" The City of Heritage "

ULUNDI MUNICIPALITY

**ULUNDI LOCAL MUNICIPALITY**
(Registration number KZN266)
Annual Financial Statements
for the year ended 30 June 2024

These annual financial statements were prepared by:
M.N Mahlaba
Deputy Director: Budget and Reporting

## General Information

| | |
|---|---|
| **Legal form of entity** | Local Municipality |
| **Nature of business and principal activities of the municipality are service delivery, rates and waster management** | The main business operations of the Municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and provision of the following services to the community rates and general service - Types of services rendered by the Municipality are provision of refuse collection and electricity. The mandate of the municipality is in terms of section 152of the RSA Constitution. |
| **Honourable Mayor** | Councillor W M Ntshangase (M) |
| Deputy Mayor | Councillor T G Madela (F) |
| Honourable Speaker | Councillor S M Buthelezi (M) - EXCO Ex Officio Member |
| Member of the Executive Committee | Councillor S N Buthelezi (M) |
| | Councillor S S Siwela (M) |
| | Councillor M S Gcaba (M) |
| | Councillor M B Buthelezi (M) |
| | Councillor J B Mlotshwa (F) |
| | Councillor S M Khuzwayo (M) |
| | Councillor M R Dubazane (M) |
| | Councillor M S Buthelezi (M) (Chief Whip) |
| Ordinary Council Members | Councillor C K Zungu (M)-(MPAC Chairperson) |
| | Councillor N D Masondo (M) |
| | Councillor P M Mthethwa (M) |
| | Councillor L D Khumalo (M) |
| | Councillor J E Xulu (M) |
| | Councillor A M Sibiya (M) |
| | Councillor T Ndlela (M) |
| | Councillor M D Xulu (M) |
| | Councillor M Mkhize (M) |
| | Councillor N E Madela (F) |
| | Councillor T D Sikhakhane (M) |
| | Councillor F M Dlamini (M) |
| | Councillor F Ndawonde (M) |
| | Coucillor M I Ngcobo (M) |
| | Councillor L K Mbatha (M) |
| | Councillor S B Mhlongo (M) |
| | Councillor S D Siyaya (M) |
| | Councillor S W Mkhize (M) |
| | Councillor T P Khanyile (M) |
| | Councillor S M Xulu (M) |
| | Councillor N E Dhlamini (M) |
| | Councillor T V Nxumalo (M) |
| | Councillor T J Mnqele (F) |
| | Councillor F M Buthelezi (M) |
| | Councillor S Ntshingila (F) |
| | Councillor B S Khanyile (M) |
| | Councillor T M Khumalo (M) |
| | Councillor H I Mkhize (F) |
| | Councillor M N Mgabhi (F) |

# General Information

| | |
|---|---|
| | Councillor S S Ntombela (M)<br>Councillor M B Ntombela (F)<br>Councillor J S Mhlongo (M)<br>Councillor X N Sithole (M)<br>Councillor M O Zungu (M)<br>Councillor M Magubane (M)<br>Councillor T M Zungu (M) |
| **Grading of local authority** | Grade 3<br>Low Capacity |
| **Municipal Manager** | Mr S M Khomo |
| **Chief Finance Officer (CFO)** | Mr J H Mhlongo |
| **Registered office** | Cnr Princess Magogo & King Zwelithini Streets<br>Ulundi<br>3838 |
| **Business address** | Cnr Princess Magogo & King Zwelithini Streets<br>Ulundi<br>3838 |
| **Bankers** | First National Bank |
| **Auditors** | Auditor General of South Africa |
| **Preparer** | The annual financial statements were internally compiled by:<br>M.N Mahlaba<br>Deputy Director: Budget and Reporting |
| **Telephone Number:** | +27 35 874 5100 |
| **E-mail address:** | skhomo@ulundi.gov.za |

" The City of Heritage "

# 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 the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements 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 are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

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

**S M Khomo**
**MUNICIPAL MANAGER**

# Index

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



**Abbreviations used:**

| | |
|---|---|
| GRAP | Generally Recognised Accounting Practice |
| MFMA | Municipal Finance Management Act |
| mSCOA | Municipal Standard Chart of Accounts |

