0</b>	<b>3 331 000,0</b>	<b>248 577 000,0</b>	<b>281 957 147,3</b>	<b>33 380 147,3</b>	<b>13%</b>	<b>15%</b>
<b>Expenditure</b>							
Employee Related Costs	120 539 000	(5 347 000)	115 191 000	116 913 126	1 722 126	1%	-3%
Remuneration of Councillors	18 499 000	402 000	18 901 000	18 002 681	(898 319)	-5%	-3%
Debt Impairment	2 000 000	(200 000)	1 800 000	16 048 558	14 248 558	792%	702%
Depreciation and Asset Impairment	15 000 000	3 000 000	18 000 000	36 667 776	18 667 776	104%	144%
Finance Charges	900 000	0.00	900 000	3 286 897	2 386 897	265%	265%
Inventory consumed	3 652 000	2 624 000	6 276 000	7 429 728	1 153 728	18%	103%
Contracted Services	26 093 000	16 497 000	42 590 000	61 256 989	18 666 989	44%	135%
Operating Leases	0.00	0.00	0.00	2 808 307	2 808 307	100%	100%
Transfers and Subsidies paid	870 000	3 000 000	3 870 000	3 169 566	(700 434)	-18%	264%
Other Expenditure/Operational costs	40 882 000	(6 791 000)	34 091 000	39 708 882	5 617 882	16%	-3%
Loss on Disposal of Property, Plant and Equipment	0.00	0.00	0.00	125 994	125 994	100%	100%
<b>Total Expenditure</b>	<b>228 435 000</b>	<b>13 185 000</b>	<b>241 619 000</b>	<b>305 418 504</b>	<b>63 799 504</b>	<b>26%</b>	<b>34%</b>
<b>Surplus/(Deficit) for the Year</b>	<b>16 812 000,0</b>	<b>(9 854 000,0)</b>	<b>6 958 000,0</b>	<b>(23 461 356,4)</b>	<b>(30 419 356,4)</b>	<b>-437%</b>	<b>-240%</b>

**Financial Performance: Explanation of Variances between Approved Budget and Actual**

**Service Charges:**

The revenue recognised is higher than anticipated due to budget provision being unrealistically lower than the actual outcome.

**Licences and Permits**

The licencing department made lower revenue compared to the budget due to the new system that was introduced.

**Other Revenue**

The Municipality did not win the awards of clean town like the prior year, the actual amount is therefore lower.

**Fines, Penalties and Forfeits**

Traffic department implemented campaign in December 2023 and April 2024 that resulted in a number of fines being issued for licences and other traffic violations. However, the revenue was not enough to reach the budgeted figures.

**Loss on disposals**

Two(2) Laptops and a Generator were stolen KwaKhetha Library and resulted in a loss for the Municipality, this event was never anticipated.

**Contracted Services**

The increase was due to projects that were not completed as at June 2023 and overlapped to 2023/24 financial period and maintenance of infrastructure that was not anticipated or planned.

**Inventory consumed**

Extra material or consumables for maintenance of infrastructure and roads that was not anticipated or planned.

**Transfers and Subsidies paid**

The executive council (Mavor) assisted the community with less funds than budgeted.

**Operating Leases**

This was an oversight error and no budget was made for operating leases.

**Rental of Facilities and Equipment:**

This relates to the rental of municipal buildings, community halls and other municipal facilities were used less than anticipated.

**Interest, Dividends and Rent on Land Earned (External Investments)**

This interest relates to interest earned on bank and investments. The income recognised is higher than anticipated as a result of a date of payment of suppliers being fixed largely to the month-end.

**Interest, Dividends and Rent on Land Earned (Outstanding Debtors)**

This interest relates to interest earned on late or payment not received from commercial and residential debtors. The income recognised is higher than anticipated as a poor payment trend from residential customers.

**Transfers and Subsidies:**

Transfers and Subsidies revenue relate to conditional and non-conditional grants received from National and Provincial Government. The revenue recognised is higher than the budgeted amount, mostly due to no rollovers as was anticipated during the budget period.

**Debt Impairment:**

The variance is due to a write off of interest income recognised from the Government Debt. The municipality effective from 2023/2024 financial year is exempted from charging interest on government debtors.

**Depreciation and Asset Impairment:**

The variance is due to depreciation being under-budgeted for and the final calculation of the reviewed Fixed Asset Register (FAR) was higher than the expected budget.

**Finance Charges:**

The variance is due over provision for interest charges on outstanding loans.

**Operational costs**

Operational costs are day-to-days needs of the municipality. Increase is due to anticipated costs that were needed for the municipality to function.

**CAL MUNICIPALITY**  
**ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024**  
**30-Jun-24**

Description	Original Budget	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
<b>CASH FLOW STATEMENT</b>							
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Receipts:</b>							
Property Rates	24 569 000	1 009 000	25 578 000	24 063 635	1 514 365,1	-6%	-2%
Service Charges	1 643 000	(556 000)	1 087 000	1 170 102	(83 101,7)	8%	-29%
Other Receipts	29 129 000	(23 848 000)	5 281 000	2 962 376	2 318 624,3	-44%	-90%
External Interest and Dividends Received	455 000	782 000	1 237 000	632 652	604 347,8	-49%	39%
Transfers and Subsidies - Operational	208 295 000	-	208 295 000	209 158 980	(863 979,8)	0,4%	0%
Transfers and Subsidies - Capital	46 490 000	(2 507 000)	43 983 000	33 022 418	10 960 581,6	-25%	-29%
VAT Receivable / Payable	-	-	-	4 636 716	(4 636 716,3)	100%	100%
	<b>310 581 000</b>	<b>(25 120 000)</b>	<b>285 461 000</b>	<b>275 646 879</b>	<b>9 814 121</b>	<b>-3%</b>	<b>-11%</b>
<b>Payments:</b>							
Suppliers and employees paid	(217 379 000)	(8 666 000)	(226 045 000)	(242 559 088)	16 514 088,0	7%	12%
External Interest and Dividends Paid and transfers	(870 000)	(3 900 000)	(4 770 000)	(3 286 897)	(1 483 103,0)	-31%	278%
	<b>(218 249 000)</b>	<b>(12 566 000)</b>	<b>(230 815 000)</b>	<b>(245 845 985)</b>	<b>15 030 985</b>	<b>7%</b>	<b>13%</b>
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>							
	<b>92 332 000</b>	<b>(37 686 000)</b>	<b>54 646 000</b>	<b>29 800 894</b>	<b>24 845 106</b>		
<b>Cash Flows from/(used in) Investing Activities</b>							
Purchase of Property, Plant and Equipment	(50 614 000)	-	(50 614 000)	(30 094 602)	(20 519 398,2)	-41%	-41%
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	94 285	(94 285,4)	100%	100%
	<b>(50 614 000)</b>	<b>-</b>	<b>(50 614 000)</b>	<b>(30 000 316)</b>	<b>(20 613 684)</b>	<b>-41%</b>	<b>-41%</b>
<b>Cash Flows from/(used in) Financing Activities</b>							
Decrease in Long-term Borrowings (Loans Repaid)	(822 000)	(1 467 000)	(2 289 000)	(2 543 848)	254 848,0	11%	209%
<b>Cash and Cash Equivalents at End of the Year</b>							
Cash and Cash Equivalents at Beginning of Financial Year	5 142 000	(4 720 000)	422 000	422 197	(197,4)	0%	-92%
Cash and Cash Equivalents at End of Financial Year	46 038 000	(41 983 000)	4 055 000	(2 321 073)	6 376 072,9	-157%	-105%
<b>Cash Flow: Explanation of Variances between Approved Budget and Actual</b>							
Rea							
<b>Transfers and Subsidies - Capital</b>							
Results from the unspent conditional grants.							
<b>External Interest and Dividends Received:</b>							
The municipality incurred overdraft and was not making interest as budgeted.							
<b>Other Receipts:</b>							
The municipality made less income on fines, Licences and permits due to migration to the new system.							
<b>External Interest and Dividends Paid:</b>							
Overbudgeted for finance charges due bank overdraft.							
<b>VAT Receivable / Payable:</b>							
The municipality did not make provision for Vat receivable from SARS.							
<b>Purchase of Property, Plant and Equipment:</b>							
Results from the unspent conditional grants on MIG Projects.							
<b>Increase / (Decrease) in Short-term Loans:</b>							
The municipality paid more due to changes in interest rates.							
<b>Cash and Cash Equivalents at End of the Year:</b>							
Due to cash flow difficulties that resulted in an overdraft facility.							

# NONGOMA LOCAL MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The Annual Financial Statements have been prepared on an accrual basis of accounting and in accordance with the historical cost convention as the basis of measurement, except where indicated otherwise.

The Statement of Financial Performance has been prepared to classify expenses by nature, whilst revenue is classified in a manner appropriate to the municipality's operations. The Cash Flow Statement has been prepared using the Direct Method.

#### 1.1 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

#### 1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

##### 1.2.1 Revenue Recognition

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). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

- Revenue for Traffic Fines:

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

##### 1.2.2 Impairment of Financial Assets

Accounting Policy 1.7 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**  
The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.
- **Impairment of Traffic Fines:**  
Assessing and recognising impairment of Receivables for Traffic Fines is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not to be made at the time of initial recognition.

### **1.2.3 Impairment of Statutory Receivables**

Accounting Policy 1.10 on Impairment of Statutory Receivables describes the process followed to determine the value at which Statutory Receivables should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Statutory Receivables recorded during the year is appropriate.

### **1.2.4 Capitalisation of Capital Assets**

Judgement by management is required to distinguish between expenses incurred to maintain and repair capital assets and expenses incurred that will increase the remaining useful life of capital assets and needs to be capitalised to capital assets.

### **1.2.5 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property**

As described in Accounting Policies 1.1, 1.1 and 8.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

### **1.2.6 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories**

Accounting Policy 5 on Impairment of Assets, Accounting Policy 3.2 on Intangible Assets – Subsequent Measurement, Amortisation, Impairment and Accounting Policy 7.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value or Current Replacement Cost.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

### **1.2.7 Defined Benefit Plan Liabilities**

The Municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the Municipality that was identified is Long-service awards. The estimated liabilities are recorded in accordance with the requirement of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant notes to the annual financial statements.

### 1.2.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

"A contingent liability is:

- (a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognized. Contingencies are disclosed in note 42"

### 1.2.9 Principals and Agent Arrangements

The municipality assesses whether it is a party to any principal-agent arrangements by considering the principles contained in GRAP 109.

The municipality is assessed to be the principal and relevant transactions are accounted for per the requirements of the relevant Standards of GRAP. In order to assess that the municipality is the principal, the following factors were considered in applying its judgement:

- The municipality acts as a principal for the service provider, Syntel, who acts as an agent for the municipality with the sale of prepaid electricity and water.
- The municipality acts as a principal for the service provider, the Provincial Department of Transport, who acts as an agent for the municipality with regards to the issuing of fines for various traffic violations within the Nongoma Municipal Area.
- The municipality acts as a principal for the service provider, Central Karoo Traffic Systems (Pty) Ltd, who acts as an agent for the municipality with regards to the issuing and recovery of camera fines issued within the Nongoma Municipal Area.

The municipality is assessed to be the agent and only accounts for the amounts which the agent are entitled to in terms of the principal-agent arrangement. In order to assess that the municipality is the agent, the following factors were considered in applying its judgement:

- The municipality acts as an agent for Department of Transport for issuing licenses and permits and collects monies on their behalf.

### 1.2.10 Housing Arrangements

The municipality is not accredited to deliver housing under the national housing programme. However it assesses its roles and responsibilities it undertakes for each project undertaken in terms of the national housing programme by assessing the terms and conditions agreed with the relevant Provincial Department of Human Settlements.

Management has assessed all arrangements in place and concluded that there are no housing arrangements to which it was a project manager or developer during this accounting period.

### 1.2.11 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

### 1.2.12 Segment Reporting

The municipality is assessed to have reportable segments as per the requirements of GRAP 18. In order to assess that the segments could be aggregated, the following factors were considered in applying its judgement:

- For management purposes the municipality is broadly organised into business units based on the nature of operations and the services they provide.
- No individually material operating segments have been aggregated to form the above reportable operating segments.
- The municipality does not monitor segments geographically.

### 1.3 Going Concern Assumption

The Annual Financial Statements have been prepared on a Going Concern Assumption.

The recent COVID-19 pandemic and its effect on the municipality's current and expected performance has been considered by management in the Going Concern Assumption.

### 1.4 Standards, Amendments to Standards and Interpretations published but not yet Effective

The following GRAP Standards and Interpretations have been published but are not yet effective and have not been early adopted by the municipality:

Standard of GRAP / Nature of Impending Changes / Expected Impact		Effective Date	Planned Date for Application by Municipality
• GRAP 1	<b>Presentation of Financial Statements (Revised)</b> Unlikely that there will be a material impact	01/04/2023	30/06/2024
• GRAP 25	<b>Employee Benefits (Revised)</b> Unlikely that there will be a material impact	Not yet determined	Not yet determined
• GRAP 104	<b>Financial Instruments (Revised)</b> Unlikely that there will be a material impact	01/04/2025	30/06/2026
• GRAP 2020	<b>Improvement to the Standards of GRAP 2020</b> Unlikely that there will be a material impact	01/04/2023	30/06/2024
• IGRAP 7	<b>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</b> Unlikely that there will be a material impact	Not yet determined	Not yet determined
• IGRAP 21	<b>The Effect of Past Decisions on Materiality</b> Unlikely that there will be a material impact	01/03/2023	30/06/2024
• Guideline	<b>Accounting for Landfill Sites</b> Unlikely that there will be a material impact	Not yet determined	Not yet determined
• Guideline	<b>The Application of Materiality to Financial Statements</b> Unlikely that there will be a material impact	Not yet determined	Not yet determined

### 1.5 BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2023 to 30 June 2024.

## 1.6 INVENTORIES

### 1.6.1 Recognition and Initial Measurement

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

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

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

### 1.6.2 Subsequent Measurement

#### 1.6.2.1 Consumable Stores

Subsequently, Inventories sold are valued at the lower of cost and net realisable value. The cost is determined using the Weighted Average Method.

