

" The City of Heritage "



**FINANCIAL STATEMENTS
FOR
ULUNDI LOCAL MUNICIPALITY**

For The Period Ended 30 June 2023

Province: KwaZulu Natal

AFS Rounding: R (i.e. only cents)

Contact Information:

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Recommended by: MR J.H. MHLONGO Signature: [Signature] Date: 31/08/23
Approved by: MR S.M. KHOMO Signature: [Signature] Date: 31/08/2023

ULUNDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023

General information

Legal form of entity Local Municipality

Municipal demarcation code KZN266

Nature of business and principal activities:

The main business operations of the Municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community rates and general service - All types of services rendered by the Municipality, excluding the following: Housing Services - Supply housing to the community and includes the rental of units owned by the Municipality to public and staff; Waste Management Services - The collection, disposal and purifying of waste, and sewerage; - Electricity is bought in bulk from Eskom and distributed to consumers by the Municipality.

Legislation

Constitution of the Republic of South Africa (Act 108 of 1998)
Local Government Finance Management Act (Act no.56 of 2003)
Local Government Municipal Systems Act (Act no.32 of 2000)
Local Government Municipal Structures Act (Act no.117 of 1998)
Municipal Property Rates Act (Act no.6 of 2004)
Division of Revenue Act (Act 1 of 2007)

Members of the Council

Councillor W M Ntshangase (M)	His Worship the Mayor
Councillor T G Madela (F)	Honourable Deputy Mayor
Councillor S M Buthelezi (M) - EXCO Ex Officio Member	Honourable Speaker
Councillor C K Zungu (M)	Member of the Executive Committee
Councillor S S Siwela (M)	Member of the Executive Committee
Councillor M S Gcaba (M)	Member of the Executive Committee
Councillor M B Buthelezi (M)	Member of the Executive Committee
Councillor J B Mlotshwa (F)	Member of the Executive Committee
Councillor S M Khuzwayo (M)	Member of the Executive Committee
Councillor M R Dubazane (M)	Member of the Executive Committee
Councillor M S Buthelezi (M) (Chief Whip)	Member of the Executive Committee

Ordinary Council Members

Councillor P M Mthethwa (M)	Councillor T P Khanyile (M)
Councillor N D Masondo (M)	Councillor S M Xulu (M)
Councillor S N Buthelezi(M)	Councillor N E Dhlamini (M)
Councillor L D Khumalo (M)	Councillor T V Nxumalo (M)
Councillor J E Xulu (M)	Councillor T J Manqele (F)
Councillor A M Sibiya (M)	Councillor F M Buthelezi (M)
Councillor T Ndlela (M)	Councillor S Ntshingila (F)
Councillor M D Xulu (M)	Councillor B S Khanyile (M)
Councillor M Mkhize (M)	Councillor T M Khumalo (M)
Councillor N E Madela (F)	Councillor H I Mkhize (F)
Councillor T D Sikhakhane (M)	Councillor M N Mgabhi (F)
Councillor F M Dlamini (M)	Councillor S S Ntombela (M)
Councillor F Ndawonde (M)	Councillor M B Ntombela (F)
Councillor M I Ngcobo (M)	Councillor J S Mhlongo (M)
Councillor L K Mbatha (M)	Councillor X N Sithole (M)
Councillor S B Mhlongo (F)	Councillor M O Zungu (M)
Councillor S D Siyaya (M)	Councillor M Magubane (M)
Councillor S W Mkhize (M)	Councillor T M Zungu (M)

Municipal Manager Mr S M Khomo

Chief Financial Officer Mr J H Mhlongo

Grading of Local Authority Grade 3

Grade Low Capacity

Auditors Auditor - General South Africa

Bankers First National Bank

ULUNDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023

General information (continued)

Registered Office: Cnr Princess Magogo & King Zwelithini Streets, Ulundi

Physical address: *Cnr Princess Magogo & King Zwelithini Streets*
ULUNDI
3838

Postal address: *Private Bag X17*
Ulundi
3838

Telephone number: +27 35 874 5100

E-mail address: skhomo@ulundi.gov.za

Accounting Officer's Statement

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 30 June 2023 and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were 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 places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Accounting Officer has reviewed the Municipality's cash flow forecast for the period to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements are prepared on the basis that the municipality is a going concern and that the Ulundi Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. Although the Accounting Officer is primary responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring to your attention the following material matters:

I certify that the salaries, allowances and benefits of Councillors, and payments made to Councillors for loss of office, if any, as disclosed in note 22 to note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The Annual Financial Statements set out on pages 5 to 34, which have been prepared on the assumption that the municipality will continue to operate as a going concern for the next 12 months, were approved and signed by the Accounting Officer on 31 August 2023.

Approved by

SM Khomo

Signed



Date

31 August 2023

ULUNDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023

Index	Page
General information	1-2
Approval	2
Index	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of actual and budget	9
Accounting Policies	12-20
Notes to the Annual Financial Statements	20-32

ULUNDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2023 R	Restated 2022 R
ASSETS			
Current assets			
		93 350 850	96 939 195
Cash and cash equivalents	2	8 556 513	5 996 265
Receivables from Exchange Transactions	3.1	11 707 465	17 618 986
Receivables from Non-Exchange Transactions	3.2	57 327 984	58 403 550
Inventories	4	2 602 502	2 530 578
Other Current Assets :Exchange	5	13 156 387	12 389 815
Non-current assets			
		640 536 697	637 369 633
Property, plant and equipment	6	623 601 860	620 429 561
Heritage Assets	6.1	10 501	10 501
Investment property	7	16 921 000	16 921 000
Intangible assets	8	3 336	8 570
Total assets		733 887 548	734 308 827
LIABILITIES			
Current liabilities			
		226 720 047	198 041 646
Trade and other payables	10	207 168 725	177 263 765
Provision	10.1& 10.2	16 012 859	16 264 659
Consumer deposits	9	2 813 995	2 740 992
Long service leave award	11	724 469	1 772 230
Non-current liabilities			
		9 323 532	8 092 770
Long service leave award	11	9 323 532	8 092 770
Total liabilities		236 043 579	206 134 416
NET ASSETS			
		498 167 836	525 978 887
Reserves	12.2	122 732 313	122 732 313
Accumulated surplus	12.1	375 435 523	403 246 574
Total net assets		498 167 836	525 978 887

ULUNDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2023

	Note	2023 R	2022 R
Revenue			
Revenue from exchange transactions:			
Service charges		82 632 891	81 451 177
Rental of facilities and equipment	14	74 780 787	74 830 223
Interest earned - external	15	1 078 597	1 032 529
Licences and permits	16	1 965 911	648 008
Operational Revenue	19	1 909 105	2 039 853
Proceeds from sale of land	21	790 202	2 900 564
	21.2	2 108 289	
Revenue from non exchange transactions:			
Property rates		402 651 070	354 615 374
Interest on Receivables	13	112 470 596	100 047 555
Fines, Penalties & Forfeits	17	2 531 149	3 196 291
Government grants and subsidies	18	740 864	167 507
Provision for bad debts adjustment	20	286 908 460	251 204 021
	3.1	-	
Total revenue		485 283 961	436 066 551
Expenses			
Employee related costs	22	157 822 699	155 484 338
Remuneration of councillors	23	17 022 236	16 834 577
Provision for bad debts adjustment	3	24 470 157	9 456 571
Depreciation	24	67 315 670	27 276 517
Amortisation	8	5 234	8 419
Bad Debts Written off		6 704 660	2 048 082
Finance costs	25	8 235 095	18 592
Bulk purchases	26	113 324 249	113 844 451
Contracted services	27	64 280 935	90 438 893
Operational Cost	28	46 326 188	32 431 125
Inventory consumed	29	6 915 333	4 785 963
Transfers and subsidies	30	524 036	-
Total expenses		512 946 490	452 627 527
Actuarial Gain / (loss)	31.1	(148 522)	115 958
Surplus / (deficit) for the period		-27 811 051.47	(16 676 934)

ULUNDI LOCAL MUNICIPALITY						
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR PERIOD ENDED 30 JUNE 2023						
	Note	Revaluation Reserve		Accumulated Surplus/(Deficit)		Total: Net Assets R
		R	Total: Reserves R	R	Total: Net Assets R	
Balance at 01 July 2022		122 732 313	-	315 549 034		438 281 347
Accumulated depreciation overstated				90 259 080.20		
Accumulated depreciation overstated				-42 210.00		
Membership fees overstated				-2 519 330.00		
Restated balance at 30 June 2023		122 732 313		403 246 574		525 978 887
Surplus / (deficit) for the period- June 2023				(27 811 051)		(27 811 051)
Balance as at 30 June 2023		122 732 313	-	375 435 523		498 167 836

ULUNDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 June 2023

	Note	2023 R	2022 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts :		465 068 398	405 857 021
Customers		178 159 938	160 513 161
Government		286 908 460	245 343 860
Cash paid :		-385 716 790	-363 308 096
Suppliers		-210 871 854	(192 658 114)
Employees & Councillors		-174 844 935	(170 649 982)
Cash generated by/(utilised in) operations	32	79 351 608	42 548 924.71
Interest received		1 965 911	648 008
Interest paid		-8 235 095	(18 592)
Net cash flows from operating activities		73 082 424	43 178 340.71
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)	6	(70 595 261)	(47 662 723)
Net cash flows from investing activities		(70 595 261)	(47 662 723)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in consumer deposits		73 003	12 034
Net cash flows from financing activities		73 003	12 034
Net increase / (decrease) in net cash and cash equivalents		2 560 166	(4 472 348)
Net cash and cash equivalents at beginning of period		5 996 265	10 468 613
Net cash and cash equivalents at end of period	2.1	8 556 431	5 996 265