# Statement of Financial Position as at 30 June 2024

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 2 | 4 872 121 | 8 556 513 |
| Receivables from exchange transactions | 3 | 1 901 236 | 3 246 122 |
| Receivables from non-exchange transactions | 4 | 13 363 418 | 12 653 436 |
| Inventories | 5 | 3 447 855 | 2 602 502 |
| Other statutory receivables | 6 | - | 3 680 367 |
| VAT Receivable (Input VAT) | 7 | 64 178 245 | 57 914 373 |
| Other receivables (Indigent) | 8 | 3 676 081 | 3 676 081 |
| | | **91 438 956** | **92 329 394** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 9 | 587 131 583 | 623 957 548 |
| Heritage assets | 10 | 10 501 | 10 501 |
| Investment property | 11 | 16 921 000 | 16 921 000 |
| Intangible assets | 12 | 2 875 | 3 382 |
| | | **604 065 959** | **640 892 431** |
| Non-Current Assets | | 604 065 959 | 640 892 431 |
| Current Assets | | 91 438 956 | 92 329 394 |
| **Total Assets** | | **695 504 915** | **733 221 825** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Payables from exchange transactions | 13 | 243 699 560 | 199 825 916 |
| VAT Payable (Input VAT) | 14 | 56 335 493 | 48 132 709 |
| Provisions | 15 | 16 414 083 | 16 012 858 |
| Consumer deposits | 16 | 2 829 976 | 2 813 995 |
| Long service leave award | 17 | 526 236 | 724 469 |
| Unspent conditional grants | 18 | 85 311 | - |
| Income received in advance | 19 | 6 187 208 | 7 342 803 |
| | | **326 077 867** | **274 852 750** |
| **Non-Current Liabilities** | | | |
| Long service leave award | 17 | 8 160 764 | 9 323 532 |
| Non-Current Liabilities | | 8 160 764 | 9 323 532 |
| Current Liabilities | | 326 077 867 | 274 852 750 |
| **Total Liabilities** | | **334 238 631** | **284 176 282** |
| Assets | | 695 504 915 | 733 221 825 |
| Liabilities | | (334 238 631) | (284 176 282) |
| **Net Assets** | | **361 266 284** | **449 045 543** |
| Reserves | | | |
| Reserves | | 122 732 313 | 122 732 313 |
| Accumulated surplus | | 238 533 971 | 326 313 230 |
| **Total Net Assets** | | **361 266 284** | **449 045 543** |

# Statement of Financial Performance

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Rental of facilities and equipment | 20 | 1 128 639 | 1 078 597 |
| Licenses | 21 | 1 705 616 | 1 909 105 |
| Proceeds from sale of land | 22 | - | 2 108 289 |
| Service charges | 23 | 86 668 805 | 74 780 788 |
| Operational Revenue | 24 | 723 767 | 790 202 |
| Interest earned - external | 25 | 2 318 271 | 1 965 911 |
| Actuarial gains | 26 | 2 637 430 | - |
| **Total revenue from exchange transactions** | | **95 182 528** | **82 632 892** |
| **Revenue from non-exchange transactions** | | | |
| **Taxation revenue** | | | |
| Property rates | 27 | 114 343 051 | 112 470 596 |
| Interest on receivables | 28 | 2 366 456 | 2 531 150 |
| Interest recovered | 6 | - | 3 680 367 |
| **Transfer revenue** | | | |
| Government grants & subsidies | 29 | 324 753 396 | 286 908 460 |
| Fines, Penalties and Forfeits | 30 | 257 624 | 740 864 |
| **Total revenue from non-exchange transactions** | | **441 720 527** | **406 331 437** |
| | | 95 182 528 | 82 632 892 |
| | | 441 720 527 | 406 331 437 |
| **Total revenue** | | **536 903 055** | **488 964 329** |
| **Expenditure** | | | |
| Employee related costs | 31 | (167 307 338) | (157 822 699) |
| Remuneration of councillors | 32 | (17 705 076) | (17 022 236) |
| Depreciation, impairment and amortisation | 33 | (85 747 416) | (67 320 904) |
| Finance costs | 34 | (2 312 489) | (8 235 095) |
| Provision for bad debts adjustment | 35 | (22 914 634) | (20 292 170) |
| Bad debts written off | 35 | (1 691 498) | (6 704 660) |
| Bulk purchases | 36 | (133 592 320) | (113 324 249) |
| Contracted services | 37 | (140 077 036) | (64 280 935) |
| Transfers and Subsidies | 38 | (286 388) | (524 036) |
| Actuarial (loss) | 39 | - | (148 522) |
| General expenses | 40 | (44 692 021) | (46 326 188) |
| Inventory consumed | 41 | (8 671 247) | (6 915 333) |
| **Total expenditure** | | **(624 997 463)** | **(508 917 027)** |
| | | - | - |
| Total revenue | | 536 903 055 | 488 964 329 |
| Total expenditure | | (624 997 463) | (508 917 027) |
| Operating surplus/deficit | | - | - |
| Deficit before taxation | | (88 094 408) | (19 952 698) |
| Taxation | | - | - |
| **Deficit for the year** | | **(88 094 408)** | **(19 952 698)** |