Consumable stores distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost. The cost is determined using the Weighted Average Method.

#### 1.6.2.2 Other Arrangements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

Differences arising on the measurement of such Inventory at the lower of cost and current replacement cost or net realisable value, are recognised in Surplus or Deficit in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

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

## 1.7 FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement.

### 1.7.1 Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.7.2 Financial Assets – Classification

The municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents	Financial Assets at Amortised Cost

Trade and Other Receivables exclude Value Added Taxation, Prepayments and Operating Lease Receivables are classified as Financial Assets at Amortised Cost.

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

### 1.7.3 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost

### 1.7.4 Initial and Subsequent Measurement

#### 1.7.4.1 Financial Assets:

##### Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an Effective Yield Basis.

#### 1.7.4.2 Financial Liabilities:

##### Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

#### 1.7.4.3 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

#### 1.7.4.4 Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

## 1.8 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

## 1.9 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

## 1.10 STATUTORY RECEIVABLES

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

The municipality has the following Statutory Receivables from Non-exchange Transactions:

- Assessment Rates
- Fines

### 1.10.1 Recognition and Initial Measurement

Statutory Receivables are recognised if the transaction is an exchange transaction per GRAP 9 or a non-exchange transaction per GRAP 23 or, if the transaction is not within the scope of GRAP 9 or GRAP 23, or another Standard of GRAP, and 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 municipality and the transaction amount can be reliably measured.

The municipality recognises Statutory Receivables when they arise.

Statutory Receivables are initially measured at their transaction amount. The transaction amount would be the amount that is determined on initial measurement in accordance with the relevant Standard of GRAP.

The transaction amounts of the Statutory Receivables of the municipality are determined as follows:

- Assessment Rates are levied in terms of the stipulations contained in the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) at rates determined each year by Council.
- Fines are serviced in terms of the stipulations contained in the Criminal Procedures Act, 1977 (Act No. 51 of 1977) at rates published in the Government Gazette from time to time.

### 1.10.2 Subsequent Measurement

Statutory Receivables are measured after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- Interest or other charges that may have accrued on the receivable, where applicable;
- Impairment losses; and
- Amounts derecognised.

### **1.10.3 Impairment**

Statutory Receivables are assessed for indicators of impairment at the end of each reporting period. Statutory Receivables are impaired where there is any indication of impairment of Statutory Receivables, such as the probability of insolvency or significant financial difficulties of the debtor.

In assessing whether Statutory Receivables are impaired, the municipality assesses whether there are any indications that individually significant receivables are impaired; and/or groups of similar, individually insignificant, receivables are impaired.

The municipality groups together and assesses collectively for impairment those receivables that exhibit similar characteristics which provide information about the possible collectability of the amounts owing to the municipality. The municipality uses the following groupings:

- Assessment Rates
- Fines

If there is such evidence the carrying amount is reduced to the estimated future cash flows, an impairment loss is recognised, directly or indirectly, through the use of an allowance account, with the amount of the impairment loss being recognised in Surplus or Deficit.

### **1.10.4 Derecognition**

The municipality derecognises Statutory Receivables only when the rights to the cash flows from the receivable expires or it transfers the Statutory Receivable and substantially all the risks and rewards of ownership of the receivable to another municipality, except when council approves the write-off of the receivable due to non-recoverability.

The municipality derecognises a receivable if the municipality, despite having retained some significant risks and rewards of ownership, transfers control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality recognises separately any rights and obligations created or retained in the transfer. The carrying amount of and statutory receivables transferred is allocated between the rights and obligations retained and those transferred on the basis of the relative fair values at the transfer date. The municipality assesses whether any newly created rights and obligations are within the scope of GRAP 104 or another Standards of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, is recognised in surplus or deficit in the period transferred.

## **1.11 PROPERTY, PLANT AND EQUIPMENT**

### **1.11.1 Initial Recognition and Measurement**

Property, Plant and Equipment are initially recognised at cost.

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

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

### **1.11.2 Subsequent Measurement**

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

### **1.11.3 Depreciation**

Depreciation on assets other than land is calculated on cost, using the Straight-line Method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. 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 rates are based on the following estimated useful lives:

	<b>Asset Class</b>	<b>Years</b>		<b>Asset Class</b>	<b>Years</b>
	Land	Indefinite		Office equipment's	5
	Building	25 - 30		IT equipment's	5
	Plant and machinery	4 - 5		Leasehold assets	2
	Furniture and fixtures	7 - 10		Infrastructure	10 - 50
	Motor vehicles	7			

#### **1.11.4 Land**

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

#### **1.11.5 Incomplete Construction Work**

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

#### **1.11.6 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

#### **1.11.7 Finance Leases**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

#### **1.11.8 Derecognition**

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. Gains are not classified as Revenue.

### **1.12 INTANGIBLE ASSETS**

#### **1.12.1 Initial Recognition and Measurement**

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

Intangible Assets are initially recognised at cost.

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

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

### 1.12.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged on a Straight-line Method over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

	<b>Asset Class</b>	<b>Years</b>
	Computer Software Purchased	3

### 1.12.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

## 1.13 IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets.

### 1.13.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

### **1.13.2 Impairment of Non-cash Generating Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

## **1.14 PROVISIONS**

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

### **1.14.1 Provision for Environmental Rehabilitation**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to Surplus or Deficit.

## **1.15 LEASES**

### **1.15.1 The Municipality as Lessee**

#### **1.15.1.1 Finance Leases**

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments to the fair value of the asset, plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

#### **1.15.1.2 Operating Leases**

The municipality recognises operating lease rentals as an expense in Surplus or Deficit on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

## **1.16 BORROWING COSTS**

All borrowing costs are treated as an expense in the period in which they are incurred.

## **1.17 EMPLOYEE BENEFIT LIABILITIES**

### **1.17.1 Short-term Employee Benefits**

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

#### **1.17.1.1 Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### **1.17.1.2 Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### **1.17.2.1 Defined Benefit Plans**

##### **Long-service Allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

### **1.18 REVENUE RECOGNITION**

#### **1.18.1 General**

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

#### **1.18.2 Revenue from Non-exchange Transactions**

##### **1.18.2.1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from

### **1.18.2.2 Fines**

Fines constitute both spot fines and summonses

Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The municipality uses estimates to determine the amount of revenue that the municipality is entitled to collect that is subject to further legal proceedings.

### **1.18.2.3 Government Grants and Receipts**

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

### **1.18.2.4 Public Contributions**

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

### **1.18.2.5 Other Donations and Contributions**

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

### **1.18.2.6 Tariff Charges**

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

### **1.18.2.7 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

## **1.18.3 Revenue from Exchange Transactions**

### **1.18.3.1 Service Charges**

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

### **1.18.3.2 Rentals Received**

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

### **1.18.3.3 Income from Agency Services**

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

### **1.18.3.4 Interest Earned**

Interest earned on investments is recognised in Surplus or Deficit on the Time-proportionate Basis that takes into account the effective yield on the investment.

Interest on outstanding customer receivables is calculated when the receivable is more than 30 days at prime rate plus 1%, and recognised in surplus or deficit on the time-proportionate basis.

### **1.18.3.5 Tariff Charges**

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

### **1.18.3.6 Sale of Goods**

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

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

## **1.19 GRANTS-IN-AID**

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

## **1.20 UNAUTHORISED EXPENDITURE**

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003).

All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

## **1.21 IRREGULAR EXPENDITURE**

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure.

Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

## **1.22 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

## **1.23 COMMITMENTS**

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP;
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date;
- Items are classified as commitments where the College commits itself to future transactions that will normally result in the outflow of resources;
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements; and
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

## **1.24 RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Executive Mayor, Deputy Executive Mayor, Speaker, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

## **1.25 CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

## **1.26 EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements.

The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

## **1.27 SEGMENT REPORTING**

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective and also considered separately for each of the towns within the municipal jurisdiction. The components described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting).

The following services are considered significant to the municipality and is accordingly managed separately:

- Executive and Council.
- Finance and Administration.
- Community and Social Services.
- Road Transport.
- Energy Sources.
- Waste Management.
- Wastewater Management.
- Water Management.

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the municipality as a whole.

The municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdiction.

Intersegmental transfers are per the municipality's approved tariff policy. The reconciliation clearly describes the effects of all internal transfers between segments.

The accounting policies for segmental reporting in the management accounts are aligned to the requirements of GRAP as described in these accounting policies.

No changes from were made from prior periods measurement methods used to determine reported segment surplus or deficit.

## **1.28 COMPARATIVE FIGURES**

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

## **1.29 VALUE ADDED TAX**

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

	2024 R	2023 R	
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>2. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
<b>As at 30 June 2024</b>			
Service Debtors:	14 835 630	9 343 655	5 491 975
Refuse	14 835 630	9 343 655	5 491 975
Other Receivables	458 298	288 663	169 635
Property Rental Debtors	458 298	288 663	169 635
Prepayments and Advances	1 600 814	-	1 600 814
<b>Total Receivables from Exchange Transactions</b>	<b>16 894 742</b>	<b>9 632 318</b>	<b>7 262 423</b>
<b>As at 30 June 2023</b>			
Service Debtors:	13 829 001	6 244 796	7 584 206
Refuse	13 829 001	6 244 796	7 584 206
Other Receivables	440 005	163 303	276 702
Property Rental Debtors	440 005	163 303	276 702
Prepayments and Advances	2 347 154	-	2 347 154
<b>Total Receivables from Exchange Transactions</b>	<b>16 616 160</b>	<b>6 408 098</b>	<b>10 208 061</b>

Receivables from exchange transactions are billed monthly at the beginning of the month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate of 18% per annum, determined by council, on the outstanding balance.

The Municipalities Credit Control Policy (Par.18) exempt government debtors from provision for impairments, however due to the expected credit loss on government related debtors, management has decided to provide for the impairment. Collection rating allocated to each customer is as follows, High risk (0%-30%), Moderate risk (31%-74%) and Low risk (75%-100%). Provision for Bad debts rates to be applied are as follows; High risk (90%), Moderate risk (70%) and Low risk (50%).

**2.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2024**

	<b>Current 0 - 30 days</b>	<b>Past Due</b>			<b>Total</b>
		<b>31 - 60 Days</b>	<b>61 - 90 Days</b>	<b>+ 90 Days</b>	
<b>Refuse:</b>					
Gross Balances	1 388 310	273 814	88 506	13 085 001	14 835 630
Less: Provision for Impairment	757 572	160 291	51 811	8 373 981	9 343 655
<b>Net Balances</b>	<b>630 738</b>	<b>113 523</b>	<b>36 694</b>	<b>4 711 020</b>	<b>5 491 975</b>
<b>Other Receivables:</b>					
Gross Balances	18 293	16 324	4 532	419 149	458 298
Less: Provision for Impairment	-	15 941	2 697	270 025	288 663
<b>Net Balances</b>	<b>18 293</b>	<b>383</b>	<b>1 835</b>	<b>149 123</b>	<b>169 635</b>
<b>All Receivables:</b>					
Gross Balances	3 007 416	290 138	93 038	13 504 150	16 894 742
Less: Provision for Impairment	757 572	176 232	54 508	8 644 007	9 632 318
<b>Net Balances</b>	<b>2 249 844</b>	<b>113 907</b>	<b>38 530</b>	<b>4 860 143</b>	<b>7 262 423</b>

Trade and other receivables which are less than 2 months past due are not considered for impairment provision. At 30 June 2024 R113 907 is past due but not impaired.

**As at 30 June 2023**

	<b>Current 0 - 30 days</b>	<b>Past Due</b>			<b>Total</b>
		<b>31 - 60 Days</b>	<b>61 - 90 Days</b>	<b>+ 90 Days</b>	
<b>Refuse:</b>					
Gross Balances	1 009 624	284 726	125 390	12 409 261	13 829 001
Less: Provision for Impairment	555 414	156 633	68 979	5 463 769	6 244 796
<b>Net Balances</b>	<b>454 210</b>	<b>128 093</b>	<b>56 411</b>	<b>6 945 492</b>	<b>7 584 206</b>
<b>Other Receivables:</b>					
Gross Balances	434 545	4 572	888	-	440 005
Less: Provision for Impairment	255 060	2 684	521	(94 962)	163 303
<b>Net Balances</b>	<b>179 485</b>	<b>1 888</b>	<b>367</b>	<b>94 962</b>	<b>276 702</b>

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

**Prepayments and Advances:**

Gross Balances	2 347 154	-	-	-	2 347 154
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>2 347 154</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 347 154</b>

**All Receivables:**

Gross Balances	3 791 322	289 298	126 278	12 409 261	16 616 160
Less: Provision for Impairment	810 474	159 317	69 501	5 368 807	6 408 098
<b>Net Balances</b>	<b>2 980 848</b>	<b>129 981</b>	<b>56 777</b>	<b>7 040 455</b>	<b>10 208 061</b>

Trade and other receivables which are less than 2 months past due are not considered for impairment provision. At 30 June 2024 R129 981 is past due but not impaired.

Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

**3. VAT RECEIVABLES**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2024</b>			
Input VAT accrual	4 561 134	-	4 561 134
Input VAT Receivable	710 675	-	710 675
Statutory Receivable	1 027 829	-	1 027 829
<b>Total Statutory Receivables from Exchange Transactions</b>	<b>6 299 639</b>	<b>-</b>	<b>6 299 639</b>

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2023</b>			
VAT Receivable	10 936 355	-	10 936 355
<b>Total Statutory Receivables from Exchange Transactions</b>	<b>10 936 355</b>	<b>-</b>	<b>10 936 355</b>

VAT is payable on the receipts basis. The municipality however uses accrual accounting, and only once payment is received from debtors, VAT is paid over to SARS.

Furthermore, VAT is claimable on the payment basis.

VAT Receivable is not impaired nor is it discounted as the amount is expected to be receivable within 60 days.

**4. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2024</b>			
Property Rates	49 584 677	31 231 455	18 353 223
Fines	4 681 882	2 202 589	2 479 293
Debtors with credit balances	200 451	-	200 451
<b>Total Statutory Receivables from Non-Exchange Transactions</b>	<b>54 467 011</b>	<b>33 434 044</b>	<b>21 032 967</b>

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2023</b>			
Property Rates	41 718 716	18 839 344	22 879 372
Fines	4 579 778	2 092 014	2 487 764
Debtors with credit balances	353 891	-	353 891
<b>Total Statutory Receivables from Non-Exchange Transactions</b>	<b>46 652 385</b>	<b>20 931 358</b>	<b>25 721 027</b>

**Property Rates** is a tax levied by a municipality to a property owner used to fund services delivered. Property Rates are calculated by multiplying the market value of the property with a rate determined by the Municipal Council. The levying of this revenue stream is governed by the Municipal Property Rates Act 6 of 2004.

**Traffic Fines** arise from fines issued by the municipality's traffic officials. These fines are issued according to the National Road Traffic Act 93 of 1996. The fines issued are divided into Radar Fines and Section 56 Fines.

The Municipalities Credit Control Policy (Par.18) exempt government debtors from provision for impairments, however due to the expected credit loss on government related debtors, management has decided to provide for the impairment. Collection rating allocated to each customer is as follows, High risk (0%-30%), Moderate risk (31%-74%) and Low risk (75%-100%). Provision for Bad debts rates to be applied are as follows; High risk (30%), Moderate risk (20%) and Low risk (10%).

**4.1 Ageing of Statutory Receivables from Non-Exchange Transactions**

As at 30 June 2024

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Property Rates:</b>					
Gross Balances	1 151 440	1 547 769	429 704	46 455 764	49 584 677
Less: Provision for Impairment	226 773	304 828	84 629	30 615 225	31 231 455
<b>Net Balances</b>	<b>924 668</b>	<b>1 242 941</b>	<b>345 075</b>	<b>15 840 539</b>	<b>18 353 223</b>
<b>Fines:</b>					
Gross Balances	174 699	48 501	30 137	4 428 545	4 681 882
Less: Provision for Impairment	87 853	24 390	15 155	2 075 191	2 202 589
<b>Net Balances</b>	<b>86 846</b>	<b>24 111</b>	<b>14 982</b>	<b>2 353 355</b>	<b>2 479 293</b>
<b>All Receivables:</b>					
Gross Balances	1 326 139	1 596 270	459 841	50 884 309	54 266 559
Less: Provision for Impairment	314 625	329 219	99 784	32 690 416	33 434 044
Debtors with credit balances					200 451
<b>Net Balances</b>	<b>1 011 514</b>	<b>1 267 052</b>	<b>360 057</b>	<b>18 193 893</b>	<b>21 032 967</b>

As at 30 June 2023

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Property Rates:</b>					
Gross Balances	1 307 053	1 033 742	358 520	39 019 401	41 718 716
Less: Provision for Impairment	347 756	275 039	95 388	18 121 160	18 839 344
<b>Net Balances</b>	<b>959 297</b>	<b>758 703</b>	<b>263 132</b>	<b>20 898 241</b>	<b>22 879 372</b>
<b>Fines:</b>					
Gross Balances	62 100	40 200	15 400	4 462 078	4 579 778
Less: Provision for Impairment	21 108	13 664	5 235	2 052 007	2 092 014
<b>Net Balances</b>	<b>40 992</b>	<b>26 536</b>	<b>10 165</b>	<b>2 410 071</b>	<b>2 487 764</b>
<b>All Receivables:</b>					
Gross Balances	1 369 153	1 073 942	373 920	43 481 479	46 298 494
Less: Provision for Impairment	368 865	288 703	100 623	20 173 167	20 931 358
Debtors with credit balances	353 891				353 891
<b>Net Balances</b>	<b>1 354 179</b>	<b>785 239</b>	<b>273 297</b>	<b>23 308 312</b>	<b>25 721 027</b>

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

**5. CASH AND CASH EQUIVALENTS**

Current Investments	304 459	230 276
Bank Accounts	(2 706 121)	156 868
Cash on Hand	80 589	35 054
<b>Total Bank, Cash and Cash Equivalents</b>	<b>(2 321 073)</b>	<b>422 197</b>

The Municipality has the following investment accounts:

	Bank Statement Balances		Cash Book Balances	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
First National Bank Cheque Account 531-5327-8884	(2 706 121)	156 868	(2 706 121)	156 868
First National Bank Licensing Cheque Account - 622-0376-1962	30 347	20 384	241 876	110 324
First National Bank MIG Cheque Account - 622-0222-6751	53 342	115 168	53 342	115 168
First National Bank Cheque Account - 623-7306-3222	8 869	4 411	8 869	4 411
First National Bank Cheque Account - 623-7063-8573	114	114	114	114
First National Bank Notice Deposit Account - 744-2706-5468	259	259	259	259
	<b>(2 613 191)</b>	<b>297 204</b>	<b>(2 401 662)</b>	<b>387 144</b>

**5.1 Cash and Cash Equivalents**

- Clearing account	-	30 075
- Petty Cash	80 589	4 979
<b>Total Cashier Collection clearing account</b>	<b>80 589</b>	<b>35 054</b>

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

**6. PROPERTY, PLANT AND EQUIPMENT**

30 June 2024

**Reconciliation of Carrying Value**

Description	Land	Other Assets/ Buildings	Infra- structure Assets	Landfill site	Community Assets	Plant and Equipment	Furniture and Fixtures	Computer Equipment	Leased Assets	Transport Assets	Total
	R	R	R		R				R	R	R
<b>Carrying values at 01 July 2023</b>	<b>4 396 811</b>	<b>12 482 485</b>	<b>206 729 247</b>	<b>3 679 315</b>	<b>158 239 390</b>	<b>2 323 896</b>	<b>1 699 429</b>	<b>1 265 294</b>	<b>7 602 108</b>	<b>965 356</b>	<b>399 383 331</b>
<b>Cost</b>	<b>4 396 811</b>	<b>17 482 947</b>	<b>291 342 943</b>	<b>7 202 645</b>	<b>241 192 085</b>	<b>5 547 779</b>	<b>4 912 380</b>	<b>4 083 755</b>	<b>9 612 739</b>	<b>10 213 661</b>	<b>595 987 745</b>
- Completed Assets	4 396 811	17 482 947	291 342 943	7 202 645	241 192 085	5 547 779	4 912 380	4 083 755	9 612 739	10 213 661	595 987 745
- Under Construction	-	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	1 271 775	-	-	-	-	-	-	1 271 775
Accumulated Impairment Losses	-	(33 394)	(1 961 104)	-	(2 406 327)	(35 945)	(9 766)	(8 677)	-	-	(4 455 213)
Accumulated Depreciation	-	<b>(4 967 068)</b>	<b>(82 652 592)</b>	<b>(4 795 105)</b>	<b>(80 546 368)</b>	<b>(3 187 938)</b>	<b>(3 203 185)</b>	<b>(2 809 784)</b>	<b>(2 010 631)</b>	<b>(9 248 305)</b>	<b>(193 420 976)</b>
- Cost	-	(4 967 068)	(82 652 592)	(4 795 105)	(80 546 368)	(3 187 938)	(3 203 185)	(2 809 784)	(2 010 631)	(9 248 305)	(193 420 976)
- Revaluation	-	-	-	-	-	-	-	-	-	-	-
<b>Acquisition of Assets</b>											
- <b>Cost</b>	-	-	17 887 687	-	9 209 026	1 725 916	440 689	679 046	-	152 238	<b>30 094 602</b>
<b>Increases/Decreases in Revaluation</b>	-	-	-	809 666	-	-	-	-	-	-	<b>809 666</b>
<b>Depreciation</b>	-	<b>(805 189)</b>	<b>(11 206 874)</b>	<b>(563 097)</b>	<b>(7 429 683)</b>	<b>(845 020)</b>	<b>(653 910)</b>	<b>(626 258)</b>	<b>(1 327 872)</b>	<b>(319 638)</b>	<b>(23 777 541)</b>
- Based on Cost	-	(805 189)	(11 206 874)	(563 097)	(7 429 683)	(845 020)	(653 910)	(626 258)	(1 327 872)	(319 638)	(23 777 541)
- Based on Revaluation	-	-	-	-	-	-	-	-	-	-	-
<b>Carrying value of Disposals:</b>	-	-	-	-	<b>(62 078)</b>	<b>(27 440)</b>	-	<b>(36 477)</b>	-	-	<b>(125 994)</b>
- Cost	-	-	-	-	(62 078)	(27 440)	-	(36 477)	-	-	-
Impairment Losses	-	(60 050)	(2 977 256)	-	(9 801 140)	5 074	6 255	(6 914)	-	-	<b>(12 834 030)</b>
<b>Other Movements</b>	-	-	-	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-	-	-	-
- Transfers Received	-	-	80 153 153	-	-	-	-	-	-	-	-
- Transfers Made	-	-	(80 153 153)	-	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2024</b>	<b>4 396 811</b>	<b>11 617 246</b>	<b>210 432 805</b>	<b>3 925 884</b>	<b>150 155 515</b>	<b>3 182 426</b>	<b>1 492 463</b>	<b>1 274 691</b>	<b>6 274 236</b>	<b>797 956</b>	<b>393 558 578</b>
<b>Cost</b>	<b>4 396 811</b>	<b>17 482 947</b>	<b>309 230 630</b>	<b>7 202 645</b>	<b>250 339 033</b>	<b>7 246 255</b>	<b>5 353 069</b>	<b>4 726 324</b>	<b>9 612 739</b>	<b>10 365 899</b>	<b>625 956 352</b>
- Completed Assets	4 396 811	17 482 947	309 230 630	7 202 645	250 339 033	7 246 255	5 353 069	4 726 324	9 612 739	10 365 899	625 956 352
Revaluation	-	-	-	2 081 441	-	-	-	-	-	-	<b>2 081 441</b>
Accumulated Impairment Losses	-	(93 444)	(4 938 360)	-	(12 207 467)	(30 871)	(3 511)	(15 591)	-	-	<b>(17 289 243)</b>
Accumulated Depreciation	-	(5 772 257)	(93 859 466)	(5 358 202)	(87 976 051)	(4 032 958)	(3 857 095)	(3 436 042)	(3 338 503)	(9 567 943)	<b>(217 198 517)</b>
- Cost	-	(5 772 257)	(93 859 466)	(5 358 202)	(87 976 051)	(4 032 958)	(3 857 095)	(3 436 042)	(3 338 503)	(9 567 943)	<b>(217 198 517)</b>