ULLUNDI LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2023

	Original Budget R	Adjustments R	Final Budget R	Actual R	Actual vs Final budget Variance R	Actual vs Final budget Variance %
Revenue						
Property rates	109 226 461.00		109 226 461.00	112 470 596.22	-3 244 135.22	-3%
Service charges:Electricity	78 874 877.00		78 874 877.00	64 846 905.62	14 027 971.38	18%
Service charges:Refuse	9 559 000.00		9 559 000.00	9 933 881.84	-374 881.84	-4%
Proceeds from sale of land				2 108 288.77	-2 108 288.77	
Interest on Receivables		4 058 340.00	4 058 340.00	2 531 149.37	1 527 190.63	38%
Rental of facilities and equipment	1 569 084.00	-491 593.00	1 077 491.00	1 078 596.70	-1 105.70	0%
Interest earned - external investments	1 000 000.00	200 000.00	1 200 000.00	1 965 910.92	-765 910.92	-64%
Fines, Penalties & Forfeits	150 000.00	-50 000.00	100 000.00	740 864.39	-640 864.39	-641%
Licences and permits	2 174 000.00	-374 000.00	1 800 000.00	1 909 105.10	-109 105.10	-6%
Government grants and subsidies	241 160 000.00	26 000 000.00	267 160 000.00	286 908 460.06	-19 748 460.06	-7%
Other income	2 173 000.00	-1 400 000.00	773 000.00	790 202.00	-17 202.00	-2%
Total Revenue	445 886 422.00	27 942 747.00	473 829 169.00	485 283 960.99	-11 454 791.99	

Expenses

Employee related costs	162 951 154.00	-7 000 000.00	155 951 154.00	157 822 699.09	-1 871 545.09	-1%
Remuneration of councillors	17 614 583.00		17 614 583.00	17 022 236.22	592 346.78	3%
Provision for bad debts adjustment	16 789 520.00	-3 500 000.00	13 289 520.00	24 470 157.37	-11 180 637.37	-84%
Depreciation and amortisation expense	37 125 001.00	36 500 000.00	73 625 001.00	67 326 137.69	6 298 863.31	9%
Finance costs	7 500 000.00	1 500 000.00	9 000 000.00	8 235 094.91	764 905.09	8%
Bulk purchases	100 000 000.00	14 000 000.00	114 000 000.00	113 324 248.98	675 751.02	1%
Bad Debts Written off		6 900 000.00	6 900 000.00	6 704 659.59	195 340.41	3%
Contracted services	44 320 907.00	21 586 124.00	65 907 031.00	64 280 934.71	1 626 096.29	2%
General expenses	40 446 886.00	5 900 000.00	46 346 886.00	46 326 187.62	20 698.38	0%
Inventory consumed	6 777 336.00	374 861.00	7 152 197.00	7 124 962.90	27 234.10	0%
Transfers and subsidies	1 145 870.00	-600 000.00	545 870.00	524 035.50	21 834.50	4%
Total Expenses	434 671 257.00	75 660 985.00	510 332 242.00	513 161 354.58	-2 829 112.58	
Actuarial Gain / (loss)				148 522.00	-148 522.00	#DIV/0!
Surplus / (deficit) for the period	11 215 165.00	-47 718 238.00	-36 503 073.00	-27 811 051.47	-8 477 157.41	

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Budget	Actuals	Actual vs Final budget Variance	Actual vs Final budget Variance %
ASSETS				
Current assets		93 350 850.28		
Cash and cash equivalents		7 394 000.00	-1 162 512.73	-0.15723794
Receivables from Exchange Transaction		11 707 465.44	-707 465.44	-0.06431504
		123 047 000.00		

Receivables from Non-Exchange Transa	63 343 000.00	57327983.64	6 015 016.36	0.094959449
Inventories	2 531 000.00	2 602 501.67	-71 501.67	-0.028250363
Other Current Assets :Exchange	38 779 000.00	13 156 386.80	25 622 613.20	0.660734243

Non-current assets	560 287 621.00	640 860 564.46		
Property, plant and equipment	543 347 000.00	623 925 727.38	-80 578 727.38	-0.148300676
Heritage Assets	10 501.00	10 501.00	-	0
Investment property	16 921 000.00	16 921 000.00	-	0
Intangible assets	9 120.00	3 336.08	5 783.92	0.634201754

Total assets	683 334 621.00	734 211 414.73		
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LIABILITIES				
Current liabilities	194 074 000.00	226 720 047.04		
Trade and other payables	173 398 000.00	207 168 724.66	-33 770 724.66	-0.194758444
Provision	17 144 877.00	16 012 859.38	1 132 017.62	0.066026582
Consumer deposits	2 741 000.00	2 813 994.50	-72 994.50	-0.026630609
Long service leave award	790 123.00	724 468.50	65 654.50	0.083094025

Non-current liabilities	8 195 000.00	9 323 531.50		
Long service leave award	8 195 000.00	9 323 531.50	-1 128 531.50	-0.137709762

Total liabilities	202 269 000.00	236 043 578.54		
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NET ASSETS	412 315 000.00	498 167 835.78		
Reserves	163 187 000.00	122 732 313.12	40 454 686.88	0.247903858
Accumulated surplus	249 128 000.00	375 435 522.66	-126 307 522.66	-0.506998501

Total net assets	412 315 000.00	498 167 836.00		
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CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 June 2023

	Budget	Actuals	Actual vs Final bue	Actual vs Final budget	Variance %
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Receipts :	472 351 000.00	462758799.8			
Customers	162 881 000.00	178 711 799.78	15 830 799.78	-0.097192427	
Government	309 470 000.00	284 047 000.06	-25 422 999.94	0.082150127	
Cash paid :	-397 342 000.00	-383 407 109.94			
Suppliers	-222 497 064.62	-208 562 174.56	13 934 890.06	0.062629546	
Employees & Councillors	-174 844 935.38	-174 844 935.38		0	
Cash generated by/(utilised in) operation	75 009 000.00	79 351 689.90			
Interest received	5 258 000.00	1 965 910.92	-3 292 089.08	0.626110514	
Interest paid	-9 000 000.00	-8 235 094.91	764 905.09	0.084989454	
Net cash flows from operating activities	71 267 000.00	73 082 505.91			
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of fixed assets (PPE)	-64 799 000.00	-70 595 261.00	-5 796 261.00	-0.089449863	
Net cash flows from investing activities	-64 799 000.00	-70 595 261.00			
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase/(decrease) in consumer deposit	-	73 003.00	73 003.00		
Net cash flows from financing activities	-	73 003.00	73 003.00		

Net increase / (decrease) in net cash and cash equivalents at beginning	6 468 000.00	2 560 247.91	-3 907 752.09	0.60416699
Net cash and cash equivalents at end of	-1 265 000.00	5 996 265.09	7 261 265.09	5.740130506
Net cash and cash equivalents at end of	5 203 000.00	8 556 513.00		

Explanation on variance of 10% and more
Illegal connections are main reason for decrease in electricity billing. All meters have been billed, meter auditing are done to identify all illegal connections which results to decrease in service charges
More debtor fell on more than 120 days category attracting more interest on outstanding balances
Call accounts used to invest unused funds resulted to increase in interest. An operation was conducted on meter tampering resulting into increase tampering and reconnection fees.
Offices close by and surrounding not providing licences therefore more customers use Ulundi for licences.
Once off administration fee of R2 million occurred last year and this resulted to distortion in budgeted figure.
This is due to debtors cleansing and resolution of council that was passed to write off certain debtors that are not collectible.
A provision was made since an asset verification & conditional assessment exercise took place
Anticipation of early retirement by employees which did not materialise

Increase in grants received

VAT receivable was more as a result of increase in MIG which resulted to more capit

Asset assessment exercise conducted and additional assets were identified and bro

Annual Amortisation resulted to decrease

ESKOM debt relief application was approved and municipality is not required to make

Actual figures increased as result of actual resignations

Prior period corrections resulted to decrease in reserves and accumulated surplus

Intensive revenue drives implemented

High interest anticipated on investments accounts. Interest on call accounts only ear

Movement in cash balances that could be correctly budgeted for
Movement in cash balances that could be correctly budgeted for