## Statement of Changes in Net Assets

| Figures in Rand | Revaluation reserve | Accumulated surplus / deficit | Total net assets |
|---|---|---|---|
| Opening balance as previously reported | 122 732 313 | 403 246 574 | 525 978 887 |
| Adjustments | | | |
| Correction of errors 50 | - | (64 656 680) | (64 656 680) |
| **Balance at 01 July 2022 as restated*** | **122 732 313** | **338 589 894** | **461 322 207** |
| Changes in net assets | | | |
| Surplus/(deficit) for the year | - | (19 592 698) | (19 592 698) |
| Total changes | - | (19 592 698) | (19 592 698) |
| **Restated* Balance at 01 July 2023** | **122 732 313** | **326 313 230** | **449 045 543** |
| Changes in net assets | | | |
| Surplus/ (deficit) for the year | - | (88 094 408) | (88 094 408) |
| Donated property, plant and equipment | - | 315 149 | 315 149 |
| Total changes | - | (87 779 259) | (87 779 259) |
| **Balance at 30 June 2024** | **122 732 313** | **238 533 971** | **361 266 284** |

# Cash Flow Statement

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Property rates and other receipts from non-exchange transactions | | 95 919 875 | 83 705 866 |
| Service charges and other receipts from exchange transactio | | 103 575 131 | 90 593 874 |
| Transfers and subsidies | | 324 838 707 | 286 908 460 |
| Interest received | | 2 318 271 | 1 965 911 |
| | | 526 651 984 | 463 174 111 |
| **Payments** | | | |
| Employee and councillors | | (183 334 759) | (174 954 964) |
| Suppliers, service providers and other | | (296 614 935) | (211 723 441) |
| Finance costs | | (2 312 489) | (8 235 095) |
| Transfers and subsidies | | (286 388) | (524 036) |
| | | (482 548 571) | (395 437 536) |
| Total receipts | | 526 651 984 | 463 174 111 |
| Total payments | | (482 548 571) | (395 437 536) |
| **Net cash flows from operating activities** | 42 | **44 103 413** | **67 736 575** |
| **Cash flows from investing activities** | | | |
| Purchase of property plant and equipment | 9 | (47 787 798) | (67 280 277) |
| Proceeds from sale of PPE, Investment propertys and other | 9 | - | 2 108 289 |
| **Net cash flows from investing activities** | | **(47 787 798)** | **(65 171 988)** |
| **Cash flows from financing activities** | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **(3 684 385)** | **2 564 587** |
| Cash and cash equivalents at the beginning of the year | | 8 556 513 | 5 996 265 |
| **Cash and cash equivalents at the end of the year** | 2 | **4 872 128** | **8 560 852** |