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

**6. PROPERTY, PLANT AND EQUIPMENT (Continued)**

30 June 2023

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra-structure	Landfill site	Community Assets	Plant and Equipment	Furniture and Fixtures	Computer Equipment	Leased Assets	Transport Assets	Total
	R	R	R	R	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2022</b>	<b>4 396 811</b>	<b>13 115 939</b>	<b>172 279 616</b>	<b>4 804 294</b>	<b>152 548 951</b>	<b>2 422 496</b>	<b>1 760 400</b>	<b>896 121</b>	<b>3 400 319</b>	<b>1 327 521</b>	<b>356 952 468</b>
<b>Cost</b>	4 396 811	17 310 772	247 625 685	7 202 645	226 917 046	4 936 069	4 311 730	3 232 552	4 682 780	10 973 681	531 589 771
- Completed Assets	4 396 811	17 310 772	247 625 685	7 202 645	226 917 046	4 936 069	4 311 730	3 232 552	4 682 780	10 973 681	531 589 771
Revaluation	-	-	-	1 826 364	-	-	-	-	-	-	<b>1 826 364</b>
Accumulated Impairment Losses	-	(29 731)	(1 100 996)	-	(1 039 081)	-	-	-	-	-	<b>(2 169 808)</b>
Accumulated Depreciation	-	(4 165 102)	(74 245 073)	(4 224 715)	(73 329 014)	(2 513 573)	(2 551 330)	(2 336 431)	(1 282 461)	(9 646 160)	(174 293 859)
- Cost	-	(4 165 102)	(74 245 073)	(4 224 715)	(73 329 014)	(2 513 573)	(2 551 330)	(2 336 431)	(1 282 461)	(9 646 160)	(174 293 859)
- Revaluation	-	-	-	-	-	-	-	-	-	-	-
<b>Acquisition of Assets</b>											
- <b>Cost</b>	-	<b>172 175</b>	<b>43 717 258</b>	-	<b>14 275 039</b>	<b>611 710</b>	<b>598 182</b>	<b>862 796</b>	<b>4 919 689</b>	-	<b>65 156 849</b>
<b>Increases/decreases in Revaluation</b>	-	-	-	(554 589)	-	-	-	-	-	-	<b>(554 589)</b>
<b>Depreciation</b>	-	<b>(801 966)</b>	<b>(8 407 519)</b>	<b>(570 390)</b>	<b>(7 217 354)</b>	<b>(674 365)</b>	<b>(651 855)</b>	<b>(473 353)</b>	<b>(728 170)</b>	<b>(348 973)</b>	<b>(19 402 812)</b>
- Based on Cost	-	(801 966)	(8 407 519)	(570 390)	(7 217 354)	(674 365)	(651 855)	(473 353)	(728 170)	(348 973)	(19 402 812)
- Based on Revaluation	-	-	-	-	-	-	-	-	-	-	-
<b>Carrying value of Disposals:</b>											
- <b>Cost</b>	-	-	-	-	-	-	-	<b>(31 211)</b>	-	<b>(13 192)</b>	<b>(44 403)</b>
- <b>Accumulated Depreciation</b>	-	-	-	-	-	-	-	-	-	746 828	-
- Based on Cost	-	-	-	-	-	-	-	-	-	746 828	-
Impairment Losses	-	(3 663)	(860 108)	-	(1 367 246)	(35 945)	(9 766)	(8 677)	-	-	<b>(2 285 405)</b>
Conditional Assessment	-	-	-	-	-	(4 041)	2 468	19 618	10 270	-	<b>28 315</b>
<b>Other Movements</b>											
- <b>Cost</b>	-	-	-	-	-	-	-	-	-	-	-
- Transfers Received	-	-	-	-	4 600 422	-	-	-	-	-	-
- Transfers Made	-	-	-	-	(4 600 422)	-	-	-	-	-	-
<b>Carrying values at 30 June 2023</b>	<b>4 396 811</b>	<b>12 482 485</b>	<b>206 729 247</b>	<b>3 679 315</b>	<b>158 239 390</b>	<b>2 323 896</b>	<b>1 699 429</b>	<b>1 265 294</b>	<b>7 602 108</b>	<b>965 356</b>	<b>399 383 331</b>
<b>Cost</b>	4 396 811	17 482 947	291 342 943	7 202 645	241 192 085	5 547 779	4 912 380	4 083 755	9 612 739	10 213 661	595 987 745
- Completed Assets	4 396 811	17 482 947	291 342 943	7 202 645	241 192 085	5 547 779	4 912 380	4 083 755	9 612 739	10 213 661	595 987 745
- Under Construction	-	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	1 271 775	-	-	-	-	-	-	1 271 775
Accumulated Impairment Losses	-	(33 394)	(1 961 104)	-	(2 406 327)	(35 945)	(9 766)	(8 677)	-	-	<b>(4 455 213)</b>
Accumulated Depreciation	-	(4 967 068)	(82 652 592)	(4 795 105)	(80 546 368)	(3 187 938)	(3 203 185)	(2 809 784)	(2 010 631)	(9 248 305)	(193 420 976)
- Cost	-	(4 967 068)	(82 652 592)	(4 795 105)	(80 546 368)	(3 187 938)	(3 203 185)	(2 809 784)	(2 010 631)	(9 248 305)	(193 420 976)
- Revaluation	-	-	-	-	-	-	-	-	-	-	-

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.

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

	2024 R	2023 R
<b>6. PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>6.1 Work-in-Progress</b>		
The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:		
<b>Infrastructure Assets</b>	11 177 521	43 674 636
- Opening balance	43 674 636	17 473 931
- Additions/capital expenditure	17 527 573	26 200 705
- Transferred to Capital Assets	(50 024 688)	-
<b>Community Assets</b>	17 986 972	20 759 960
- Opening balance	20 759 960	9 431 384
- Additions/capital expenditure	9 242 479	15 928 998
- Impairment loss	(3 707 886)	-
- Transferred to Capital Assets	(8 307 581)	(4 600 422)
<b>Storm Water Infrastructure</b>	-	21 489 140
- Opening balance	21 489 140	6 764 643
- Additions/capital expenditure	326 662	14 724 497
- Transferred to Capital Assets	(21 815 802)	-
<b>Total Carrying Amounts of Work-in-Progress</b>	<b>29 164 494</b>	<b>85 923 736</b>

**6.2 Expenditure incurred for Repairs and Maintenance**

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

<b>Maintenance of Buildings and Facilities</b>	10 634 733	12 769 396
<b>Maintenance of Equipment's</b>	999 391	1 176 902
<b>Maintenance of various assets (E.g. Infrastructure, equipment's, computers etc)</b>	7 397 379	7 681 135
<b>Total repairs and maintenance expenditure</b>	<b>19 031 503</b>	<b>21 627 433</b>

**6.3 Delayed Projects**

The municipality has projects that are currently experiencing delays or were halted. For each project, the reason for the delay or halting of the project are noted. The

Project Details	Delayed or Halted	2024
<b>CONSTRUCTION OF DELENI ROAD PHASE 2 (WARD 16)</b>	<b>Delayed</b>	
<b>Reason:</b> The abnormal weather condition (rain) has damaged the road subgrade. The Contractor has to re-do the		5 929 493
<b>CONSTRUCTION OF EZIMPAKANENI COMMUNITY HALL (WARD 14)</b>	<b>Delayed</b>	
<b>Reason:</b> In January 2024, Progress has been delayed by abnormal weather condition. In April 2024, the Contractor has		3 747 585
<b>CONSTRUCTION OF GOBAMAGAGU ROAD</b>	<b>Delayed</b>	
<b>Reason:</b> The contractor was terminated due to poor performance.		3 838 700
<b>MAGEDLANA COMMUNITY HALL AND CRECHE WARD 18</b>	<b>Delayed</b>	
<b>Reason:</b> 'Site has been suspended in January 2024 due to non payment.		4 268 815
<b>CONSTRUCTION OF NEW TESTING GROUNDS</b>	<b>Delayed</b>	
<b>Reason:</b> The contractor was terminated due to poor performance.		10 765 015
<b>Total Carrying Amounts of Delayed or Halted Projects</b>		<b>28 549 607</b>

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

7. INTANGIBLE ASSETS	2024 R	2023 R
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	50 510	106 714
The movement in Intangible Assets is reconciled as follows:		
<b>Computer Software:</b>		
<b>Carrying values at 30 June 2024:</b>		
Cost	1 721 328	1 721 328
Accumulated depreciation and amortisation	(1 670 818)	(1 614 614)
<b>Reconciliation of intangible assets:</b>		
<b>Carrying values at 30 June 2024:</b>		
Opening balance	106 714	29 092
Purchases/additions	-	126 522
Change in accounting estimate	-	-
Depreciations for the year	(56 204)	(48 900)

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

**7.1 Significant Intangible Assets**

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(l) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

**7.2 Intangible Assets with Indefinite Useful Lives**

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

	2024 R	2023 R
<b>8. PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Bonus Accrual	2 634 459	2 373 932
Leave Accrual	10 756 534	10 224 561
Retentions	15 240 625	16 767 006
Accrued expenses	499 845	2 353 109
PAYE Deductions	4 509 694	4 558 378
Unallocated deposits	727 372	565 772
Output VAT accrual	982 383	-
Consumer deposits	14 789	-
Other Payroll Accruals	10 483 091	7 456 599
Garnishee, Bargaining council payables and Party deductions payables	210 354	76 578
Receivables with credit balances	200 451	353 891
Trade creditors	46 128 880	56 449 746
<b>Total Payables from Exchange Transactions</b>	<b>92 388 478</b>	<b>101 179 572</b>

**Staff Bonuses** accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

**Staff Leave** accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

**9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

National: MIG Grant	5 040 918	-
Provincial: INEP Grant	5 919 664	-
<b>Total Unspent Conditional Grants and Receipts</b>	<b>10 960 582</b>	<b>-</b>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 17 for the reconciliation of Grants from Government and other sources. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

**10. LEASE PAYABLES**

Current Lease Payables	1 046 508	213 591
<b>Total Lease Payables</b>	<b>1 046 508</b>	<b>213 591</b>

**10.1 Operating Lease Liability**

Operating lease Liabilities	1 046 508	213 591
<b>Total Operating Lease Liabilities</b>	<b>1 046 508</b>	<b>213 591</b>

**10.1.1 Leasing Arrangements**

**The Municipality as Lessee:**

Operating lease payments represent the rental payable by the Municipality for telephones and photo copying machines over a period of 3 years.

**10.1.2 Amounts Payable under Operating Leases**

	2024 R	2023 R
At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:		
<b>Communication Equipment:</b>	6 493 082	7 657 371
Up to 1 year	3 251 341	2 910 858
2 to 5 years	3 241 741	4 746 513
<b>Total Operating Lease Arrangements</b>	<b>6 493 082</b>	<b>7 657 371</b>

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment
- Office buildings

The following restrictions have been imposed on the Municipality in terms of the lease agreements on Rental of Office Equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The lessee shall not sell, sublet, cede, loan, pledge, transfer or otherwise encumber the equipment.
- (iii) The lessee may not alter or modify the goods.
- (iv) The lessor is entitled to cede and/or delegate, without notice to the lessee, all or any of its rights and/or obligations.
- (v) The equipment may only be serviced by the lessor or its designated service provider.
- (vi) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

**10.2 Finance Lease Payables**

Finance Lease Liability	2 611 516	5 552 276
<b>Total Non-current Lease Payables</b>	<b>2 611 516</b>	<b>5 552 276</b>
<b>Less: Current Portion transferred to Current Lease Payables:-</b>	<b>2 910 475</b>	<b>2 513 563</b>
Finance Lease Liability	2 910 475	2 513 563
<b>Total lease payables:</b>		
Finance Lease Liability	5 521 991	8 065 839
<b>Non-Current Portion of Finance Lease Payables</b>	<b>5 521 991</b>	<b>8 065 839</b>

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2024	2023	2024	2023
	R	R	R	R
<b>Amounts payable under borrowings:</b>				
Within one year	3 521 167	3 490 881	2 910 475	2 513 563
In the second to fifth years, inclusive	2 718 569	6 270 021	2 611 516	5 552 276
	6 239 736	9 760 902	5 521 991	8 065 839
Less: Future Finance Costs	717 745	1 695 063		
<b>Present Value of Minimum Lease Obligations</b>	<b>5 521 991</b>	<b>8 065 839</b>	<b>5 521 991</b>	<b>8 065 839</b>

The municipality has finance lease agreements for the following significant classes of assets:

- Vehicles

Included in these classes are the following significant leases:

(ii) Vehicles		R 242 540	R 105 880
- Instalments are payable monthly in arrears over a period of 3 years			
- Average period outstanding		36 months	30 months
- Average effective interest rate, based on prime		14,76%	14,76%
- Average monthly instalment		R 64 035,00	R 64 035,00

Included in these classes are the following significant leases of which all have fixed repayments and no arrangements have been entered into for contingent lease rentals.

**11. EMPLOYEE BENEFIT LIABILITIES**

<b>Employee Benefit Liabilities</b>	4 955 000	5 810 000
Long Service Awards Liability	4 955 000	5 810 000
<b>Less: Current Portion of Employee Benefit Liabilities</b>	<b>694 000</b>	<b>372 000</b>
Long Service Awards Liability	694 000	372 000
Long Service Awards Liability	4 261 000	5 438 000
<b>Non-Current Portion of Employee Benefit Liabilities</b>	<b>4 261 000</b>	<b>5 438 000</b>
	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
<b>Long Service Awards Liability</b>		
Opening Balance	5 438 000	5 197 000
Service costs	506 000	518 000
Payments Made	(372 000)	(264 000)
Finance costs	638 000	576 000
Actuarial (Gain)/Loss	(1 255 000)	(589 000)
Balance at end of Year	4 955 000	5 438 000
Transfer to Current Provisions	-	-
<b>Total Long Service Awards Liability</b>	<b>4 955 000</b>	<b>5 438 000</b>

Nongoma offers bonuses for every 5 years of completed service from 5 years to 45 years. Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Nongoma advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2024 of 4.5%.

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	11,48%	11,66%
Cost Inflation Rate	5,58%	6,93%
Expected Rate of Salary Increase	6,58%	4,90%
Average Retirement Age (Years)*	62	63
Mortality	SA 85 - 90	SA 85 - 90

\*The average retirement age for all active employees was assumed to be 62 years to implicitly allow for ill-health and early retirements.