ULUNDI LOCAL MUNICIPALITY
REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Community and public safety	Economic and environmental services	Trading Services	Other	Unallocated	Total
Segment Revenue	1 819 461.00	-	192 643 993.00	286 012 911.00	-	485 283 961.00
External revenue from non-exchange transactions	740 864.00	-	117 863 206.00	284 047 000.00		402 651 070.00
External revenue from exchange transactions	1 078 597.00		74 780 787.00	4 807 596.00		80 666 980.00
Revenue from transactions with other segments			-			-
Interest revenue				1 965 911.00		1 965 911.00
Segment Expenses	37 600 180.81	75 633 878.67	221 799 602.53	169 312 704.52	8 748 646.00	513 095 012.53
Total segment expenses	32 738 032.81	75 633 878.67	181 502 006.93	147 670 329.52		437 544 247.93
Depreciation and amortisation	4 862 148.00		32 062 500.69	21 642 375.00	8 748 646.00	67 315 669.69
Interest expense			8 235 094.91			8 235 094.91
Internal charges						
Share of Surplus/(Deficit) of Segment	-35 780 719.81	-75 633 878.67	-29 155 609.53	116 700 206.48	-8 748 646.00	-27 811 051.53
Taxation						
Actuarial Gain / (loss)				-148 522.00		-148 522.00
Surplus/deficit for the year	-35 780 719.81	-75 633 878.67	-29 155 609.53	116 551 684.48	-8 748 646.00	-27 959 573.53

Other Information					
	Community and public safety	Economic and environmental services	Trading Services	Other	Total
Segment assets	253 179 892.38	43 577 700.00	322 696 492.80	114 757 329.68	734 211 414.86
Cash and cash equivalents			-	8 556 512.73	8 556 512.73
Receivables from Exchange Transactions			11 541 368.80	166 096.20	11 707 465.00
Receivables from Non-Exchange Transactions				57 327 984.00	57 327 984.00
Inventories				2 602 501.67	2 602 501.67
Other Current Assets :Exchange				13 156 387.00	13 156 387.00
Property, plant and equipment	236 258 892.38	43 577 700.00	311 155 124.00	32 934 011.00	623 925 727.38
Heritage Assets				10 501.00	10 501.00
Investment property	16 921 000.00			-	16 921 000.00
Intangible assets				3 336.08	3 336.08
Segment liabilities	-	-	210 707 188.50	25 336 391.00	236 043 579.50
Trade and other payables			207 168 725.00		207 168 725.00
Provision				16 012 859.00	16 012 859.00
Consumer deposits			2 813 994.50		2 813 994.50
Other Non-current Liabilities			724 469.00		724 469.00
Other Non-current Liabilities				9 323 532.00	9 323 532.00
Additions to non-current assets					
Non-cash expenses (included above)					
Cash flows from operating activities				73 082 505.69	73 082 505.69
Cash flows from investing activities	-70 595 261.00				-70 595 261.00
Cash flows from financing activities				73 003.00	73 003.00

ULUNDI LOCAL MUNICIPALITY
REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Community and public services	Economic and environmental services	Trading Services	Other	Unallocated	Total
Segment Revenue	14308599.43	0	69083745.71	352674206.1	0	436 066 551.23
External revenue from non-exchange transactions	2 144 383.00	-	5 004 982.14	347 466 009.00		354 615 374.14
External revenue from exchange transactions	12 164 216.43		63 430 755.96	5 208 197.09		80 803 169.48
Revenue from transactions with other segments			648 007.61			648 007.61
Interest revenue						-
Segment Expenses	28718751.81	5633878.67	169608710	248666186.5	0	452 627 527.00
Total segment expenses	22 738 032.81	5 633 878.67	167 313 149.00	229 638 958.52		425 324 019.00
Depreciation and amortisation	5 980 719.00		2 276 989.00	19 027 228.00		27 284 916.00
Interest expense			18 592.00			18 592.00
Internal charges						-
Share of Surplus/(Deficit) of Segment	-14410152.38	-5633878.67	-100524964.3	104008019.6	0	-16 560 975.77
Taxation						
Actuarial Gain / (loss)				-115 958.00		-115 958.00
Surplus/deficit for the year	-14410152.38	-5633878.67	-100524964.3	103892061.6	0	-16 676 933.77
Other Information						
	Community and public services	Economic and environmental services	Trading Services	Other		Total
Segment assets	162 052 554.73	42 024 004.48	29 923 670.10	500 632 672.81		734 633 102.12
Cash and cash equivalents			1 895 926.32	4 100 747.05		5 996 673.37
Receivables from Exchange Transactions			6 086 537.80	11 532 448.53		17 618 986.33
Receivables from Non-Exchange Transactions				58 403 550.14		58 403 550.14
Inventories				2 530 578.00		2 530 578.00
Other Current Assets :Exchange				12 389 815.00		12 389 815.00
Property, plant and equipment	145 131 554.73	42 024 004.48	21 941 205.98	411 656 663.08		620 753 428.27
Heritage Assets				10 501.00		10 501.00
Investment property	16 921 000.00					16 921 000.00
Intangible assets				8 570.00		8 570.00
Segment liabilities			180 220 747.00	25 913 668.58		206 134 415.58
Trade and other payables			175 707 525.00	1 556 240.00		177 263 765.00
Provision				16 264 658.58		16 264 658.58
Consumer deposits			2 740 992.00			2 740 992.00
Other Non-current Liabilities			1 772 230.00			1 772 230.00
Other Non-current Liabilities				8 092 770.00		8 092 770.00
Additions to non-current assets						-
Non-cash expenses (included above)						-
Cash flows from operating activities				43 178 340.71		43 178 340.71
Cash flows from investing activities	-47 662 723.00					-47 662 723.00
Cash flows from financing activities				12 034.38		12 034.38

ULUNDI LOCAL MUNICIPALITY
ACCOUNTING POLICIES FOR THE PERIOD ENDED 30 JUNE 2023

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 9	Revenue From Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liability and Contingent Assets
GRAP 20	Related Party Disclosure
GRAP 21	Impairment of Non Cash Generating Assets
GRAP 23	Revenue From Non Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in the Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Non Generating Assets
GRAP 102	Intangible Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
I GRAP 1	Revenue Recognition (Traffic fines)
I GRAP 18	Recognition and Derecognition of Land

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

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

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and added and recorded to the nearest rand.

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in a statement of comparison of actual and budget to these financial statements and forms part of the audited annual financial statements.

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

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 104 Financial Instruments

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL - LAND

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Revaluation is performed every five years with the last valuation was performed 30 June 2020

2.2.2 SUBSEQUENT MEASUREMENT - COST MODEL - PROPERTY, PLANT AND EQUIPMENT

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Derecognition

The carrying amount of items of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	Old	New	Other	Old	New
Roads and Paving	10-20	10-50	Buildings	30	30-50
Pedestrian Malls	30	30	Air Conditioners	7	30
Transformer & Kiosks	25-30	25-30	Tractors	7	7-10
Sewerage	20	10-50	Office equipment	5	20
Mini Substation	25	25-30	Fire Engine	20	20
			Furniture and fittings	10	10-30
Community			Machinery and Equipment	7	7-30
Buildings	30	30-50	Tools	5	30
Outdoor facilities	10	10-50	Radio	5	10
			Computer equipment	5	5-10

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

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

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

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

Computer software

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

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

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INTANGIBLE ASSETS

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

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

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development is recognised when

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.

there are available technical, financial and other resources to complete the development and to use or sell the asset.

- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5

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

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

5 INVESTMENT PROPERTY

5.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. The values were determined by the Municipal Valuers, and Civil Engineers appointed for the purpose, and the valuation process was completed during the financial year ending 30 June 2021

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The values did not change significantly since there were no major infrastructure developments that could have affected the market values.

5.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises. The fair values are determined every five years using the General Valuation Roll

6 INVENTORIES

6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised using weighted average method. 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.

6.2 SUBSEQUENT MEASUREMENT

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

The 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.

7 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

7.1 INITIAL RECOGNITION

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument. The entity does not offset a financial asset or financial liability unless a legally enforceable right to offset the recognised amounts currently exist, and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. "Fair value methods and assumption. The fair values of financial instruments are determined as follows: The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unutilised securities), the company establishes fair value by using valuation techniques. These include the use of the recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs."

7.2 The effective interest rate

The effective interest rate method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

7.3 Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

7.4 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

7.4.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7.4.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.4.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

7.4.4 CASH AND CASH EQUIVALENTS

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

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

7.4.5 INITIAL RECOGNITION

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

8 UNAUTHORISED EXPENDITURE

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

9 IRREGULAR EXPENDITURE

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

10 FRUITLESS AND WASTEFUL EXPENDITURE

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

11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land). The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met: the principal locations affected; the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and when the plan will be implemented; and

(a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; - the principal locations affected; - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and - when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12 LEASES

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

12 Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value 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, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease 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.

12 Finance leases - lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

12 Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/ liability. Any contingent rents are expensed in the period they are incurred.

12 Operating leases - lessor

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

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

13 REVENUE

13 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

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

13 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations 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 qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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

13 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

14 CONSTRUCTION CONTRACTS AND RECEIVABLES

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

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

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

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

15 IMPAIRMENT OF ASSETS

15 Cash generating assets

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

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 cash-generating unit to which the asset belongs is determined.

The recoverable service 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.

Value in use:

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate:

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement:

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 as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. A 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.

15 Non-cash generating assets

Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. 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 cash-generating unit to which the asset belongs is determined. The recoverable service amount of an asset or a non-cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use:

Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach: Depreciated replacement cost approach: Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach:

Depreciation replacement cost approach:

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement:

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 as follows: to 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.

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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 cash-generating unit to which the asset belongs is determined.

The recoverable service 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 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. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for 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 as follows: - to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A 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. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

16 Employee benefits

16 Long service awards

The present value of the long service award depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The Projected Unit Credit funding method has been used to determine the value of this liability.