# Ulundi Local Municipality
(Registration number KZN266)
Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Sale of goods | 694 000 | - | **694 000** | - | **(694 000)** | Note 56 |
| Rental of facilities and equipment | - | - | **-** | 1 128 639 | **1 128 639** | Note 56 |
| Interest received (trading) | 2 991 000 | (2 991 000) | **-** | 2 318 271 | **2 318 271** | Note 56 |
| interest earned from non current | 1 258 000 | 500 000 | **1 758 000** | 2 366 456 | **608 456** | Note 56 |
| Agency services | - | 1 895 000 | **1 895 000** | - | **(1 895 000)** | Note 56 |
| Licenses and permits | 1 895 000 | (1 895 000) | **-** | 1 705 616 | **1 705 616** | Note 56 |
| Rental income | 1 134 000 | - | **1 134 000** | - | **(1 134 000)** | Note 56 |
| Service charges | 103 518 000 | - | **103 518 000** | 86 668 805 | **(16 849 195)** | Note 56 |
| Operational revenue | 18 120 000 | 4 996 000 | **23 116 000** | 723 676 | **(22 392 324)** | Note 56 |
| **Total revenue from exchange transactions** | **129 610 000** | **2 505 000** | **132 115 000** | **94 911 463** | **(37 203 537)** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Taxation revenue** | | | | | | |
| Property rates | 115 343 000 | - | **115 343 000** | 114 343 051 | **(999 949)** | Note 56 |
| **Transfer revenue** | | | | | | |
| Government grants & subsidies | 257 385 000 | 10 365 000 | **267 750 000** | 324 753 396 | **57 003 396** | Note 56 |
| Fines, Penalties and Forfeits | 105 000 | 203 000 | **308 000** | 257 624 | **(50 376)** | Note 56 |
| Interest - Transfer revenue | - | 2 991 000 | **2 991 000** | - | **(2 991 000)** | Note 56 |
| Actuarial Gains | - | - | **-** | 2 637 430 | **2 637 430** | Note 56 |
| **Total revenue from non-exchange transactions** | **372 833 000** | **13 559 000** | **386 392 000** | **441 991 501** | **55 599 501** | |
| 'Total revenue from exchange transactions' | 129 610 000 | 2 505 000 | **132 115 000** | 94 911 463 | **(37 203 537)** | Note 56 |
| 'Total revenue from non-exchange transactions' | 372 833 000 | 13 559 000 | **386 392 000** | 441 991 501 | **55 599 501** | Note 56 |
| **Total revenue** | **502 443 000** | **16 064 000** | **518 507 000** | **536 902 964** | **18 395 964** | |
| **Expenditure** | | | | | | |
| Employee related cost | (171 262 000) | - | **(171 262 000)** | (167 307 338) | **3 954 662** | Note 56 |
| Remuneration of councillors | (17 615 000) | (301 000) | **(17 916 000)** | (17 705 076) | **210 924** | Note 56 |
| Depreciation and amortisation | (21 425 000) | (40 103 121) | **(61 528 121)** | (85 747 416) | **(24 219 295)** | Note 56 |
| Finance costs | (1 000 000) | (1 341 258) | **(2 341 258)** | (2 312 489) | **28 769** | Note 56 |
| Debt Impairment | - | - | **-** | (22 914 634) | **(22 914 634)** | Note 56 |
| Bad debts written off | (13 918 000) | - | **(13 918 000)** | (1 691 498) | **12 226 502** | |
| Bulk purchases | (136 275 000) | - | **(136 275 000)** | (133 592 320) | **2 682 680** | Note 56 |
| Contracted Services | (40 965 000) | (46 196 793) | **(87 161 793)** | (140 077 036) | **(52 915 243)** | Note 56 |
| Transfers and Subsidies | - | (293 789) | **(293 789)** | (286 388) | **7 401** | |
| Inventory consumed | (4 161 000) | (4 525 536) | **(8 686 536)** | (8 671 247) | **15 289** | |
| General Expenses | (49 047 000) | 4 559 486 | **(44 487 514)** | (44 691 930) | **(204 416)** | |
| **Total expenditure** | **(455 668 000)** | **(88 202 011)** | **(543 870 011)** | **(624 997 372)** | **(81 127 361)** | |
| | - | - | **-** | (88 094 408) | **(88 094 408)** | Note 56 |

# Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| | - | - | - | - | - | Note 56 |
| **Deficit before taxation** | **-** | **-** | **-** | **(88 094 408)** | **(88 094 408)** | |
| Surplus before taxation | - | - | - | (88 094 408) | (88 094 408) | Note 56 |
| Taxation | - | - | - | - | - | |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | **-** | **-** | **-** | **(88 094 408)** | **(88 094 408)** | |