**12. PROVISIONS**

<b>Current Provisions</b>	<b>694 000</b>	<b>372 000</b>
Landfill site	-	-
Long-service Awards	694 000	372 000
<b>Non-Current Provisions</b>	<b>15 696 675</b>	<b>15 165 517</b>
Landfill site	11 435 675	10 099 517
Long-service Awards	4 261 000	5 066 000
<b>Total Provisions</b>	<b>16 390 675</b>	<b>15 537 517</b>

The movement in Non-current Provisions are reconciled as follows:

	<b>Employee benefit costs (Long Service Award)</b>	<b>Environmental rehabilitation (Landfill site)</b>
	R	R
<b>30 June 2024</b>		
Opening Balance	5 438 000	10 099 517
Increases	506 000	809 666
Payments Made	(372 000)	-
Fair Value Changes	638 000	-
Increases (Passage of Time/Discounted Rate)	(1 255 000)	526 492
<b>Balance at end of year</b>	<b>4 955 000</b>	<b>11 435 675</b>
	<b>Long Service awards</b>	<b>Decommissioning of Landfill Sites</b>
<b>30 June 2023</b>		
Opening Balance	5 197 000	9 930 852
Increases	518 000	723 254
Payments Made	(264 000)	-
Fair Value Changes	576 000	(554 589)
Increases (Passage of Time/Discounted Rate)	(589 000)	-
<b>Balance at end of year</b>	<b>5 438 000</b>	<b>10 099 517</b>

**Decommissioning, Restoration and Similar Liabilities: Landfill Sites**

Landfill site decommissioning is estimated by means of a valuation performed by a professional valuator to determine the future cost of dismantling the landfill site. The cost is then reduced to take into account the time value of money at the weighted average investing rate based on Government Bond Yield Rates.

**Long Service awards**

The provision for WCA insurance is made in terms of the Workmen's Compensation Act. The provision is calculated based on the Compensation Commissioner returns submitted and the amount is payable on assessment by the Workmen's Compensation Commissioner.

**13. ACCUMULATED SURPLUS**

Accumulated Surplus / (Deficit) due to the results of Operations	299 574 811	321 781 168
<b>Total Accumulated Surplus</b>	<b>299 574 811</b>	<b>321 781 168</b>

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

	2024 R	2023 R
<b>14. PROPERTY RATES</b>		
Property Rates Levies	31 929 596	29 549 853
<b>Total Property Rates</b>	<b>31 929 596</b>	<b>29 549 853</b>

Property rates tariffs are disclosed or included in the Property rates Policy approved by the Municipal council.

The supplementary valuation roll was performed on annual basis to take into account building additions, changes, subdivisions and consolidations.

Interest is levied at 18.00% per annum (2023: 18.00%) on all outstanding amounts.

**15. FINES, PENALTIES AND FORFEITS**

<b>Traffic Fines:</b>	433 081	1 537 150
Municipal	433 081	1 537 150
<b>Other Fines:</b>	19	1 159
Overdue Books Fine	19	1 159
Forfeits	-	-
<b>Penalties</b>	1 500	2 043
<b>Total Fines, Penalties and Forfeits</b>	<b>434 600</b>	<b>1 540 352</b>

**16. LICENCES AND PERMITS**

Road and Transport:	1 579 985	1 343 576
Drivers Licence Application/Duplicate Drivers Licences	243 930	186 020
Drivers Licence Certificate	609 880	630 340
Motor Vehicle Licence	555 773	316 462
Trading	13 462	18 834
Learner Licence Application	142 200	180 380
Learners Certificate	14 740	11 540
<b>Total Licences and Permits</b>	<b>1 579 985</b>	<b>1 343 576</b>

**17. TRANSFERS AND SUBSIDIES RECEIVED**

	2024 R	2023 R
<b>Capital Grants</b>	29 942 082	56 009 000
Monetary Allocations	29 942 082	56 009 000
<b>Operational Grants</b>	209 158 980	197 993 131
Allocations In-kind	8 184 980	8 061 131
Monetary Allocations	200 974 000	189 932 000
<b>Total Transfers and Subsidies Received</b>	<b>239 101 062</b>	<b>254 002 131</b>

**17.1 Summary of Grants:**

**17.1.1 Capital Grants**

	Allocations In-kind		Monetary Allocations	
	2024	2023	2024	2023
National Governments	-	-	29 942 082	56 009 000
<b>Total Capital Grants Received</b>	<b>-</b>	<b>-</b>	<b>29 942 082</b>	<b>56 009 000</b>

**17.1.2 Operational Grants**

	Allocations In-kind		Monetary Allocations	
	2024	2023	2024	2023
National Revenue Fund	-	-	200 974 000	189 932 000
Provincial Government	8 184 980	8 061 131	-	-
<b>Total Operational Grants Received</b>	<b>8 184 980</b>	<b>8 061 131</b>	<b>200 974 000</b>	<b>189 932 000</b>
<b>Total Transfers and Subsidies Received</b>	<b>8 184 980</b>	<b>8 061 131</b>	<b>200 974 000</b>	<b>189 932 000</b>

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

	2024 R	2023 R
<b>17.2 Detailed Summaries</b>		
<b>17.2.1 Equitable Share</b>		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	200 974 000	189 932 000
Conditions Met - Transferred to Revenue	(200 974 000)	(189 932 000)
Adjustments / Refunds	-	-
<b>Unspent Balance at the End of the Year</b>	<b>-</b>	<b>-</b>

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury. This grant is used to subsidise the provision of basic services to indigent community members and to subsidise income. All registered indigents receive a monthly subsidy equal to the basic monthly charges for refuse removal based on the monthly billing towards the consumer account. The subsidy is determined annually by Council. No funds have been withheld.

	2024 R	2023 R
<b>17.2.2 National: EPWP Grant</b>		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	2 130 000	2 946 000
Conditions Met - Transferred to Revenue	(2 130 000)	(2 946 000)
<b>Unspent Balance at the End of the Year</b>	<b>-</b>	<b>-</b>

The Expanded Public Works Programme (EPWP) grant is received to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines being the maintenance of roads and buildings; low traffic volume roads and rural roads; basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure); and other economic and social infrastructure. No funds have been withheld.

<b>17.2.3 National: FMG Grant</b>		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	2 000 000	2 000 000
Conditions Met - Transferred to Revenue	(2 000 000)	(2 000 000)
<b>Unspent Balance at the End of the Year</b>	<b>-</b>	<b>-</b>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.

<b>17.2.4 National: MIG Funds</b>		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	34 983 000	56 009 000
Conditions Met - Transferred to Revenue	(29 942 082)	(56 009 000)
<b>Unspent Balance at the End of the Year</b>	<b>5 040 918</b>	<b>-</b>

This grant is allocated to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. No funds have been withheld.

<b>17.2.5 Provincial Library Services</b>		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	981 150	981 000
Conditions Met - Transferred to Revenue	(981 150)	(981 000)
Adjustments / Refunds	-	-
<b>Unspent Balance at the End of the Year</b>	<b>0</b>	<b>-</b>

This grant was received to support municipal investment in library services and to sustain the future professional delivery and development of such services in the most vulnerable municipalities. No funds have been withheld.

<b>17.2.6 Cyber Cadet Library Grant</b>		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	254 000	254 000
Conditions Met - Transferred to Revenue	(254 000)	(254 000)
<b>Unspent Balance at the End of the Year</b>	<b>-</b>	<b>-</b>

This grant was received to support municipal investment in library services and to sustain the future professional delivery and development of such services in the most vulnerable municipalities. No funds have been withheld.

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

	2024 R	2023 R
<b>17.2.7 Kwakhetha module library grant</b>		
Unspent Balance at the Beginning of the Year	-	450 131
Current Year Receipts	715 000	715 000
Conditions Met - Transferred to Revenue	(715 000)	(1 165 131)
<b>Unspent Balance at the End of the Year</b>	<u>-</u>	<u>-</u>

This grant was received to support municipal investment in library services and to sustain the future professional delivery and development of such services in the most vulnerable municipalities. No funds have been withheld.

<b>17.2.8 Osuthu module library grant</b>		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	715 000	715 000
Conditions Met - Transferred to Revenue	(715 000)	(715 000)
Adjustments / Refunds	-	-
<b>Unspent Balance at the End of the Year</b>	<u>-</u>	<u>-</u>

This grant was received to support municipal investment in library services and to sustain the future professional delivery and development of such services in the most vulnerable municipalities. No funds have been withheld.

<b>17.9 Municipal Finance Improvement Programme</b>		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	93 788	-
Conditions Met - Transferred to Revenue	(93 788)	-
<b>Unspent Balance at the End of the Year</b>	<u>-</u>	<u>-</u>

<b>17.10 Municipal Drought Support Grant</b>		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	476 366	-
Conditions Met - Transferred to Revenue	(476 366)	-
<b>Unspent Balance at the End of the Year</b>	<u>-</u>	<u>-</u>

<b>17.11 Municipal Drought Relief Grant.</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	805 690	-
Conditions Met - Transferred to Revenue	(805 690)	-
<b>Unspent Balance at the End of the Year</b>	<u>-</u>	<u>-</u>

<b>17.12 Donations received</b>	(13 986)	
Donations	(13 986)	

<b>Total Grants</b>		
Balance unspent at the beginning of the year	-	450 131
Current year receipts	244 127 994	256 552 000
Conditions Met - Transferred to Revenue	(239 087 076)	(257 002 131)
Adjustments / Refunds	-	-
<b>Unspent Balance at the End of the Year</b>	<u><b>5 040 919</b></u>	<u>-</u>

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2023), government grant funding is expected to not change significantly over the forthcoming three financial years.

**18. REVENUE FROM CONSTRUCTION CONTRACTS**

<b>INEP Grant (Refer to note 35.5)</b>		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	9 000 000	3 000 000
Conditions Met - Transferred to Revenue	(3 080 336)	(3 000 000)
<b>Unspent Balance at the End of the Year</b>	<u><b>5 919 664</b></u>	<u>-</u>

**19. SERVICE CHARGES**

Refuse Removal:	2 176 731	2 101 048
- Service Charges	2 176 731	3 109 666
- Revenue Foregone	-	(1 008 618)
<b>Total Service Charges</b>	<u><b>2 176 731</b></u>	<u><b>2 101 048</b></u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

	2024 R	2023 R
<b>20. SALES OF GOODS AND RENDERING OF SERVICES</b>		
Building Plan Approval	46 195	49 316
Building Plan Clause Levy	942	655
Clearance Certificates	249	564
Development Charges	55	-
Occupation Certificates	-	52
Photocopies and Faxes	8 269	6 374
Scrap, Waste & Other Goods	10 984	7 760
Valuation Services	71	-
Advertisements	650	-
<b>Total Sales of Goods and Rendering of Services</b>	<b>67 415</b>	<b>64 721</b>

**21. RENTAL FROM FIXED ASSETS**

**Straight-lined Operating Lease Revenue**

Community Halls and Other community Assets

116 973

91 055

**Other Rental income**

Ad-hoc Rental Income from Other Fixed Assets:

131 689

158 179

Billboards

131 689

158 179

**Total Rental of Facilities and Equipment**

**248 662**

**249 234**

Rental income generated are at market related premiums. All rental income recognised is therefore market related.

	2024 R	2023 R
<b>22. INTEREST AND RENT ON LAND EARNED</b>		
<b>Non-exchange Receivables:</b>		
Outstanding Billing Debtors	2 700 337	1 314 534
<b>Total Non-exchange Interest, Dividends and Rent on Land Earned</b>	<b>2 700 337</b>	<b>1 314 534</b>
<b>External Investments:</b>		
Bank Account	620 011	521 586
Interest earned from SARS	12 642	-
	<b>632 653</b>	<b>521 586</b>
<b>Outstanding Exchange Receivables:</b>		
Outstanding Billing Debtors	-	539 497
Waste Management	-	539 497
	<b>-</b>	<b>539 497</b>
<b>Total Exchange Interest, Dividends and Rent on Land Earned</b>	<b>632 653</b>	<b>1 061 083</b>
<b>Total Interest, Dividends and Rent on Land Earned</b>	<b>3 332 990</b>	<b>2 375 617</b>

**23. OPERATIONAL REVENUE**

Arbor City Awards Competition

-

800 000

Incidental Cash Surpluses

(230)

455

Development charges

6 000

3 416

**Total Operational Revenue**

**5 770**

**803 871**

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 14 to 22, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

	2024 R	2023 R
<b>24. EMPLOYEE RELATED COSTS</b>		
Salaries, Wages and Service Related Benefits:	86 591 070	80 940 511
Basic	76 137 745	78 383 061
Long Service Awards	439 936	212 654
Bonuses	7 018 124	-
Leave Payments	1 947 999	1 224 563
Overtime	1 047 266	1 120 232
Allowances:	9 880 475	14 652 769
Accommodation, Travel and Incidental	416 028	551 055
Acting and Post Related Allowances	348 445	154 883
Bonus Allowance	-	5 176 875
Cellular and Telephone	1 299 112	1 215 500
Fire Brigade	-	-
Housing Benefits	85 313	60 706
Standby Allowance	732 210	866 290
Travel or Motor Vehicle	6 999 367	6 627 460
Social Contributions:	20 441 580	20 050 896
Bargaining Council	36 803	40 664
Medical	5 052 606	4 657 223
Pension	14 950 730	14 777 010
Unemployment Insurance	401 441	575 999
<b>Total Employee Related Costs</b>	<b>116 913 126</b>	<b>115 644 176</b>
<b>24.1 Remuneration of Section 57 Employees:</b>		
<b>24.1.1 Remuneration of the Municipal Manager</b>		
Annual Remuneration	752 721	785 924
Performance Bonus	169 571	162 811
Car and Other Allowances	593 569	305 232
Other Payments (Travelling reimbursement)	61 936	60 672
Company Contributions to UIF, Medical and Pension Funds	17 800	15 081
<b>Total</b>	<b>1 595 597</b>	<b>1 329 720</b>
<b>24.1.2 Remuneration of the Chief Financial Officer</b>		
Annual Remuneration	723 170	716 984
Performance Bonus	51 565	114 435
Car and Other Allowances	529 168	280 995
Other Payments (Travelling reimbursement)	55 259	8 434
Company Contributions to UIF, Medical and Pension Funds	35 070	14 113
<b>Total</b>	<b>1 394 233</b>	<b>1 134 961</b>
<b>24.1.3 Remuneration of the Technical Director</b>		
Annual Remuneration	664 130	618 953
Car and Other Allowances	467 365	257 095
Other Payments (Travelling reimbursement)	30 479	3 021
Company Contributions to UIF, Medical and Pension Funds	13 456	10 529
<b>Total</b>	<b>1 175 430</b>	<b>889 598</b>
<b>24.1.4 Remuneration of Manager: Corporate Services and Human Resources Director</b>		
Annual Remuneration	788 682	788 682
Performance Bonus	145 118	-
Car and Other Allowances	571 731	304 894
Other Payments (Travelling reimbursement)	172 375	25 594
Company Contributions to UIF, Medical and Pension Funds	42 184	38 017
<b>Total</b>	<b>1 720 089</b>	<b>1 157 187</b>
<b>24.1.5 Remuneration of the Social Services Director</b>		
Annual Remuneration	810 738	750 644
Car and Other Allowances	565 522	-
Performance Bonus	70 403	-
Other Payments (Travelling reimbursement)	51 291	292 215
Company Contributions to UIF, Medical and Pension Funds	54 697	46 570
<b>Total</b>	<b>1 552 651</b>	<b>1 089 429</b>

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

	2024 R	2023 R
<b>25. REMUNERATION OF COUNCILLORS</b>		
Mayor	853 248	910 174
Deputy Mayor	672 179	543 048
Speaker	681 253	739 959
Councillors	14 252 356	14 048 016
Councillors Pension Contribution	1 543 644	1 220 272
<b>Total Payments for Employee Related Costs</b>	<b>18 002 681</b>	<b>17 461 470</b>

The Executive Mayor and Speaker are full-time Councillors. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has use of a Council owned vehicle for official duties.