16 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

16 Defined contribution plans

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods. The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

17 Budget

The municipality's budget has been prepared on accrual basis method.

18 Commitments

Commitments are not recognised. Commitments are disclosed in the notes to the annual financial statements. A commitment is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

19 Value Added Tax

The municipality accounts for Value Added Tax on the cash basis.

20 Related parties

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

21 Events after reporting date

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provided evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note to the annual financial statements.

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2023

Note **2023** **2022**
R **R**

2 CASH AND CASH EQUIVALENTS

2.1 Cash and cash equivalents consist of the following:

Call Deposits

(FNB 62328066776 Electricity Sales Acc)	1 007 751.27	1 895 926.32
(FNB 62324120261 DME Account)	24 403.72	2 496.11
(FNB 62062833639 Housing Grant)	342 921.64	246 283.79
(FNB 62067492802 Conditional Grant)	44 913.72	1 668.75
(FNB 62064936093 FMG GRANT)	91.43	7 956.86
(FNB 62064936340 Statutory Funds)	4 000 450.46	371.97
(FNB 62067492943 MIG Funds)	1 805 690.30	2 616.28
(FNB 62179391190 Investment Acc Main)	249 989.46	3 240 840.78
	7 476 212.00	5 398 160.86

Cash at bank

Primary bank account	1 049 576.05	477 893.83
Salaries bank account	839.68	16 258.00
Credit card	-	-0.79
	1 050 415.73	494 151.04

Cash on hand

Petty cash	1 000.00	1 000.00
Main direct cashiers clearing account	28 885.00	102 953.47
	29 885.00	103 953.47

Total cash & cash equivalents

8 556 512.73 5 996 265.37

2.2 **Bank accounts**

The Municipality has the following bank accounts: -

First National Bank - Ulundi: 62035267609 1 049 576.05 477 894.00

2.3 **Current Account (Primary Bank Account)**

First National Bank - Ulundi: 62035267609

	Cash book	Bank Statement	Difference
	1049576.05	1 049 576.05	-
(FNB 62328066776 Electricity Sales Acc)	1007751.27	1 007 751.27	-
(FNB 62324120261 DME Account)	24403.72	24 403.72	-
(FNB 62062833639 Housing Grant)	342921.64	342 921.64	-
(FNB 62067492802 Conditional Grant)	44913.72	44 913.72	-
(FNB 62064936093 FMG GRANT)	91.43	91.43	-
(FNB 62064936340 Statutory Funds)	4000450.46	4 000 450.46	-
(FNB 62067492943 MIG Funds)	1805690.3	1 805 690.30	-
(FNB 62179391190 Investment Acc Main)	249989.46	249 989.46	-
(FNB 62033637846 Salaries)	839.68	839.68	-

First National Bank - Ulundi: 62035267609

	Cash book	Bank Statement	Difference
(FNB 62328066776 Electricity Sales Acc)	1 895 926.32	1 895 926.32	-
(FNB 62324120261 DME Account)	2 496.11	2 496.11	-
(FNB 62062833639 Housing Grant)	246 283.79	246 283.79	-
(FNB 62067492802 Conditional Grant)	1 668.75	1 668.75	-
(FNB 62064936093 FMG GRANT)	7 956.86	7 956.86	-
(FNB 62064936340 Statutory Funds)	371.97	371.97	-
(FNB 62067492943 MIG Funds)	2 616.28	2 616.28	-
(FNB 62179391190 Investment Acc Main)	3 240 840.78	3 240 840.78	-
(FNB 62033637846 Salaries)	16 258.00	16 258.00	-

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2023

	Note	2023 R	2022 R
3 CONSUMER RECEIVABLES			
3.1 CONSUMER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
	Gross Balances	Impairment	Net balance
	R	R	R
Trade receivables			
as at 30 June 2022			
Waste management & Electricity	26 623 476.00	-15 465 905.47	11 157 570.53
Service debtors: Income received in advance	6 086 537.80	-	5 076 513.00
Property rental debtors	374 878.00	-	553 394.00
	<u>33 084 891.80</u>	<u>-15 465 905.47</u>	<u>17 618 986.33</u>
Total Trade and other receivables			
as at 30 June 2023			
Service debtors	27 694 600.00	-16 414 439.56	11 280 160.44
Property rental debtors	427 305.00	-	427 305.00
Total	<u>28 121 905</u>	<u>-16 414 439.56</u>	<u>11 707 465.44</u>
Refuse: Ageing			
	2023	2022	
Current (0 – 30 days)	1 271 687.00	1 145 869.00	
31 - 60 Days	-51 633.00	-12 785.00	
61 - 90 Days	209 895.00	298 943.00	
91 - 120 Days	277 595.00	268 699.00	
121 Days and over	9 225 594.00	8 041 432.00	
Total	<u>10 933 138.00</u>	<u>9 742 158.00</u>	
Electricity and other: Ageing			
	2023	2022	
Current (0 – 30 days)	4 662 720.00	4 932 307.00	
31 - 60 Days	-33 501.00	-	
61 - 90 Days	198 575.00	785 307.00	
91 - 120 Days	238 902.00	309 964.00	
121 Days and over	12 122 071.00	10 853 740.00	
Total	<u>17 188 767.00</u>	<u>16 881 318.00</u>	

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2023

	Note	2023 R	2022 R
3.1.1 IMPAIRMENT RECONCILIATION OF CONSUMER RECEIVABLES			
		2023	2022
Balance at beginning of the year		66 721 174.33	57 264 603.51
Impairment during the year		24 470 157.37	9 456 570.82
Balance at end of year		91 191 331.70	66 721 174.33
3.1.2 Ageing of Impaired Consumer Receivables			
		2023	2022
31 - 60 Days			-
61 - 90 Days		73 252.04	100 063.45
91 - 120 Days		149 380.85	160 409.24
121 Days and over		13 935 075.33	15 205 432.00
		14 157 708.22	15 465 904.69
No Government debts have been provided for in above amounts as per the Municipal approved policy.			
Trade and other receivables impaired			
As of 30 June 2023, trade and other receivables of R58 362 451.80 were impaired and provided for.			
3.2 TRADE AND OTHER RECEIVABLES FROM NON EXCHANGE TRANSACTIONS			
3.2.1 Trade receivables as at 30 June 2022			
	Gross Balances	Impairment	Net balance
	R	R	R
Rates	92 232 210.00	-51 255 268.86	40 976 941.14
Interest on arrear debtors	17 426 609.00	-	17 426 609.00
	109 658 819	-51 255 268.86	58 403 550.14
Total Trade and other receivables as at 30 June 2023			
Rates	113 039 692.00	-74 776 891.36	38 262 800.64
Interest on arrear debtors	19 065 183.00	-	19 065 183.00
Total	132 104 875	-74 776 891.36	57 327 983.64
Total Trade and other receivables Rates & Interest on arrear debtors : Ageing			
	2023	2022	
Current (0 – 30 days)	144 864.00	5 465 898.00	
31 - 60 Days	-122 884.00	-54 202.00	
61 - 90 Days	1 455 739.00	1 103 903.00	
91 - 120 Days	1 876 671.00	2 429 275.00	
121 Days and over	128 750 485.00	100 713 945.00	
Total	132 104 875.00	109 658 819.00	
3.2.2 Ageing of Impaired Consumer Receivables			
	2023	2022	
31 - 60 Days			
61 - 90 Days	333 703.74	334 995.03	
91 - 120 Days	680 512.74	537 022.24	
121 Days and over	63 482 009.86	50 383 252.00	
	64 496 226.34	51 255 269.28	

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2023

Note	2023 R	2022 R
4 INVENTORIES	2023	2022
Opening balance	2 530 577.73	1 836 627.91
Consumables:Received	4 652 577.92	1 598 058.82
Stock adjustment	-4 580 653.98	-
Consumables:Issued	-	-904 109.00
Closing balance of inventories:	2 602 501.67	2 530 577.73
5 OTHER RECEIVABLES FROM -EXCHANGE TRANSACTIONS	2023	2022
VAT receivable not yet assessed	7 743 181.35	7 305 456.61
VAT receivable	2 038 482.00	1 688 957.47
Other debtors	3 374 723.45	3 395 401.00
	13 156 386.80	12 389 815.08