**Reconciliation**

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| **Current Assets** | | | | | | |
| Inventories | 2 186 000 | 1 351 300 | **3 537 300** | 3 447 855 | **(89 445)** | |
| Receivables from exchange transactions | 44 874 000 | (19 529 366) | **25 344 634** | 7 397 460 | **(17 947 174)** | Note 56 |
| Receivables from non-exchange transactions | 52 068 000 | 9 973 119 | **62 041 119** | 7 867 194 | **(54 173 925)** | Note 56 |
| VAT receivable | 48 713 000 | (41 631 191) | **7 081 809** | 64 178 245 | **57 096 436** | Note 56 |
| Other receivables (Indigent) | - | - | **-** | 3 676 081 | **3 676 081** | Note 56 |
| Cash and cash equivalents | 7 019 000 | (1 862 968) | **5 156 032** | 4 872 121 | **(283 911)** | Note 56 |
| | **154 860 000** | **(51 699 106)** | **103 160 894** | **91 438 956** | **(11 721 938)** | |
| **Non-Current Assets** | | | | | | |
| Investment property | 16 921 000 | - | **16 921 000** | 16 921 000 | **-** | |
| Property, plant and equipment | 549 887 000 | 169 | **549 887 169** | 587 131 583 | **37 244 414** | Note 56 |
| Intangible assets | 9 000 | (196) | **8 804** | 2 875 | **(5 929)** | Note 56 |
| Heritage assets | 11 000 | (499) | **10 501** | 10 501 | **-** | Note 56 |
| | **566 828 000** | **(526)** | **566 827 474** | **604 065 959** | **37 238 485** | |
| Non-Current Assets | 566 828 000 | (526) | **566 827 474** | 604 065 959 | **37 238 485** | |
| Current Assets | 154 860 000 | (51 699 106) | **103 160 894** | 91 438 956 | **(11 721 938)** | |
| **Total Assets** | **721 688 000** | **(51 699 632)** | **669 988 368** | **695 504 915** | **25 516 547** | |
| **Liabilities** | | | | | | |
| **Current Liabilities** | | | | | | |
| Payables from exchange transactions | 158 956 000 | (15 440 790) | **143 515 210** | 243 699 560 | **100 184 350** | Note 56 |
| Taxes and transfers payable (non-exchange) | - | - | **-** | 56 335 493 | **56 335 493** | Note 57 |
| VAT payable | 18 804 000 | (18 804 000) | **-** | 56 335 493 | **56 335 493** | Note 56 |
| Consumer deposits | 2 741 000 | 3 | **2 741 003** | 2 829 976 | **88 973** | Note 56 |
| Long service leave award | - | - | **-** | 526 236 | **526 236** | Note 56 |
| Unspent conditional grants | - | - | **-** | 85 311 | **85 311** | Note 56 |
| Provisions | 17 934 000 | (988 141) | **16 945 859** | 16 414 083 | **(531 776)** | Note 56 |
| Income received in advance | - | - | **-** | 6 187 208 | **6 187 208** | Note 56 |
| Long service leave award | - | 600 000 | **600 000** | - | **(600 000)** | Note 56 |
| | **198 435 000** | **(34 632 928)** | **163 802 072** | **382 413 360** | **218 611 288** | |
| **Non-Current Liabilities** | | | | | | |
| Long service leave award | 8 195 000 | 1 128 532 | **9 323 532** | 8 160 764 | **(1 162 768)** | Note 56 |
| Provisions | - | 1 128 292 | **1 128 292** | - | **(1 128 292)** | Note 56 |
| | **8 195 000** | **2 256 824** | **10 451 824** | **8 160 764** | **(2 291 060)** | |
| | 198 435 000 | (34 632 928) | **163 802 072** | 382 413 360 | **218 611 288** | |
| | 8 195 000 | 2 256 824 | **10 451 824** | 8 160 764 | **(2 291 060)** | |
| | - | - | **-** | - | **-** | |
| **Total Liabilities** | **206 630 000** | **(32 376 104)** | **174 253 896** | **390 574 124** | **216 320 228** | |
| Assets | 721 688 000 | (51 699 632) | **669 988 368** | 695 504 915 | **25 516 547** | |

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| Liabilities | (206 630 000) | 32 376 104 | **(174 253 896)** | (390 574 124) | **(216 320 228)** | |
| **Net Assets** | **515 058 000** | **(19 323 528)** | **495 734 472** | **304 930 791** | **(190 803 681)** | |
| **Net Assets** | | | | | | |
| **Net Assets Attributable to Owners of Controlling Entity** | | | | | | |
| **Reserves** | | | | | | |
| Revaluation reserve | 515 056 000 | (191 388 000) | **323 668 000** | 122 732 313 | **(200 935 687)** | |
| Accumulated surplus | - | 172 064 472 | **172 064 472** | 238 533 971 | **66 469 499** | |
| **Total Net Assets** | **515 056 000** | **(19 323 528)** | **495 732 472** | **361 266 284** | **(134 466 188)** | |

# Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Cash Flow Statement** | | | | | | |
| **Cash flows from operating activities** | | | | | | |
| **Receipts** | | | | | | |
| Sale of goods and services | 229 516 000 | 5 303 000 | **234 819 000** | 199 495 006 | **(35 323 994)** | Note 56 |
| Grants | 257 385 000 | 10 365 000 | **267 750 000** | 324 838 707 | **57 088 707** | Note 56 |
| Interest income | 1 258 000 | 500 000 | **1 758 000** | 2 318 271 | **560 271** | Note 56 |
| | **488 159 000** | **16 168 000** | **504 327 000** | **526 651 984** | **22 324 984** | |
| **Payments** | | | | | | |
| Employee costs | (188 877 000) | (301 300) | **(189 178 300)** | (183 334 759) | **5 843 541** | Note 56 |
| Suppliers | (251 728 000) | 5 768 906 | **(257 496 906)** | (296 901 321) | **(39 404 415)** | Note 56 |
| Finance costs | (1 000 000) | (1 341 258) | **(2 341 258)** | (2 312 489) | **28 769** | Note 56 |
| | **(441 605 000)** | **4 126 348** | **(449 016 464)** | **(482 548 569)** | **(33 532 105)** | |
| Total receipts | 488 159 000 | 16 168 000 | **504 327 000** | 526 651 984 | **22 324 984** | |
| Total payments | (441 605 000) | 4 126 348 | **(449 016 464)** | (482 548 569) | **(33 532 105)** | |
| **Net cash flows from operating activities** | **46 554 000** | **20 294 348** | **55 310 536** | **44 103 415** | **(11 207 121)** | |
| **Cash flows from investing activities** | | | | | | |
| Purchase of other asset | (46 892 000) | (7 435 000) | **(54 327 000)** | (47 787 798) | **6 539 202** | Note 56 |
| Net increase/(decrease) in cash and cash equivalents | (338 000) | 12 859 348 | **983 536** | (3 684 383) | **(4 667 919)** | |
| Cash and cash equivalents at the beginning of the year | 5 996 000 | - | **5 996 000** | 8 556 513 | **2 560 513** | |
| **Cash and cash equivalents at the end of the year** | **5 658 000** | **12 859 348** | **6 979 536** | **4 872 130** | **(2 107 406)** | |

**Reconciliation**

# Significant Accounting Policies



## 1. Basis of Accounting

### 1.1 Basis of preparation

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 Contigent Assets |
| GRAP 20 | Related Party Disclosure |
| GRAP 21 | Impairment of Non Cash Generating Assets |
| GRAP 23 | Revenue From Non Exchange Transactions (Taxes and Trasfers) |
| 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 Recievables |
| GRAP 109 | Accounting by Principals and Agents |
| iGRAP 1 | Revenue Recognition (Traffic fines) |
| iGRAP 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 based 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.

# Significant Accounting Policies

### 1.4 Comparative Information (continued)

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 Standard, 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.

### 1.6 Property, plant and equipment

**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, plan 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.

**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 revaluataion.

An increase in the carrying amount of an asset as a result of a revaluatation 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.

**Subsequent Measurement - Cost Model - Property, Plant And Equipment.**

# Significant Accounting Policies

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

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 de- recognises 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. 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.

**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:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Infrastructure | Straight-line | |
| • Roads and Paving | | 10-50 |
| • Pedestrian Malls | | 30 |
| • Transformer & Kiosks | | 25-30 |
| • Sewerage | | 10-50 |
| • Mini Substation | | 25-30 |
| Community | Straight-line | |
| • Buildings | | 30-50 |
| • Outdoor Facilities | | 10-50 |
| Other | Straight-line | |
| • Buildings | | 30-50 |
| • Air Conditioners | | 30 |
| • Tractors | | 7-10 |
| • Office Equipment | | 20 |
| • Fire Engine | | 20 |
| • Furniture And Fittings | | 10-30 |
| • Machinery And Equipment | | 7-30 |
| • Tools | | 30 |
| • Radio | | 10 |
| • Computer Equipment | | 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.

## Significant Accounting Policies

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

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.

### 1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, 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.

The municipality assesses the profitability 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.

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.

**Subsequent Measurement - Cost Model**
Intangible assets are subsequently carried at cost less accumulated amoritisation 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.

## Significant Accounting Policies

### 1.7 Intangible assets (continued)

**Amortisation And Impairment**
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 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.

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.

### 1.8 Investment property

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 affect the market values.

**Subsequent Measurement - Fair Value Model**.

# Significant Accounting Policies

### 1.8 Investment property (continued)

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.

### 1.9 Inventories

**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.

**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.

### 1.10 Financial instruments

The municipality has various types of financial instruments and these can be broadly catergorised 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.

**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 setlle 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, refference 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."

**The Effective Interest Rate**.

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

# Significant Accounting Policies

**1.10 Financial instruments (continued)**

**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.

**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..

**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.

**Trade Payables And Borrowings**

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

**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 liabilties carried at amortised cost.

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.