**In-kind benefits**

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

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

The Mayor has two full-time bodyguards. The Deputy Mayor has three full-time bodyguards.

The Speaker has three full time bodyguards.

**Remuneration of Councillors:**

**In-kind Benefits**

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

The Executive Mayor has use of a Council owned vehicle for official duties.

**26. DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	23 777 541	19 873 944
Depreciation: Investment Property	-	-
Amortisation: Intangible Assets	56 204	48 900
Assets impairments loss	12 834 030	2 285 405
<b>Total Depreciation and Amortisation</b>	<b>36 667 776</b>	<b>22 208 249</b>

**Control Check: Expenditure against Asset Control Accounts**

**Depreciation: Property, Plant and Equipment**

Community Assets	7 429 683	7 217 355
Computer Equipment	626 258	473 353
Furniture and Office Equipment	653 910	651 854
Machinery and Equipment	845 020	674 365
Other Assets	805 189	801 966
Landfil site	563 097	570 390
Roads Infrastructure	11 206 874	8 407 518
Leased Assets	1 327 872	728 170
Transport Assets	319 638	348 973
Prior period error	-	-
	<b>23 777 541</b>	<b>19 873 944</b>

**27. IMPAIRMENT LOSSES & BAD DEBTS WRITE-OFFS**

	2024 R	2023 R
Receivables impairment losses	15 791 068	6 753 317
Bad debts written off	257 490	11 007 153
<b>Total</b>	<b>16 048 558</b>	<b>17 760 470</b>

**27.1 Impairment Losses on Debtors**

<b>Impairment Losses</b>	5 486 840	6 753 317
Trade receivables	5 486 840	6 753 317
	<b>5 486 840</b>	<b>6 753 317</b>

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

**27.2 Impairment Losses on Financial Assets**

- Bad Debts Written Off	257 490	11 007 153
	<b>257 490</b>	<b>11 007 153</b>

**28. INTEREST, DIVIDENDS AND RENT ON LAND PAID**

<b>Interest Paid:</b>	3 286 897	2 604 551
Borrowings: Bankers Acceptance Certificate	2 267 029	1 302 769
Other interests - SARS Interest and penalties	1 019 867	1 301 782
<b>Total Interest, Dividends and Rent on Land Paid</b>	<b>3 286 897</b>	<b>2 604 551</b>

**29. CONTRACTED SERVICES**

Outsourced Services	8 776 105	12 214 378
Consultants and Professional Services	11 361 620	13 024 440
Contractors	41 119 264	31 922 941
<b>Total Contracted Services</b>	<b>61 256 989</b>	<b>57 161 760</b>

**29.1 Outsourced Services**

Burial Services	347 080	608 720
Business and Advisory	372 670	1 004 350
Professional Staff	1 005 624	712 497
Refuse Removal	5 880 637	9 199 729
Security Services	80 275	136 684
Transport Services	1 089 820	552 400
	<b>8 776 105</b>	<b>12 214 378</b>

**29.2 Consultants and Professional Services**

Business and Advisory	10 602 432	8 116 252
Infrastructure and Planning	-	397 167
Legal Cost	759 187	4 511 021
	<b>11 361 620</b>	<b>13 024 440</b>

**29.3 Contractors**

Building	36 250	26 500
Catering Services	1 791 356	1 020 029
Exhibit Installations	110 000	110 000
Event Promoters	60 609	-
Fire Services	172 918	325 681
Interior Decorator	5 000	3 500
Maintenance of Buildings and Facilities	10 634 733	10 005 930
Maintenance of Equipment	999 391	948 729
Maintenance of various assets (E.g. Infrastructure, equipments, computers etc)	7 397 379	10 619 719
Safeguard and Security	19 886 729	8 760 254
Stage and Sound Crew	-	6 000
Transportation	24 900	96 600
	<b>41 119 264</b>	<b>31 922 941</b>

**2024**  
R

**2023**  
R

**30. INVENTORY CONSUMED**

Consumables	1 534 274	29 864
Materials and Supplies	5 895 454	5 950 602
<b>Total Inventory Consumed</b>	<b>7 429 728</b>	<b>5 980 466</b>

**31. TRANSFERS AND SUBSIDIES PAID**

<b>Operational Grants</b>	3 169 566	3 251 626
Monetary Allocations	3 169 566	3 251 626
<b>Total Transfers and Subsidies Paid</b>	<b>3 169 566</b>	<b>3 251 626</b>

**31.1 Operational Grants**

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

	Monetary Allocations	
	2024	2023
Households	3 169 566	3 251 626
<b>Total Operational Grants Paid</b>	<b>3 169 566</b>	<b>3 251 626</b>
	<b>2024</b>	<b>2023</b>
	R	R

**32. OPERATING LEASES**

Computer Equipment	1 744 081	1 806 040
Other Assets	1 064 226	767 120
<b>Total Operating Leases</b>	<b>2 808 307</b>	<b>2 573 160</b>

**32.1 Leasing Arrangements**

**The Municipality as Lessee:**

Operating leases relate to Office Equipment with lease terms not longer than 5 years.

	2024	2023
	R	R

**33. OPERATIONAL COSTS**

Included in General Expenses are the following:

Achievements and Awards	-	34 500
Advertising, Publicity and Marketing	883 518	874 326
Bank Charges, Facility and Card Fees	288 779	65 050
Communication	2 639 272	2 209 567
External Audit Fees	2 083 430	1 977 139
External Computer Service	1 713 300	74 254
Hire Charges	7 124 575	12 168 945
Indigent Relief	-	182 257
Land Restoration costs	-	879 795
Insurance Underwriting	301 906	524 855
Municipal Services	1 392 847	1 235 409
Printing, Publications and Books	4 699 554	4 847 723
Professional Bodies, Membership and Subscription	8 535 319	10 435 845
Registration Fees	-	12 705
Skills Development Fund Levy	728 257	886 342
Toll Gate Fees	109	480
Travel and Subsistence	1 697 311	2 015 004
Uniform and Protective Clothing	590 741	717 943
Vehicle Tracking	92 586	81 383
Wet Fuel	3 145 712	2 871 867
Third Party Vendors	338 800	-
Management Fee	3 452 866	-
<b>Total Operational Costs</b>	<b>39 708 882</b>	<b>42 095 389</b>

No other extraordinary expenses were incurred.

**34. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS**

Property, Plant and Equipment	(125 994)	155 597
Property, Plant and Equipment: Transport Assets	-	186 808
Property, Plant and Equipment: Computer equipment	(125 994)	(31 211)
<b>Total Gains / (Losses) on Disposal of Capital Assets</b>	<b>(125 994)</b>	<b>155 597</b>

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

	2024 R	2023 R
<b>35. RECLASSIFICATION OF ANNUAL FINANCIAL STATEMENTS</b>		
<b>35.1 Reclassification of Accumulated Surplus</b>		
The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.		
<b>The effect of the changes are as follows:</b>		<b>Accumulated Surplus</b>
<b>Balance published as at 30 June 2022</b>		<b>312 675 616</b>
<b>Restated Balance as at 30 June 2022</b>		<b>312 675 616</b>
Transactions incurred for the Year 2022/23		9 033 681
Prior period adjustment		71 871
<b>Restated Balances as at 30 June 2023</b>		<b>321 781 168</b>
<b>35.2 Reclassification of Commitments</b>		
<b>Previos years Capital Commitments:</b>		<b>72 904 194</b>
Authorised Capital Commitments		72 904 194
<b>Authorised Operational Commitments:</b>		<b>26 993 549</b>
Operational Commitments		26 993 549
Prior period error adjustment: Lease Commitments (Refer to note 10)		7 657 371
<b>Restated total Operational Commitments balance: 30 June 2023</b>		<b>34 650 920</b>
<b>Restated total Commitments balance: 30 June 2023</b>		<b>107 555 114</b>
<b>35.3 Reclassification of financial instruments</b>		
<b>FINANCIAL ASSETS:</b>	<b>2024</b>	<b>2023</b>
<b>Balance per prior year annual financial statements</b>	<b>R</b>	<b>R</b>
Prior period error adjustment: VAT Receivables		10 936 355
<b>Restated total Financial assets balance: 30 June 2023</b>		<b>47 287 551</b>

**35.4 PROPERTY PLANT AND EQUIPMENTS**

**Newly Identified Assets:**

During the financial period, there were newly identified assets recognised.

**Conditional Assessment:**

A conditional assessment was performed during the financial period. Assets were identified to have an opening carrying value of zero which resulted in these assets being restated in the previous financial year.

	Cost	Accumulated Depreciation & Impairment	Nett
<b>Previously Report Balance: 30 June 2023</b>	<b>580 162 093</b>	<b>180 850 637</b>	<b>399 311 456</b>
<u>Prior Year Adjustments: 30 June 2022</u>			
<b>Newly Identified Assets:</b>			
Computer Equipment	34 824	-	34 824
Furniture and Office Equipment	3 037	-	3 037
Machinery and Equipment	1 654	-	1 654
<u>Conditional Assessment</u>			
Computer Equipment	-	(44 163)	44 163
Furniture and Office Equipment	-	(1 674)	1 674
Leased Computer Equipment	-	(10 270)	10 270
<b>Prior Year Adjustments: 30 June 2023</b>			
<u>Newly Identified Assets:</u>			
Computer Equipment	-	8 943	(8 943)
Furniture and Office Equipment	-	601	(601)
Machinery and Equipment	-	714	(714)
<u>Conditional Assessment</u>			
Computer Equipment	-	11 561	(11 561)
Furniture and Office Equipment	-	(1 395)	1 395
Machinery and Equipment	-	3 327	(3 327)
<b>Total Adjustments in 2022/23 FY</b>	<b>39 515</b>	<b>(32 356)</b>	<b>71 871</b>
<b>Restated Balance: 30 June 2023</b>	<b>580 201 608</b>	<b>180 818 281</b>	<b>399 383 327</b>

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

**35.5 TRANSFERS AND SUBSIDIES (NOTE 17)**

	<b>2023</b>
	<b>R</b>
<b>Capital grants:</b>	<b>56 009 000</b>
Monetary Allocations	56 009 000
<b>Operational grants:</b>	<b>8 061 131</b>
Allocations in-kind	11 061 131
Revenue from construction contracts (GRAP 11) - moved to note 18	(3 000 000)
Monetary Allocations	<b>189 932 000</b>
<b>Total transfers and subsidies received</b>	<b>254 002 131</b>

**35.6 Contracted services**

**Outsourced services (note 29.1 in prior year AFS)**

Catering services per prior year AFS	301 871
Moved to contractors	(301 871)
Restated amount of catering services under outsourced services	-

**Contractors (note 29.3 in prior year AFS)**

Catering services per prior year AFS	718 158
Moved from outsourced services	301 871
Restated amount of catering services under outsourced services	<b>1 020 029</b>

**36. CHANGE IN ACCOUNTING ESTIMATES**

**36.2 Provision for the Rehabilitation of Landfill Site:**

The valuation for the rehabilitation of Landfill Site was re-assessed in the current year and resulted in a increase of R809 666 in the provision.