**LEUCLU LOCAL MUNICIPALITY
FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022**

6.06 INVESTMENT PROPERTY 4000 EQUIPMENT 30 JUNE 2022

Land	Buildings	Infrastructure	Roads	Stormwater	Electricity	Water - Distribution	Water - Borehole	Outdoors Facilities	Community/ Public Libraries	Assets Under Construction - Community - Construction/ Public	Assets Under Construction - Community - Outdoor Facilities	Furniture & Fittings	Machinery Equipment	Transport	Computer Equipment	Carrying Amount
Carry-over at 01 July 2021	174 885 000.00	42 942 914.59	91 897 556.95	12 729 051.38	22 825 130.00	1 460 500.00	41 620 963.11	89 811 855.84	-	22 205 877.37	95 868.44	1 181 170.00	3 168 376.87	1 119 069.67	810 156 932.32	
Construction	174 885 000.00	90 229 700.00	63 979 250.00	36 113 000.00	18 225 230.00	1 502 000.00	55 858 200.00	127 539 470.00	17 448 800.00	38 547 000.00	20 705 077.37	1 181 170.00	3 209 775.00	1 043 250.00	1 385 181 250.00	
Accumulated depreciation and impairment losses	-	-33 285 030.00	-67 561 746.75	-25 844 322.10	-15 265 031.00	-	-17 448 800.00	-38 547 000.00	-	-	-4 038 075.00	-7 754 840.00	-	-487 000.00	-84 252 739.75	
Movements for the period ended 30 June 2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movements for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions - Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Completed Project (C/L)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Under Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carry-over amount at 30 June 2022	174 885 000.00	41 654 103.59	92 388 806.10	12 700 208.00	22 800 842.50	1 460 500.00	41 620 963.11	89 811 855.84	-	22 205 877.37	95 868.44	1 181 170.00	3 168 376.87	1 119 069.67	810 156 932.32	
Construction	174 885 000.00	90 229 700.00	63 979 250.00	36 113 000.00	18 225 230.00	1 502 000.00	55 858 200.00	127 539 470.00	17 448 800.00	38 547 000.00	20 705 077.37	1 181 170.00	3 209 775.00	1 043 250.00	1 385 181 250.00	
Accumulated depreciation and impairment losses	-	-33 285 030.00	-67 561 746.75	-25 844 322.10	-15 265 031.00	-	-17 448 800.00	-38 547 000.00	-	-	-4 038 075.00	-7 754 840.00	-	-487 000.00	-84 252 739.75	
Plural year corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carry-over at 01 July 2022	174 885 000.00	41 654 103.59	92 388 806.10	12 700 208.00	22 800 842.50	1 460 500.00	41 620 963.11	89 811 855.84	-	22 205 877.37	95 868.44	1 181 170.00	3 168 376.87	1 119 069.67	810 156 932.32	
Construction	174 885 000.00	90 229 700.00	63 979 250.00	36 113 000.00	18 225 230.00	1 502 000.00	55 858 200.00	127 539 470.00	17 448 800.00	38 547 000.00	20 705 077.37	1 181 170.00	3 209 775.00	1 043 250.00	1 385 181 250.00	
Accumulated depreciation and impairment losses	-	-33 285 030.00	-67 561 746.75	-25 844 322.10	-15 265 031.00	-	-17 448 800.00	-38 547 000.00	-	-	-4 038 075.00	-7 754 840.00	-	-487 000.00	-84 252 739.75	

**LEUCLU LOCAL MUNICIPALITY
FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022**

Land	Buildings	Infrastructure	Roads	Stormwater	Electricity	Water - Distribution	Water - Borehole	Outdoors Facilities	Community/ Public Libraries	Assets Under Construction - Community - Construction/ Public	Assets Under Construction - Community - Outdoor Facilities	Furniture & Fittings	Machinery Equipment	Transport	Computer Equipment	Carrying Amount
Carry-over at 01 July 2022	174 885 000.00	41 654 103.59	92 388 806.10	12 700 208.00	22 800 842.50	1 460 500.00	41 620 963.11	89 811 855.84	-	22 205 877.37	95 868.44	1 181 170.00	3 168 376.87	1 119 069.67	810 156 932.32	
Construction	174 885 000.00	90 229 700.00	63 979 250.00	36 113 000.00	18 225 230.00	1 502 000.00	55 858 200.00	127 539 470.00	17 448 800.00	38 547 000.00	20 705 077.37	1 181 170.00	3 209 775.00	1 043 250.00	1 385 181 250.00	
Accumulated depreciation and impairment losses	-	-33 285 030.00	-67 561 746.75	-25 844 322.10	-15 265 031.00	-	-17 448 800.00	-38 547 000.00	-	-	-4 038 075.00	-7 754 840.00	-	-487 000.00	-84 252 739.75	
Plural year corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (C/L)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (Library/ Assets)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - PUL Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (C/L)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (Library/ Assets)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - PUL Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (C/L)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (Library/ Assets)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - PUL Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (C/L)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (Library/ Assets)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - PUL Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (C/L)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (Library/ Assets)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - PUL Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (C/L)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (Library/ Assets)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - PUL Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (C/L)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (Library/ Assets)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - PUL Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (C/L)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (Library/ Assets)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - PUL Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (C/L)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (Library/ Assets)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - PUL Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (C/L)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (Library/ Assets)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - PUL Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (C/L)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (Library/ Assets)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - PUL Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (C/L)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - Donated Assets (Library/ Assets)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - PUL Assets	-	-	-													

Note: All figures are pulled through Y

Note: All figures are pulled through

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ULUNDI LOCAL MUNICIPALITY		2023	2022
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023			
	Note	R	R
9 Consumer Deposit Electricity		2 813 904.50	2 740 662.36
10 TRADE AND OTHER PAYABLES			
Trade creditors (Unpresented cheques)		17 058 048.84	20 639 941.43
Bulk Purchase		157 746 755.27	131 062 119.89
Workmans Compensation Fund		10 097 952.50	4 438 251.77
Payments received in advance		6 056 527.80	6 056 527.80
Land Sales		8 736 254.00	10 636 308.62
Retention fees		6 416 441.54	3 392 905.36
Other creditors		437 934.56	186 880.23
Total Trade Payables		207 169 724.51	177 203 765.10
10.1 Provision:Leave			
Opening balance		15 206 279.26	14 202 600.04
Increase		-251 709.20	1 034 596.24
Reduction			
Total		15 054 570.06	15 237 196.28
10.2 Provision:bonus			
Opening		1 008 379.22	1 010 010.06
Change in bonus			-1 630.87
Total		1 008 379.22	1 008 379.22
TOTAL TRADE AND OTHER PAYABLES		223 181 584.04	193 528 423.88
11 LONG SERVICE LEAVE AWARDS			
Opening balance		9 885 000.00	9 284 000.00
Current service cost		788 000.00	782 000.00
Interest cost		1 128 000.00	1 007 000.00
Benefits paid		-1 772 230.00	-1 303 957.55
Actuarial loss/(Gain)		41 230.00	115 957.55
		10 048 000.00	9 885 000.00
Short term liability		754 868.55	1 175 235.30
Long term liability		9 293 131.45	8 092 770.00
Total		10 048 000.00	9 885 000.00
Benefits paid and Actuarial loss/(gain) amount differs from Actuarial report since the amount disclosed is actual benefits paid and the report shows 2022/2023 estimate.			
12.1 ACCUMULATED SURPLUS			
(Deficit)/surplus for the year		-27 811 051	-16 876 914.00
Other accumulated surplus		313 084 865	332 225 989.00
		285 283 833	315 349 045
12.2 Reserves			
Revaluation Reserves		122 132 313.12	122 132 313.00
		122 132 313.12	122 132 313.00
Investment property amount is the same as prior year since the last valuation roll including supplementary rolls were last updated in 2019.			
13 PROPERTY RATES			
Residential Properties		25 670 954.56	25 787 784.17
Business and Commercial Properties		20 018 140.30	20 320 401.40
Agricultural Property		6 219 996.20	5 223 814.20
State owned Properties		36 443 992.04	38 553 826.41
Rates receivables		7 782 659.56	-10 214 701.00
Total property rates		112 478 698.22	100 477 525

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

Note	2023		2022	
	R		R	
14 SERVICE CHARGES				
ELECTRICITY				
Electricity Consumption				
Total		61 380 765,94		63 400 755,26
		61 380 765,94		63 400 755,26
Waste Management				
Consumption Waste management		11 489 408,00		13 242 158,53
Less rebates on reuse		-1 267 352,84		-1 825 831,80
Total		9 933 891,84		11 399 497,21
Total Service Charges		74 780 787,46		74 830 223,39
15 RENTAL OF FACILITIES AND EQUIPMENT				
Market related		553 152,43		609 857,91
Non-market related		505 864,27		422 670,88
Total rentals		1 078 996,70		1 032 528,79
16 INTEREST EARNED - EXTERNAL INVESTMENTS				
Short term investments and call accounts		1 985 910,92		646 007,61
Total interest		1 985 910,92		646 007,61
17 INTEREST FROM RECEIVABLES				
Non-exchange receivables		2 531 149,37		3 188 080,92
Total interest		2 531 149,37		3 188 080,92
18 FINES, PENALTIES AND FORFEITS				
Fines	18.1	88 250,00		98 456,30
Forfeits	18.2	654 614,39		71 006,01
Total FINES, PENALTIES AND FORFEITS		740 864,39		167 597,21
18.1 Fines				
Traffic Fines		88 250,00		98 456,30
Municipal Fines		36 250,00		36 999,20
18.2 Penalties and Forfeits				
Illegal connections		592 079,39		311 362,00
Library overdue books forfeits		62 535,00		40 144,01
Total Fines		654 614,39		126 951,20
19 LICENCES AND PERMITS				
Agency fees		1 900 106,10		2 003 810,00
Licences & Permits		-		17 944,24
Total		1 900 106,10		2 021 754,24
20 TRANSFERS AND SUBSIDIES				
20.1 Operational				
Monetary Allocations		212 930 480,00		198 719 020,61
20.2 Capital				
Monetary Allocations		74 888 000,00		52 489 000,00
Total Government Grant and Subsidies		289 908 480,00		251 208 020,61
20.3 Monetary Allocations : Operational				
National Government				
Equity share		196 348 000,00		180 263 000,00
Integrated National Electrification Programme				
Allocation received		6 000 000,00		5 004 882,14
Amount spent		-6 000 000,00		-5 004 882,14
Balance		-		-
Finance Management Grant				
Allocation received		2 100 000,00		1 850 000,00
Amount spent		-2 100 000,00		-1 950 000,00
Balance		-		-
Expanded Public Works Programme				
Allocation received		4 711 000,00		3 660 000,00
Amount spent		-4 711 000,00		-3 660 000,00
Balance		-		-
Provincial Government				
Provincialization of Libraries				
Allocation received		1 083 000,00		935 000,00
Amount spent		-1 083 000,00		-935 000,00
Balance		-		-