# Significant Accounting Policies

### 1.11 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.

### 1.12 Irregular expenditure

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

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.13 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.14 Provisions and contingencies

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.

- 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
- 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.

### 1.15 Leases

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

### 1.15 Leases (continued)

#### 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.

#### 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.

#### 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

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

#### Operating leases - lessee

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

# Significant Accounting Policies

### 1.16 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.

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.

### 1.17 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 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.

### 1.18 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.

# Significant Accounting Policies

### 1.19 Construction contracts

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.
.

### 1.20 Impairment of 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 municpality 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.

### 1.21 Impairment of 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.

## Significant Accounting Policies

**1.21 Impairment of non-cash-generating assets (continued)**

**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 municpality 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.

# Significant Accounting Policies

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

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.

### 1.22 Employee benefits

**Long Service Award**
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.

**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 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.

**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.

### 1.23 Budget information

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

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

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives.

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

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements.

### 1.24 Commitments

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

### 1.25 Value AddedTax

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

### 1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As as 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.

### 1.27 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.

### 1.28 Heritage assets

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

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

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

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

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

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

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

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 2. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 3 150 | 29 885 |
| Cash at bank | 1 237 123 | 1 050 416 |
| Call deposits | 3 631 848 | 7 476 212 |
| | **4 872 121** | **8 556 513** |

**The municipality had the following bank accounts**

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | 30 June 2024 | 30 June 2023 | 30 June 2022 | 30 June 2024 | 30 June 2023 | 30 June 2022 |
| FNB - Current Account - 62033637846 | 149 | 840 | - | 149 | 840 | - |
| FNB - Current Account (Main) - 62035267609 | 1 237 123 | 1 049 576 | - | 1 237 123 | 1 049 576 | - |
| FNB - Call Deposit - 62064936093 | 1 200 | 91 | - | 1 200 | 91 | - |
| FNB - Call Deposit - 62328066776 | 747 216 | 1 007 751 | - | 747 216 | 1 007 751 | - |
| FNB BANK - Call Deposit- 62032833639 | 247 943 | 342 922 | - | 247 943 | 342 922 | - |
| FNB BANK - Investment (Main) - 62179391190 | 2 169 202 | 249 989 | - | 2 169 202 | 249 989 | - |
| FNB BANK - Call Deposit - 62064936340 | 3 890 | 4 000 450 | - | 3 890 | 4 000 450 | - |
| FNB BANK - Call deposit - 62324120261 | 1 375 | 24 404 | - | 1 375 | 24 404 | - |
| FNB BANK - Call Deposit - 62067492943 | 3 151 | 1 805 690 | - | 3 151 | 1 805 690 | - |
| FNB BANK - Call Deposit - 62067492802 | 457 720 | 44 914 | - | 457 720 | 44 914 | - |
| **Total** | **4 868 969** | **8 526 627** | **-** | **4 868 969** | **8 526 627** | **-** |

### 3. Receivables from exchange transactions

| | | |
|---|---|---|
| Gross receivables from exchange transactions | 33 518 308 | 33 461 493 |
| Impairment from exchange transactions | (31 617 072) | (30 215 371) |
| | **1 901 236** | **3 246 122** |

**Trade and other receivables past due but not impaired**

| | | |
|---|---|---|
| Current (0 - 30 days) | 5 925 012 | 567 557 |
| 31 - 60 days | 5 691 | 3 094 |
| 61 - 90 days | 55 099 | 9 804 |
| 91 - 120 days | 10 802 | 1 155 |
| 121 days and over | 613 981 | 3 191 268 |
| Total | 6 610 584 | 3 772 877 |

**Trade and other receivables past due and impaired**

As of 30 June 2024, trade and other receivables of R31 617 071 (2023: R30 215 371) were impaired and provided for.

The ageing is as follows:

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

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

| | | |
|---|---|---|
| Current (0 - 30 days) | 1 053 926 | 498 367 |
| 31 - 60 days | 398 500 | 1 007 |
| 61 - 90 days | 429 876 | 298 868 |
| 91 - 120 days | 534 935 | 332 075 |
| 121 Days and over | 24 490 486 | 28 558 300 |
| | 26 907 723 | 29 688 616 |

**Reconciliation of provision for impairment of trade and other receivables**

| | | |
|---|---|---|
| Opening balance | 30 215 371 | 25 955 073 |
| Provision for impairment | 1 401 700 | 4 260 298 |
| | **31 617 071** | **30 215 371** |

### 4. Receivables from non-exchange transactions

| | | |
|---|---|---|
| Gross receivables from non-exchange transactions | 156 331 007 | 134 108 090 |
| Impairment on receivables from non-exchange transactions | (142 967 589) | (121 454 654) |
| | **13 363 418** | **12 653 436** |

**Statutory receivables general information**

**Transaction(s) arising from statute**

Trafic fines amounting to R104 275 in 2024 (R86 250 2023) were iisued.