**37. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**37.1 Unauthorised Expenditure**

	<b>2 024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
<b>Reconciliation of Unauthorised Expenditure:</b>		
Opening Balance:	61 640 317	-
Unauthorised Expenditure Current Year:	65 398 257	61 640 317
- Current Year	65 398 257	61 640 317
Approved/Condoned by Council:	(127 038 574)	-
- Current Year	(65 398 257)	-
- Prior Year	(61 640 317)	-
Balance unauthorised expenditure	-	<b>61 640 317</b>

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

- Non-cash	33 042 328	17 754 719
- Cash	32 355 929	43 885 598
	<b>65 398 257</b>	<b>61 640 317</b>

**Analysed as follows:**

**Non-cash:-**

Depreciation and Amortisation	18 667 776	1 994 249
Impairment Losses	14 248 558	15 760 470
Loss on Disposal of Property, Plant and Equipment	125 994	-
	<b>33 042 328</b>	<b>17 754 719</b>

**Cash:-**

Employee Related Costs	1 722 126	6 222 176
Remuneration of Councillors	-	24 470
Interest, Dividends and Rent on Land	2 386 897	1 224 551
Contracted Services	18 666 989	24 157 760
Inventory Consumed	1 153 728	2 877 466
Transfers and Subsidies Paid	-	1 201 626
Operating Leases	2 808 307	2 573 160
Operational Costs	5 617 882	5 604 389
	<b>32 355 929</b>	<b>43 885 598</b>

**37.2 Fruitless and Wasteful Expenditure**

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
<b>Reconciliation of Fruitless and Wasteful Expenditure:</b>		
Opening Balance	1 301 782	-
Fruitless and Wasteful Expenditure	1 632 546	1 301 782
Approved/Condoned by Council:	2 934 328	-
- Current Year	1 632 546	-
- Prior Year	1 301 782	-
Balance Fruitless and Wasteful Expenditure	-	<b>1 301 782</b>

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

**37.3 Irregular Expenditure**

	2024 R	2023 R
Reconciliation of Irregular Expenditure:		
Opening Balance:	-	-
Irregular Expenditure Current Year:	-	-
- Current Year	45 829 449	-
- Approved/condoned by council	(1 996 632)	-
Irregular Expenditure awaiting condonation	<u>43 832 818</u>	<u>-</u>

The amounts disclosed for Irregular Expenditure are inclusive of VAT.

**Current Year:**

**38. ADDITIONAL DISCLOSURES IN TERMS OF APPLICABLE LEGISLATION**

**38.1 MUNICIPAL FINANCE MANAGEMENT ACT**

**38.1.1 Contributions to Organised Local Government - SALGA**

	2024 R	2023 R
Opening Balance	4 253 841	3 025 352
Council Subscriptions	1 517 042	1 378 129
Amount Paid - current year	(350 000)	(149 640)
	<u>5 420 883</u>	<u>4 253 841</u>

The balance prepaid represents payment made in the current year towards the municipal subscriptions for the next financial year.

**38.1.2 Pension and Medical Aid Deductions**

Opening Balance	6 439 699	4 386 493
Current Year Contributions	32 533 443	18 232 296
Amount Paid - current year	(32 407 968)	(16 179 090)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<u>6 565 175</u>	<u>6 439 699</u>

**38.1.3 Audit Fees**

Opening Balance	-	-
Current year Audit Fees	2 404 471	1 977 139
Amount Paid - current year	(2 172 124)	(1 977 139)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<u>232 347</u>	<u>-</u>

The prior year's amounts have been restated due to recalculations done on documentation submitted.

**38.1.4 PAYE, Skills Development Levy and UIF**

Opening Balance	4 558 378	8 125 658
Current year Payroll Deductions	21 593 453	20 001 622
Amount Paid - current year	(16 325 694)	(15 443 244)
Amount Paid - Prior year	(4 558 378)	(8 125 658)
	<u>5 267 758</u>	<u>4 558 378</u>

**38.1.5 VAT**

The net of VAT input receivables and VAT output payables are shown in Note 5. All VAT returns have not been submitted by the due date throughout the year, resulting in penalties and fines being charged by SARS against the municipality.

	6 299 639	10 936 355
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The net of VAT input receivables and VAT output payables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year."

**38.1.6 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(1) of the Municipal Supply Chain Management Policy approved by the Council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be disclosed in the Annual Financial Statements.

The deviation from supply chain management was due to Synergy being the only supplier that responsible for providing exhibition stands for Africa's Indaba.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were submitted to Council quarterly, which condoned the case.

Deviations from the Supply Chain Management Policy during the financial year ended 30 June 2024 are listed below:

**30 June 2024**

Commodity	Contractor Appointed	Reason	Amount
Provision of exhibition stand for the municipality during Indaba tourism	Synergy Business Events	Impossible to follow SCM processes	54 701
<b>Total:</b>			<u>54 701</u>

(\* The amount does not include 1 case in respect of services rendered where the amount is based on a rate.

**30 June 2023**

Department	Tenderer	Reason	Amount
Goods / Services (Insurance)	01/2023	Emergency	894 870
<b>Total:</b>			<u>894 870</u>

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

**38.1.7 Awards to close family members of persons in the service of the state**

In terms of section 45(1) of the Municipal Supply Chain Management Policy approved by the Council, the accounting officer must ensure that particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, must be disclosed in the notes to the Annual Financial Statements.

No awards were made to close family members of persons in the service of the state in terms of the municipality's Supply Chain Management Policy.

**39. COMMITMENTS FOR EXPENDITURE**

<b>Authorised Capital Commitments:</b>	<b>27 726 237</b>	<b>72 904 194</b>
Authorised Capital Commitments	27 726 237	72 904 194
<b>Authorised Operational Commitments:</b>		
<b>Approved and contracted for:</b>	<b>23 106 255</b>	<b>34 650 920</b>
Lease Commitments (Refer to note 10)	6 493 082	7 657 371
Operational Commitments	16 613 172	26 993 549
	<b>50 832 491</b>	<b>107 555 114</b>

**40. FINANCIAL INSTRUMENTS**

**40.1 Classification**

**FINANCIAL ASSETS:**

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

**Financial Assets at Amortised Cost:**

Non-current Long-term Receivables	21 032 967	25 721 027
Receivables from Exchange Transactions	7 262 423	10 208 061
VAT Receivable	6 299 639	10 936 355
Cash and Cash Equivalents	-	422 197
	<b>34 595 029</b>	<b>47 287 641</b>

**FINANCIAL LIABILITIES:**

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

**Financial Liabilities at Amortised Cost:**

Unspent conditional grants	10 960 582	-
Payables from Exchange Transactions	92 388 478	101 179 572
<b>Total Financial Liabilities</b>	<b>103 349 059</b>	<b>101 179 572</b>

No Financial Instruments of the municipality have been reclassified during the year.

**40.2 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2023.

**40.3 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**40.4 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Refer to Note 40.5 below for more detail

**Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investments held with registered financial institutions. Refer to Note 40.6 below for more detail.

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 40.7 to the Annual Financial Statements.

**40.5 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 40.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**40.5.1 Interest Rate Risk Management**

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable. The municipality is not exposed to credit interest rate risk as the municipality has no borrowings. The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 25 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 40.7 below:

**Cash and Cash Equivalents:**

If interest rates had been 25 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2024 would have increased / decreased by R0 (30 June 2023: R15 504). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

**40.6 Credit Risk Management**

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly. Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Trade and Other Receivables**

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable. The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Receivables from Exchange Transactions	7 262 423	10 208 061
Bank, Cash and Cash Equivalents	(2 321 073)	422 197
<b>Maximum Credit and Interest Risk Exposure</b>	<b>4 941 350</b>	<b>10 630 259</b>

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Exchange Debtors:		
- Service Debtors	97,00%	74,00%
- Other Receivables	3,00%	3,00%
- Other Debtors	0,00%	23,00%
<b>Total Credit Risk</b>	<b>100%</b>	<b>100%</b>

**Bank and Cash Balances**

FNB Bank Ltd	(3 490 782)	(570 425)
Standard Bank	1 089 120	957 569
Cash Equivalents	80 589	35 054
<b>Total Bank and Cash Balances</b>	<b>(2 321 073)</b>	<b>422 198</b>

**Credit quality of Financial Assets:**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

**Receivables from Exchange Transactions**

Counterparties without external credit rating:-

High	2 140 952	2 384 137
Medium	108 892	121 261
Low	-	-
<b>Total Receivables from Exchange Transactions</b>	<b>2 249 844</b>	<b>2 505 398</b>

**Credit quality Groupings:**

High - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Medium - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Low - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing, have been renegotiated in the last year.

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

**FINANCIAL INSTRUMENTS (Continued)**

**40.7 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay.

Description	Note ref in AFS #	Total	6 Months	6 - 12	1 - 2	2 - 5	More than
		R	or less R	Months R	Years R	Years R	5 Years R
<b>30 June 2024</b>							
<b>Non-interest Bearing</b>		<b>92 388 478</b>	<b>92 388 478</b>	-	-	-	-
- Consumer Deposits		-	-	-	-	-	-
- Payables from Exchange transactions		92 388 478	92 388 478	-	-	-	-
<b>Fixed Interest Rate Instruments</b>		<b>5 521 991</b>	<b>5 521 991</b>	-	-	-	-
- Non-current Finance Lease Obligations		2 611 516	2 611 516	-	-	-	-
- Current Finance Lease Obligations		2 910 475	2 910 475	-	-	-	-
		<b>97 910 469</b>	<b>97 910 469</b>	-	-	-	-
<b>30 June 2023</b>							
<b>Non-interest Bearing</b>		<b>101 179 572</b>	<b>101 179 572</b>	-	-	-	-
- Consumer Deposits		-	-	-	-	-	-
- Payables from Exchange transactions		101 179 572	101 179 572	-	-	-	-
<b>Fixed Interest Rate Instruments</b>		<b>8 065 839</b>	<b>8 065 839</b>	-	-	-	-
- Non-current Finance Lease Obligations		5 552 276	5 552 276	-	-	-	-
- Current Finance Lease Obligations		2 513 563	2 513 563	-	-	-	-
		<b>109 245 411</b>	<b>109 245 411</b>	-	-	-	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS #	Total	6 Months	6 - 12	1 - 2	2 - 5	More than
		R	or less R	Months R	Years R	Years R	5 Years R
<b>30 June 2024:</b>							
<b>Non-interest Bearing</b>		<b>28 375 979</b>	<b>28 375 979</b>	-	-	-	-
- Long-term Receivables		21 032 967	21 032 967	-	-	-	-
- Trade Receivables from Exchange Transactions		7 262 423	7 262 423	-	-	-	-
- Cash and Cash Equivalents		80 589	80 589	-	-	-	-
<b>Variable Interest Rate Instruments</b>		<b>(2 401 662)</b>	<b>(2 401 662)</b>	-	-	-	-
- Call Deposits		304 459	304 459	-	-	-	-
- Bank Account		(2 706 121)	(2 706 121)	-	-	-	-
		<b>25 974 317</b>	<b>25 974 317</b>	-	-	-	-
<b>30 June 2023:</b>							
<b>Non-interest Bearing</b>		<b>35 964 142</b>	<b>35 964 142</b>	-	-	-	-
- Long-term Receivables		25 721 027	25 721 027	-	-	-	-
- Trade Receivables from Exchange Transactions		10 208 061	10 208 061	-	-	-	-
- Cash and Cash Equivalents		35 054	35 054	-	-	-	-
<b>Variable Interest Rate Instruments</b>		<b>387 144</b>	<b>387 144</b>	-	-	-	-
- Call Deposits		230 276	230 276	-	-	-	-
- Bank Account		156 868	156 868	-	-	-	-
		<b>36 351 286</b>	<b>36 351 286</b>	-	-	-	-

The municipality does not have any financing facilities and expects to meet its obligations from operating cash flows and proceeds of maturing financial assets and to maintain current debt to equity ratio.

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

**41. RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**41.1 Interest of Related Parties**

- There is no interest from related parties.

**41.2 Services rendered to Related Parties**

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**41.3 Loans granted to Related Parties**

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by the municipality.

**41.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Notes 24 and 25 to the Annual Financial Statements.

**41.5 Purchases from Related Parties**

- The municipality did not make purchases from companies owned and/or companies where related parties have interest.

	2024	2023
	R	R

**42. CONTINGENT LIABILITIES**

**42.1 Court Proceedings:**

	1 296 816	3 641 345
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**(i) Nongoma Local Municipality vs Mbali Khambule**  
 Mbali Khambule resigned and was re-instated per Legal Opinion

	116 656,63	-
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**(ii) Mariswe (Pty) Ltd - Summons NONG33919.25**  
 This is a claim against the Municipality in which default judgement was taken a settlement proposal has been submitted and we are waiting on instructions from the Municipality

	1 180 159,44	1 180 159,44
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**(iii) Nongoma Local Municipality vs Sithlwesihle Ngubo**  
 At an estimated amount of R1 800 000

	-	1 800 000,00
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**(iv) Jonny Runner Investments (Pty)Ltd - Application NONG33919.26**  
 Town planning matter and there is no claim against the municipality. We are waiting on the Town planners account before we can proceed with the matter.

	-	661 185,29
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**43. ANALYSIS OF PRINCIPAL / AGENCY ACCOUNTING**

**ACCOUNTING BY PRINCIPALS AND AGENTS**

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

**43.1.1 Provincial Traffic Fines**

The municipality has an arrangement with the Provincial Department of Transport and Public Works who acts as an agent for the municipality with regards to the issuing of fines for various traffic violations within the Nongoma Municipal Area. There is no charge for this service and all fines issued to third parties are for the benefit of the municipality.

**43.2 Municipality acting as the Agent**

**43.2.1 Motor Vehicle Licensing and Registration**

The municipality acts as agent for the KwaZulu Natal Department of Transport and Public Works where it provides motor vehicle registration and licensing services on behalf of the department.

**(a) Details of the Arrangement(s) is/are as follows:**

The Municipality undertakes to render Motor Vehicle Licensing Services on behalf of the KwaZulu Natal Department of Transport and Transport, and collects a commission of 10% plus VAT.