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

	Note	2023 R	2022 R		
Community Library					
Allocation received		981 000,00	975 000,00		
Amount spent		(981 000,00)	(975 000,00)		
Balance		-	1 910 000,00		
Human Settlements					
Allocation received		951 480,00	1 937 037,00		
Amount spent		(951 480,00)	(5 927 037,00)		
Total		210 016 480,00	192 781 982,14		
20.4 Monetary Allocations : Municipal Infrastructure Grant					
Allocation received		74 888 000,00	55 400 000,00		
Amount spent		(74 888 000,00)	(52 486 000,00)		
Balance		-	-		
21 OPERATIONAL REVENUE					
Transaction Handling Fees		130 324,88	1 081 209,00		
Membership fees -Library		2 218,50	2 087,90		
Staff Recoveries		132 088,32	117 686,95		
Building Plan Approval		312 021,00	339 154,04		
Busary repayment		-	2 793,00		
Surplus cash		-	52 891,70		
Cemetery and Burial		84 400,91	-		
Clearance Certificate		128 345,81	279 086,15		
Photocopies and Faxes		22 704,98	15 688,88		
Greening award		-	100 000,00		
Total		790 202,00	2 389 396,92		
21.2 PROCEEDS FROM SALE OF LAND					
Proceeds from sale of land		2 108 289,77	-		
Total Gain / (Loss)		2 108 289,77	-		
22 Employees Related Costs					
22.1 Municipal Staff costs					
22.2 Senior managers					
Total		157 822 809,09	155 484 238,08		
22.1 Municipal Staff costs					
Basic Salary		90 895 283,81	87 785 881,09		
Bonus		6 884 186,14	7 078 888,72		
Service Related Benefits		4 258 992,32	2 781 032,63		
Allowances		9 381 927,04	8 604 857,32		
Bargain Council		41 007,80	38 108,80		
Pension		19 902 846,47	23 282 857,52		
Unemployment Insurance Fund		850 862,04	850 286,61		
Medical		8 448 914,36	8 948 977,82		
Total		149 721 899,92	149 207 822,81		
22.2 Senior Managers					
Remuneration of the Municipal Manager					
Basic Salary		800 258,28	804 903,82		
Allowances		210 390,29	118 973,39		
Acting allowance		-	104 344,28		
Pension		25 376,77	-		
Service related		26 220,75	-		
Unemployment Insurance Fund		1 564,08	1 564,08		
Total		954 149,77	1 119 489,37		
Remuneration of the Chief Finance Officer					
Basic Salary		155 517,21	155 517,21		
Allowances		144 555,36	144 287,04		
Pension		27 683,75	-		
Service related		28 604,46	-		
Unemployment Insurance Fund		2 125,44	-		
Total		1 058 289,82	954 453,94		
Remuneration of the Director Corporate Services					
Basic Salary		133 236,35	127 824,56		
Allowances		228 144,16	132 503,12		
Pension		20 782,81	-		
Service related		21 463,34	-		
Unemployment Insurance Fund		1 384,08	1 919,91		
Total		605 899,74	602 907,60		
Remuneration of Individual Executive Directors					
		Technical Services	Planning & Development	Community Services	Protection Services
		R	R	R	R
2023					
Basic Salary		520 733,07	1 056 328,11	855 517,81	501 034,01
Allowances		392 845,65	154 187,70	144 555,61	84 435,76
Bargain Council		898,40	-	-	-
Bonus		114 151,21	-	-	-
Medical		36 244,80	-	-	-
Pension		78 437,51	34 604,89	27 683,75	16 148,85
Service related		81 048,00	35 755,57	28 604,46	16 685,93
Unemployment Insurance Fund		898,53	2 125,44	2 125,44	1 230,84
Total		2 278 259,17	1 222 909,51	1 058 486,81	620 544,39
2022					
Basic Salary		818 041,36	805 041,36	809 041,36	425 996,26
Allowances		144 287,04	144 287,04	144 287,04	72 143,52
Unemployment Insurance Fund		2 125,44	2 125,44	2 125,44	1 062,72
Total		964 453,84	951 453,84	954 453,84	499 202,50
23 REMUNERATION OF COUNCILLORS					
				2023	2022
23.1 Executive Mayor					
Basic Salary				546 403,88	546 403,88
Cell Phone Allowance				44 400,00	44 400,00
Travelling Allowance				215 214,72	215 214,72
Medical Aid Benefits				17 280,00	17 280,00
Pension Fund Contribution				81 960,60	81 960,60
Total				905 259,20	905 259,20
23.2 Deputy Executive Mayor					
Basic Salary				434 118,24	434 118,24
Cell Phone Allowance				44 400,00	44 400,00
Travelling Allowance				172 172,04	172 172,04
Medical Aid Benefits				17 280,00	17 280,00
Pension Fund Contribution				81 171,76	88 717,76
Total				731 088,04	739 688,04
23.3 Speaker					
Basic Salary				424 118,24	423 977,52
Cell Phone Allowance				44 400,00	58 280,00
Travelling Allowance				172 172,04	186 672,43
Medical Aid Benefits				17 280,00	23 040,00
Pension Fund Contribution				60 117,76	68 007,45
Total				718 088,04	739 977,40
23.4 Chief Whip					
Basic Salary				209 682,36	286 344,00
Cell Phone Allowance				44 400,00	51 800,00
Travelling Allowance				90 048,24	109 376,28
Medical Aid Benefits				17 280,00	15 840,00
Pension Fund Contribution				32 982,36	41 227,95
Total				314 392,96	394 588,23
23.5 MPAC Chairperson					
Basic Salary				111 285,80	104 075,24
Cell Phone Allowance				44 400,00	58 500,00
Travelling Allowance				8 404,50	110 136,89
Medical Aid Benefits				17 280,00	1 600,00
Pension Fund Contribution				31 947,84	40 279,84
Total				203 317,94	214 592,97
23.6 Executive Committee Members					
Basic Salary				1 700 284,16	1 431 171,87
Cell Phone Allowance				288 400,00	255 300,00
Travelling Allowance				540 289,44	509 309,34

ULUNDI LOCAL MUNICIPALITY			
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023			
	Note	2023	2022
		R	R
Medical Aid Benefits		103 680.00	69 360.00
Pension Fund Contribution		197 894.16	189 083.30
Total		301 574.16	258 443.30
23.7 All Other Councillors Allowances and Service Related Benefits			
Basic Salary		5 916 796.14	5 906 641.55
Cell Phone Allowance		1 543 229.07	1 423 020.00
Travelling Allowance		2 442 509.99	2 182 847.30
Medical Aid Benefits		620 590.18	555 264.00

ULURDI LOCAL MUNICIPALITY			
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023			
	Note	2023	2022
		R	R
Pension Fund Contribution		811 567.08	763 951.79
Total		11 454 922.45	10 851 726.95
Total Councilors' Remuneration		17 022 236.22	16 834 574.52
24 DEPRECIATION, AMORTISATION AND IMPAIRMENT		2023	2022
24.1 AMORTISATION			
Intangible assets	8	5 234.17	8 418.75
24.2 DEPRECIATION			
Property, Plant and Equipment	8	65 726 167.83	27 276 496.90
Impairment loss		1 588 031.85	
Total Depreciation and Amortisation		71 548 433.85	27 276 496.90
25 FINANCE COST			
Interest on overdue		8 235 054.91	10 592.41
Total Finance Costs		8 235 054.91	10 592.42
26 BULK PURCHASES			
Electricity		113 324 246.98	113 844 451.02
Total Bulk Purchases		113 324 246.98	113 844 451.02
27 CONTRACTED SERVICES			
Consultants and Professional services	27.1	3 139 538.20	3 827 079.31
Contractors	27.2	33 503 467.06	54 502 260.24
Outsourced Services	27.3	27 637 929.45	32 109 523.48
Total Contracted services		64 280 934.71	90 438 863.03

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

	Note	2023 R	2022 R
27.1 Consultants and Professional services			
Engineering Services			
Electrical		1 849 854.00	1 915 476.67
Total: Engineering Services		1 849 854.00	1 915 476.67
Infrastructure and Planning Services			
Land and Quantity surveyors		-	315 890.63
Town planner		-	408 910.00
Total: Infrastructure and Planning Services		-	722 800.63
Legal Services			
Legal advice and litigation		1 789 654.29	1 768 891.71
Total: Legal advice and litigation		1 789 654.29	1 768 891.71
Total: Consultants and Professional services		3 139 538.29	3 827 078.31
27.2 Contractors			
General services			
Buildings		238 094.60	-
Audio visual services		673 898.30	1 453 226.52
Catering services		2 633 715.72	26 473.67
Traffic and street light		568 481.12	131 400.00
Total General services		4 114 189.74	1 611 100.19
Maintenance services			
Maintenance of equipment		603 616.93	581 531.22
Maintenance of unspecified assets		26 487 765.37	52 306 655.83
Total Maintenance services		27 091 382.30	52 888 187.05
Total Contractors		33 501 467.06	54 502 590.24
27.3 Outsourced Services			
Business and Advisory Services			
Commission and Committees		3 232 937.70	131 036.00
Project management		2 596 645.21	1 551 618.65
Research and advisory		500 260.00	807 386.00
Valuer		706 379.29	148 618.04
Total Business and advisory services		6 036 222.20	2 638 668.69
General Services			
Administrative and support staff		-	2 657 078.27
Burial services		1 628 323.12	1 398 481.30
Cleaning and grass cutting service		26 200.00	50 130.43
Catering Services		56 053.04	-
Hygiene services		53 085.97	55 887.51
LED items		-	2 156 000.00
Refuse removal		7 247 971.80	6 923 325.00
Security services		4 148 419.20	4 331 679.20
Total general services		13 162 053.13	17 573 382.11
Trading services			
Electrical		7 152 014.00	5 970 442.06
Housing projects		89 480.00	5 027 027.00
Total Trading services		8 041 494.00	11 897 469.06
Total outsources services		27 637 925.45	32 109 523.48
28 Operational Costs			
Gifts and promotional items		898.50	100 000.00
Bank accounts		472 564.50	163 431.30
Bursaries - employees		270 939.20	143 780.00
Radio and TV Transmission		5 191 552.57	3 385 787.29
Telephones, Fax, Telegraph and telex		629 465.70	814 479.85
Carrier and delivery services		84 258.00	247 821.14
Drivers licences and permits		305 533.00	389 669.00
External Audit Fees (MFMA125(1)(c))		3 355 649.00	2 835 798.20
Out of pocket expenses		30 000.00	-
System access & information		-	3 026.95
System advisor		-	1 834 787.58
System software and licences		4 251 752.34	1 916 066.98
Rental		236 885.86	151 757.69
Street lights		856 894.20	305 216.11
Hire charges		79.00	464 311.46
Permits		108 860.81	-
Incidental cash		2 241 561.29	1 587 544.71
Insurance Underwriting		483 101.65	-
Pollution control		618 388.70	1 485 138.70
Leadership & Internships		1 236 590.43	543 173.46
Municipal services		740 481.54	-
Printing, Publications and Books		21 341.00	14 886.96
Seminars, Conferences, Workshops and events		3 559 300.00	1 854 000.00
Remuneration to ward committees		5 600.00	6 400.00
Sitting allowance for traditional leaders		1 136 637.49	1 086 786.11
Skills Development Fund levy		7 416 724.83	7 506 714.88
Transport assets		1 104 800.10	-
Training		582 295.18	570 145.37
Accommodation		50 969.46	19 678.91
Food and Beverages		7 747.81	75 371.83
Air Transport		6234.96	2 412.86
Own Transport		1 453 376.02	163 096.53
Uniform and Protective clothing		4 424 148.18	3 432 847.24
Wet Fuel		5 629 571.08	1 337 156.49
Workman's compensation		-	7 963.22
Water charges		-	-
Total Operational Costs		46 326 167.62	32 431 124.89
29 Inventory Consumed			
Consumables		6 915 332.01	1 750 962.06
Total Inventory Consumed		6 915 332.01	1 750 962.06
30 Transfers & subsidies			
Grant in Aid		524 035.50	-
Total Transfers & subsidies		524 035.50	-
31.1 GAIN / (LOSS)			
Loss on sale of land		-	-
Actuarial gain/(loss)		41 230.00	115 957.55
Gain on sale of land		107 222.00	-
Total Gain / (Loss)		148 452.00	115 957.55
Benefits paid and Actuarial loss/(gain) amount differs from Actuarial report, since the amount disclosed is actual benefits paid and the report shows 2022/2023 estimate			

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

	Note	2023	2022
		R	R
32 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		27 811 051	-16 876 033,23
Depreciation and impairment		87 320 904	27 284 918,00
Increase/(decrease) in provision for annual leave and bonus		-251 800	1 051 958,00
Increase in provision for long service leave		80 531	581 000,00
Contribution to provisions - current		24 470 157	9 456 571,00
Finance costs		8 235 065	18 592,00
Interest earned		-1 985 911	-648 008,00
Operating surplus before working capital changes		10 017 924,76	21 068 093,37
(Increase)/decrease in inventories		-765 582	594 321,00
(Increase)/decrease in other receivables		29 604 960	26 677 791,53
(Increase)/decrease in trade payables		1 508 892	-8 166 652,00
(Increase)/decrease in receivables from exchange transactions		-18 989 965	-16 062 156,00
(Increase)/decrease in receivables from non-exchange transactions		2 519 330	-
Prior period year adjustment (Audit Adjustment)		209 630	-
Reclassification (Audit Adjustment)		-	-
Cash generated by/(utilised in) operations		19 391 907,34	42 479 803,90
33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL			
33.1 Unauthorised expenditure			
Reconciliation of unauthorised expenditure			
Opening balance -		-	-
Unauthorised expenditure incurred during the year		1 871 545,00	-
Less: Unauthorised expenditure written off - Prior year year		-	-
		1 871 545,00	-
33.1 Fruitless and wasteful expenditure			
Reconciliation of fruitless and wasteful expenditure			
Opening balance -		-	-
Fruitless incurred during the year		8 229 878,00	18 545,44
Fruitless and wasteful expenditure identified during the audit		1 604 000,00	-18 545,44
Less fruitless expenditure written off - Prior year year		-	-
		9 833 878,00	0,00
33.2 Irregular expenditure and Deviations			
33.2.1 Irregular expenditure			
Reconciliation of irregular expenditure			
Opening balance		1 013 235,10	16 158 315,05
Irregular expenditure - current year		28 431 482,00	33 109 264,10
Irregular expenditure identified during the audit		42 768 427,08	-
Less: Irregular expenditure written off - Current year		-28 431 482,00	-48 254 344,05
Less: Irregular expenditure written off - Prior year year		-1 013 235,10	-
Closing balance		42 768 427,08	1 013 235,10
34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE			
34.1 Audit fees			
Opening balance		-	-
Current year audit fee		3 392 649,00	2 835 798,20
Amount paid - current year		-	-
Balance unpaid (included in payables)		3 392 649,00	2 835 798,20
34.2 Councillor's arrear consumer accounts			
The following councillors have arrear accounts outstanding for	Total	Outstanding less than 90 days	Outstanding more than 90 days
as at 30 June 2023			
Cllr. TG Madala	729,96		
Cllr. AL Mgabhi	1350,75		
as at 30 JUNE 2022			
Cllr. TG Madala	729,96		
Cllr. AL Mgabhi	1350,75		
34.3 CAPITAL COMMITMENTS			
Commitments in respect of capital expenditure			
Community Assets committed and contracted for	2023	2022	
Commitments not yet contracted for	69 404 682,64	57 724 309,46	
Approved and contracted for	69 404 682,64	57 724 309,46	
34.4 Operating commitment			
Commitments	34 819 535,00	32 273 226,08	
	34 819 535,00	32 273 226,08	
34.5 PENSION FUND INFORMATION			
34.5.1 Defined contribution plan			
Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2015. The Actuary advised that the fund is 90.6% funded. The surcharge has been increased from 17% to 17.5% and the repayment period be extended from 5 to 8 years, at which time the deficit is expected to be fully funded.			

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

Note: 2023 2022
R R

34.5.2 SUPERANNUATION FUND

The Actuary advised that the valuation disclosed that, for the fund overall, the liabilities for service to the valuation date were 96% funded. The actuarial valuation disclosed that the fund was in deficit A surcharge of 9.5% of pensionable salaries has been imposed for 8 years from 1 March 2014 to meet the deficit.

The actuary has recommended the following:

It is recommended that the local authorities continue to pay the current contribution rate of 21.65% of pensionable salaries to be reviewed as at 31 March 2013

34.5.3 Provident Fund

The actuary is satisfied that the fund was in a sound financial condition as at 31 March 2012.

Certain Councilors and employees belong to defined benefit retirement funds.