**(b) Resources held on behalf of the Principal, but recognised in the municipality's own Financial Statements:**

The Resources regarding the Licensing Department, remain their own and do not form part of the municipality's Financial Statements.

**(c) Category(ies) of Revenue received or to be received on behalf of the Principal, are:**

Categories	Additional Details
Licensing Fees	Income collected on behalf of DOT and Provincial Transport for Motor Vehicle Registration

**44. EVENTS AFTER THE REPORTING DATE**

The municipal annual financial statements were approved/authorised by the municipal council on 30 August 2024. The municipality is not aware of any condition or event subsequent to the year end that has material impact on the financial information disclosed herewith.

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

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**45. COMPARATIVE FIGURES**

The comparative figures were restated during the financial year ended 30 June 2024, refer to note 35 for all adjustments made.

**46. GOING CONCERN ASSESSMENT**

A municipality's going concern assessment is a review of whether the municipality can continue to operate as a going concern, or a business that is expected to continue operating.

**Management considered the following matters in relation to the Going Concern position of Nongoma Local Municipality:**

- (I) Cash flow issues that resulted in an overdraft facility as a closing balance as at 30 June 2024.
- (II) cost coverage ratio being low the norm, the municipality may be vulnerable and at higher risk of financial shocks and setbacks in terms of its financial obligations.
- (III) Current ratio is poor and below the norm, result from high amount of debtors being provided for impairments. The Municipality's provision for impairment increased drastically from prior year due to government debtors, However, the municipality received intervention from CoGTA to assist with the collection of these debts owed to the Municipality.
- (IV) Creditors payment period is very as the municipality has struggled to settle payments within 30 days.

**Management further, considered the following:**

Municipalities that are funded by the government may only have going concern issues if the government stops funding them.

- (I) On 31 May 2023 the Council adopted the 2023/24 to 2025/26 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes are complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

Based on the assessment above, the municipality will continue to operate as a going concern.

**NONGOMA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

47. Cash generated from operations	2024 R	2023 R
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>(22 206 356)</b>	<b>9 033 681</b>
<b>Adjustments:</b>		
<b>Expenses:</b>		
Depreciation, Amortisation and Assets Impairments	36 667 776	22 208 249
Gains/Loss on Disposal of Property, Plant and Equipment	125 994	(155 597)
Debtors write-off and Impairment Losses	16 048 558	17 760 470
<b>Income:</b>		
Interest, Dividends and Rent on Land	(2 700 337)	1 314 534
<b>Movement in provisions</b>		
Actuarial gain/(Loss)	(1 255 000)	(589 000)
Employee benefit provision	(2 543 848)	-
Landfill site adjustments	809 666	554 589
<b>Changes in working capital:</b>		
Receivables from exchange transactions	2 945 638	(4 364 223)
Other receivables from non-exchange transactions	4 688 060	12 410 952
Consumer debtors	(9 585 462)	(17 760 470)
VAT Receivables	4 636 717	(1 120 319)
Payables from exchange transactions	(8 791 094)	33 564 025
Unspent conditional grants and receipts	10 960 582	-
	<b>29 800 893</b>	<b>72 856 891</b>

**48. SEGMENT REPORTING**

For management purposes the municipality is broadly organised into departments based on the nature of operations and the services they provide. The municipality has eight primary reportable segments:

- **The segment for Executive and Council Services:** This segment consists of executive services and support services to the executive.
- **The segment for Finance and Administration Services:** This segment consists of services such as finance & administration, the providing of housing to the community and planning & development.
- **The segment for Community and Social Services:** This segment consists of all services for community & social development, public safety, providing of health to the community and sport & recreation.
- **The segment for Road Transport Services:** This segment consists of all services for providing roads & storm water in the municipal area.
- **The segment for Energy Sources:** This segment consists of all services for energy supply to the community.
- **The segment for Waste Management:** This segment consists of all services for the management of solid waste in the municipal area.
- **The segment for Waste Water Management:** This segment consists of all services for the management of waste water, including sewage, in the municipal area.

No individually material operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its department separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on non-financial metrics and the segment's operating surplus or deficit, measured consistently with the accounting policies applied in the Annual Financial Statements. However, the municipality's financing (including finance costs and finance income) are managed on a group basis and are not allocated to operating segments.

Inter-department services are set off against each other as internal charges, and are therefore eliminated and not reported in Segment Reporting. The quality of services provided internally is monitored as part of the service performance information.

The municipality operates within Nongoma geographical area.

The municipality does however not monitor operating results for these geographical segments, and operational results are only monitored within the business units as previously disclosed.

**48.1 Segmental Analysis of Financial Performance**

Year Ended 30 June 2023

Description	Executive and Council	Finance and Administration	Community and Social Services	Road Transport/ Technical services	Waste Management	Water Management	Total for Municipality
	R	R	R	R	R	R	R
<b>REVENUE</b>							
<b>Revenue from Non-exchange Transactions</b>	-	<b>223 681 972</b>	<b>6 479 555</b>	<b>59 245 343</b>	-	-	<b>289 406 870</b>
Property Rates	-	29 549 853	-	-	-	-	29 549 853
Fines, Penalties and Forfeits	-	2 043	1 538 309	-	-	-	1 540 352
Revenue from construction contracts	-	-	3 000 000	-	-	-	3 000 000
Transfers and Subsidies	-	192 815 542	1 941 246	59 245 343	-	-	254 002 131
Interest, Dividends and Rent on Land Earned	-	1 314 534	-	-	-	-	1 314 534
<b>Revenue from Exchange Transactions</b>	-	<b>1 983 050</b>	<b>1 484 031</b>	-	<b>2 901 048</b>	-	<b>6 368 129</b>
Licences and Permits	-	-	1 343 576	-	-	-	1 343 576
Service Charges	-	-	-	-	2 101 048	-	2 101 048
Sales of Goods and Rendering of Services	-	58 346	6 374	-	-	-	64 720
Gains on Disposal of Property, Plant and Equipment	-	155 597	-	-	-	-	155 597
Rental from Fixed Assets	-	115 153	134 081	-	-	-	249 234
Interest, Dividends and Rent on Land Earned	-	1 061 083	-	-	-	-	1 061 083
Operational Revenue	-	3 871	-	-	800 000	-	803 871
Actuarial gains/Loss	-	589 000	-	-	-	-	589 000
<b>Total Revenue</b>	-	<b>225 665 022</b>	<b>7 963 586</b>	<b>59 245 343</b>	<b>2 901 048</b>	-	<b>295 774 999</b>
<b>EXPENDITURE</b>							
Employee Related Costs	6 680 146	63 867 960	22 613 787	7 460 050	15 022 233	-	115 644 176
Remuneration of Councillors	17 461 470	-	-	-	-	-	17 461 470
Depreciation and Amortisation	-	21 383 977	22 121	784 652	-	17 500	22 208 250
Impairment Losses	-	17 760 470	-	-	-	-	17 760 470
Interest, Dividends and Rent on Land	-	2 604 551	-	-	-	-	2 604 551
Contracted Services	4 485 217	23 597 880	21 567 206	7 511 457	-	-	57 161 760
Inventory Consumed	-	61 912	5 253 181	665 373	-	-	5 980 466
Transfers and Subsidies Paid	3 251 626	-	-	-	-	-	3 251 626
Operating Leases	-	2 573 160	-	-	-	-	2 573 160
Operational Costs	4 342 259	30 739 586	5 350 172	1 553 207	110 165	-	42 095 389
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>36 220 718</b>	<b>162 589 496</b>	<b>54 806 467</b>	<b>17 974 739</b>	<b>15 132 398</b>	<b>17 500</b>	<b>286 741 318</b>
<b>Surplus/(Deficit) for the Year</b>	<b>36 220 718</b>	<b>63 075 526</b>	<b>(46 842 881)</b>	<b>41 270 604</b>	<b>(12 231 350)</b>	<b>(17 500)</b>	<b>9 033 681</b>

Year Ended 30 June 2024

Description	Executive and Council	Finance and Administration	Community and Social Services	Road Transport/ Technical services	Waste Management	Water Management	Total for Municipality
	R	R	R	R	R	R	R
<b>REVENUE</b>							
<b>Revenue from Non-exchange Transactions</b>	-	216 134 501	5 341 723	55 769 707	-	-	277 245 931
Property Rates	-	31 929 596	-	-	-	-	31 929 596
Fines, Penalties and Forfeits	-	576	434 024	-	-	-	434 600
Revenue from construction contracts	-	-	3 080 336	-	-	-	3 080 336
Transfers and Subsidies	-	181 503 992	1 827 363	55 769 707	-	-	239 101 062
Interest, Dividends and Rent on Land Earned	-	2 700 337	-	-	-	-	2 700 337
<b>Revenue from Exchange Transactions</b>	-	2 069 088	1 720 398	-	2 176 731	-	5 966 216
Licences and Permits	-	-	1 579 985	-	-	-	1 579 985
Service Charges	-	-	-	-	2 176 731	-	2 176 731
Sales of Goods and Rendering of Services	-	60 776	6 639	-	-	-	67 415
Rental from Fixed Assets	-	114 889	133 773	-	-	-	248 662
Interest, Dividends and Rent on Land Earned	-	632 653	-	-	-	-	632 653
Other operational revenue	-	5 770	-	-	-	-	5 770
Actuarial gain/losses	-	1 255 000	-	-	-	-	1 255 000
<b>Total Revenue</b>	-	218 203 589	7 062 121	55 769 707	2 176 731	-	283 212 147
<b>EXPENDITURE</b>							
Employee Related Costs	6 753 446	64 568 775	22 861 925	7 541 908	15 187 070	-	116 913 126
Remuneration of Councillors	18 002 681	-	-	-	-	-	18 002 681
Depreciation and Amortisation	-	35 306 829	36 524	1 295 530	-	28 894	36 667 776
Impairment Losses	-	16 048 558	-	-	-	-	16 048 558
Interest, Dividends and Rent on Land	-	3 286 897	-	-	-	-	3 286 897
Contracted Services	4 806 551	25 288 498	23 112 341	8 049 599	-	-	61 256 989
Inventory Consumed	-	76 915	6 526 198	826 615	-	-	7 429 728
Transfers and Subsidies Paid	3 169 566	-	-	-	-	-	3 169 566
Operating Leases	-	2 808 307	-	-	-	-	2 808 307
Operational Costs	4 096 084	28 996 872	5 046 856	1 465 151	103 919	-	39 708 882
Loss on Disposal of Property, Plant and Equipment	-	125 994	-	-	-	-	125 994
<b>Total Expenditure</b>	36 828 328	176 507 646	57 583 844	19 178 803	15 290 990	28 894	305 418 504
<b>Surplus/(Deficit) for the Year</b>	36 828 328	394 711 234	64 645 964	74 948 509	17 467 720	28 894	(22 206 356)

48.2 Segment Analysis of Statement of financial position.

Year Ended 30 June 2023

Description	Executive and Council	Finance and Administration	Community and Social Services	Road Transport	Waste Management	Water Management	Total for Municipality
	R	R	R	R	R	R	R
<b>Financial Position</b>							
<b>Receivables from Exchange Transactions:</b>							
- Receivables from exchange transactions	-	2 623 856	-	-	7 584 206	-	10 208 062
- Receivables from non-exchange transactions	-	23 233 263	2 487 764	-	-	-	25 721 027
- Vat Receivables	-	10 936 355	-	-	-	-	10 936 355
- Cash and cash equivalents	-	422 197	-	-	-	-	422 197
	-	37 215 671	2 487 764	-	7 584 206	-	47 287 641
<b>Capital Assets:</b>							
- Property, Plant and Equipment	-	399 311 460	-	-	-	-	399 311 460
- Intangible Assets	-	106 714	-	-	-	-	106 714
	-	399 418 174	-	-	-	-	399 418 174
<b>Total for Financial Position</b>	-	436 633 845	2 487 764	-	7 584 206	-	446 705 815
<b>Capital Expenditure</b>							
Property, Plant and Equipment	-	65 117 334	-	-	-	-	65 117 334
Intangible Assets	-	126 522	-	-	-	-	126 522
<b>Total for Capital Expenditure</b>	-	65 243 856	-	-	-	-	65 243 856

Year Ended 30 June 2024

Description	Executive and Council	Finance and Administration	Community and Social Services	Road Transport	Waste Management	Water Management	Total for Municipality
	R	R	R	R	R	R	R
<b>Financial Position</b>							
<b>Receivables from Exchange Transactions:</b>							
- Receivables from exchange transactions	-	1 866 716	-	-	5 395 707	-	7 262 423
- Receivables from non exchange transactions	-	18 998 637	2 034 330	-	-	-	21 032 967
- Vat Receivables	-	6 299 639	-	-	-	-	6 299 639
- Cash and cash equivalents	-	-	-	-	-	-	-
	-	27 164 991	2 034 330	-	5 395 707	-	34 595 029
<b>Capital Assets:</b>							
- Property, Plant and Equipment	-	393 558 578	-	-	-	-	393 558 578
- Intangible Assets	-	50 510	-	-	-	-	50 510
	-	393 609 088	-	-	-	-	393 609 088
<b>Total for Financial Position</b>	-	420 774 079	2 034 330	-	5 395 707	-	428 204 117
<b>Capital Expenditure</b>							
Property, Plant and Equipment	-	30 094 602	-	-	-	-	30 094 602
Intangible Assets	-	-	-	-	-	-	-
<b>Total for Capital Expenditure</b>	-	30 094 602	-	-	-	-	30 094 602