35 CONTINGENCIES

35.1 CONTINGENT LIABILITY

Claim for damages

The following matters are currently on the roll of the high court and as at

Irisal Prasad VS Ulundi Municipality

Veslize Khomo

Isikom SA vs Ulundi

Praty C. Mkhize vs Ulundi Municipality and Minister of Police

	2023	2022
	21 000 000.00	21 000 000.00
	150 000.00	150 000.00
	250 000.00	250 000.00
	21 400 000.00	21 400 000.00
	400 000.00	400 000.00
	400 000.00	400 000.00
	800 000.00	800 000.00
TOTAL	22 000 000.00	22 200 000.00

35.2 CONTINGENT ASSET

Ulundi vs Mponqose Traditional Council

R & G Group of Consultants vs Ulundi Municipality

TOTAL

KEY SOURCES OF ESTIMATION UNCERTAINTY AND

No areas have involved a significant degree of estimation, uncertainty or judgements made by management in applying the municipalities accounting policies and that have a material and significant effect

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

Note	2023	2022
	R	R
36 DISTRIBUTION LOSSES		
The municipality incurred distribution losses on Electricity amounting to approximately 21 205 832 units for the period ended 30 June :		
Number of consumers (Residential and Commercial)		
Units purchased (kwh)	67 279 101,56	78659661,22
Units sold (total)	46 073 269,18	53 393 869
Units lost in distribution	21 205 832	25 265 792
% Lost in distribution	31,52%	32,12%
Average Cost per unit purchased (cents)	1,46	1,44730411
TOTAL COST OF DISTRIBUTION LOSSES	30 966 096	36 567 284
37 RISK MANAGEMENT	20 798 237,95	
	407 594,43	
Service Charges		
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or consumer contract, leading to finan	28 121 905,00	33 084 861,80
Cash and Cash Equivalents		
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks	8 556 512,73	5 996 265,00
Property Rates		
Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis	132 104 875,00	108 658 819,00
These balances represent the maximum exposure to credit risk		
Financial assets exposed to credit risk at year end were as follows:		
Call Deposits		
First National Bank Call investments	7 478 212,00	5 368 160,86
38 Liquidity risk		
Unpresented Cheques	17 656 948,64	20 838 821,43
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk		
39 Going Concern		
The Annual Financial Statements have been prepared on the assumption that this Municipality will continue to operate as a going concern for the next twelve months however it will continue to experience financial challenges due to the distribution loss on electricity which is sitting at 36% (Technical and Non- Technical) as disclosed in Note 36 of the Annual Financial Statements. Secondly this is also evidenced by current ratio (i.e. Current Assets / Current Liabilities) which is 0.47 : 1 against the norm of 2:1 in terms of MFMA Circular 71. This is attributable to the Eskom debt due by this Municipality which is sitting at R157 746 755,23. The Municipal approved Budget was assessed by both Provincial and National Treasuries and assessment results indicated that it was unfunded therefore a credible Budget Funding Plan as per Provincial Treasury assessment was developed and progress is reported to both Council and Treasury on a monthly basis. An Eskom debt relief application has been approved and positive results are earmarked which will in turn results to a funded and improved financial position pending debt writ-off.		

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

Note	2023	2022
	R	R

40 Operating Lease

The municipality has leased its fleet for the duration of 36 months
 No later than one year
 Later than one year and no later than five years

	2023	2022
	5 900 606.99	12 388 314.63

41 Related parties
 The municipality has the following related parties:

	Employee benefits	Post employment benefits	TOTAL
Senior Management			
Municipal Manager	902 542.65		902 542.65
Chief Financial Officer	1 002 198.41		1 002 198.41
Director Corporate Service	763 674.59		763 674.59
Director Technical Services	2 587 836.17		2 587 836.17
Director Planning & Development	1 252 639.25		1 252 639.25
Director Community Services	1 002 198.66		1 002 198.66
Director Protection Services	587 709.61		587 709.61
			8 088 799.34

42 Events after the reporting date
 During the asset verification exercise, it was discovered that damage and theft has taken place at Dikana Sports field. This could result to material impairment of the sports field in future periods. The quantum of financial loss due to this damage is yet to be determined by the municipality and insurance brokers.

43 Prior period error correction

43.1 Prior period error (PPE Cost and Accumulated Depreciation)

Effect of correction on depreciation charge
 Change in depreciation charge for current
 Change in depreciation charge for future periods

	13 032 943
	66 166 597

43 Prior period error correction

43.1 Prior period error (PPE Cost)
 Management discovered that depreciation was incorrectly calculated on assets that have reached their useful lives. Asset assessment exercise was conducted by consultants. Asset were identified during verification that were on the floor but not included in the FAR. These assets were then brought into FAR at fair values. Prior period error was corrected in 2021/22 financial period as follows:

43.2 There was also Prince Mangosuthu Regional Stadium that was identified to be incorrectly not recognised in 2011. The cost and accumulated depreciation was adjusted as follows:

Cost	10 000 272.00
Accumulated depreciation	-7 843 669.43

43.3 Library assets were donated by KZN Department of Art and Culture but were incorrectly not capitalised. These assets were recognised in the current year as follows:

Cost	323867
Accumulated depreciation	0

Summary of all prior period adjustments are as follows including Stadium:

Property, plant and equipment understated	15 962 562
Accumulated depreciation overstated	74 296 498
Accumulated surplus understated	-90 259 060
Accumulated depreciation overstated	-42 210
Accumulated surplus overstated	-42 210
Total	0
Accumulated surplus (Membership fees) overstated	-2 519 330
Membership Fees overstated	2 519 330
Total	0

Statement of Financial Position

	2022	As previously reported	Correction of error	Restated
Accumulated surplus		-315 530 034	-87 697 540.20	(403 227 574)
Property, Plant and Equipment (Accumulated depreciation)		-881 330 222	74 296 488.48	(807 033 733)
Property, Plant and Equipment (Cost)		1 411 824 570	15 962 581.72	1 427 787 151

43.2 Property, Plant and equipment classes were reclassified as a result of unbundling/componentisation of assets

The classes that were affected are as follows

	Balance as previously reported	Reclassification (Prior period correction)	Restated Balance	Balance as previously reported	Reclassification (Prior period correction)	Restated Balance
Buildings	86 253 301.04	1 098 493.71	87 349 795.05	-24 633 924.52	-744 420.01	62 671 450.53
Cemeteries/ Halls/ Libraries	145 539 893.74	-31 872 781.72	113 666 802.02	-52 040 714.59	7 480 834.09	61 646 921.52
Outdoor facilities	99 063 580.55	-20 718 676.56	78 344 903.99	-17 853 878.10	-8 277 276.26	60 491 025.89
Assets Under Construction - Community - Cemeteries/Halls/Libraries	-	17 384 565.49	17 384 565.49	-	-	17 384 565.49
Assets Under Construction - Community - Outdoor facilities	-	33 014 373.56	33 014 373.56	-	-	33 014 373.56
Roads	179 576 179.80	-785 744.55	7 835 415.31	-535 541 551.23	1 820 785.79	7 300 649.87
Stormwater	663 903 709.55	-1 892 000.00	-10 393 159.86	-25 788 304.81	664 000.00	638 117 404.74
Water - Boreholes	38 106 884.67	2 673 078.18	2 673 078.18	-5 614 834.90	-15 474.84	32 565 123.11
Machinery and Equipment	9 068 834.95	856 826.91	636 826.91	-2 330 552.81	233.89	407 104.89
Furniture & Fitting	4 275 614.68	292 047.70	258 094.28	-4 511 859.82	-233.89	4 061 511.67
Computer Equipment	7 014 805.24	31 619.39	65 772.72	-4 511 859.82	-233.89	2 538 627.41
	1 232 802 095.12	-0.00	310 858 466.23	-668 313 620.76	0.00	572 544 845.47

44.1.1 Change in accounting estimate
 Change/Review of useful lives
 Management discovered that assets which had reached their useful life were still in use. Assessment condition exercise was conducted by consultants and useful lives 1

	From	To
Roads and Paving	10-20	10-50
Transformer & Kloops	25-30	25-50
Sewerage	20	10-50
Mini Substation	25	25-30
Buildings	30	30-50
Outdoor facilities	10	10-50
Tractors	7	7 to 10
Furniture and fittings	10	10 to 30
Machinery and Equipment	7	7 to 30
Computer equipment	5	5-10

Effect of correction on depreciation charge
 Change in depreciation charge for current
 Change in depreciation charge for future periods

	13 032 943
	66 166 597

44.1.2 Reclassification
 There were no reclassification during 2021/2022 financial year

45 Construction contracts (INEP)
 Municipality is constructing an encirculation project at areas within are Eskom is

	2 021	Restated	2 022	Restated	2 023
Contract revenue	6 000 000.00	5 000 000.00	10 000 000.00	10 000 000.00	0.00
Contract expenses	-2 206 000.00	-5 000 000.00	-10 000 000.00	-10 000 000.00	0.00
(Deficit)/surplus	-3 806 000.00	-5 000 000.00	0.00	0.00	0.00

Deficit was recognised immediately to profit and loss as INEP grant was reduced through gazette to R6 000 000. This resulted to excess in expenses of R206 000 that were already committed and will not be recoverable.

ULUNDI LOCAL MUNICIPALITY		NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023		
		Note	2023	2022
			R	R
45.2	Construction contracts (HOUSING) Municipality is constructing housing project for Department of Human		Restated	Restated
	MSIBA RURAL HOUSING PROJECT PHASE II			
	Contract revenue		2 023	2 021
	Contract expenses			1 736 320.00
	(Deficit)/surplus			-1 736 320.00
	MUBANWA RURAL HOUSING PROJECT			
	Contract revenue		2 023	2 021
	Contract expenses		654 225.00	2 336 010.00
	(Deficit)/surplus		-68 505.00	-2 328 010.00
	MUEBELE RURAL HOUSING PROJECT			
	Contract revenue		2 023	2 021
	Contract expenses		758 855.00	192 940.00
	(Deficit)/surplus		-758 955.00	-1 923 850.00
	ZINGU RURAL HOUSING PROJECT			
	Contract revenue		2 023	2 021
	Contract expenses		5 083 872.00	29 488 166.00
	(Deficit)/surplus		-5 083 872.00	-29 488 166.00