The municipality assesse traffic fines at each reporting date for impairment.

The municipality accounts for traffic fines in terms of IGRAP1

**Determination of transaction amount**

Traffic fines are determined by refence to table of offenses from Road Traffic Management Act.

**Statutory receivables past due but not impaired**

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2024, 560 (2023: 750) were past due but not impaired.

The ageing of amounts past due but not impaired is as follwso

| | | |
|---|---|---|
| 1 month past due | 560 | 750 |

**Receivables from non-exchange transactions past due but not impaired**

| | | |
|---|---|---|
| Current (0 - 30 days) | 4 765 157 | 2 281 369 |
| 31 - 60 days | 2 070 098 | 12 435 |
| 61 - 90 days | 251 353 | 39 408 |
| 91 - 120 days | 48 844 | 4 642 |
| 121 days and over | 2 203 417 | 12 433 014 |
| Total | 9 338 870 | 14 770 868 |

**Receivables from non-exchange transactions impaired**

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

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

As of 30 June 2024, other receivables from non-exchange transactions of R142 967 589 (2023: R121 454 654) were impaired and provided for.

The ageing of these loans is as follows:

| | | |
|---|---|---|
| Current (0 - 30 days) | 2 410 686 | 2 003 251 |
| 31 - 60 days | - | 4 046 |
| 61 - 90 days | 1 544 390 | 1 201 339 |
| 91 - 121 days | 1 588 044 | 1 334 818 |
| 121 days and over | 141 479 017 | 114 793 838 |
| Total | 146 992 137 | 119 337 293 |

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

| | | |
|---|---|---|
| Opening balance | 121 454 656 | 105 422 783 |
| Provision for impairment | 21 512 933 | 16 031 871 |
| | **142 967 589** | **121 454 654** |

### 5. Inventories

| | | |
|---|---|---|
| Consumable | 1 594 208 | 1 409 783 |
| Maintenance materials | 1 853 647 | 1 192 719 |
| | **3 447 855** | **2 602 502** |

### 6. Interest recovered

| | | |
|---|---|---|
| Interest recovered from ESKOM | - | 3 680 367 |

### 7. VAT Receivable

| | | |
|---|---|---|
| VAT Input | 64 178 245 | 57 914 373 |

.

### 8. Other receivables (Indigent)

Receivable has been been recognised for indigent customers as follows:

| | | |
|---|---|---|
| Indigent customers | 3 676 081 | 3 676 081 |

# Notes to the Annual Financial Statements

Figures in Rand

## 9. Property, plant and equipment

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 174 985 000 | - | 174 985 000 | 174 985 000 | - | 174 985 000 |
| Buildings | 67 500 266 | (40 144 249) | 27 356 017 | 67 349 796 | (32 761 411) | 34 588 385 |
| Plant and machinery | 9 036 026 | (7 010 076) | 2 025 950 | 8 794 566 | (5 967 934) | 2 826 632 |
| Furniture and fixtures | 6 619 540 | (3 800 981) | 2 818 559 | 5 958 990 | (2 899 615) | 3 059 375 |
| Motor vehicles | 3 851 471 | (1 632 115) | 2 219 356 | 3 851 471 | (1 220 123) | 2 631 348 |
| IT equipment | 7 392 681 | (4 968 545) | 2 424 136 | 6 321 266 | (4 026 091) | 2 295 175 |
| Infrastructure | 704 849 303 | (596 501 274) | 108 348 029 | 699 739 545 | (564 284 390) | 135 455 155 |
| Community | 215 236 909 | (58 576 544) | 156 660 365 | 193 212 156 | (51 835 110) | 141 377 046 |
| Electricity | 184 046 791 | (160 639 476) | 23 407 315 | 177 255 842 | (149 167 871) | 28 087 971 |
| Boreholes | 2 970 725 | (1 139 553) | 1 831 172 | 2 673 076 | (1 018 238) | 1 654 838 |
| Stormwater | 36 114 885 | (31 193 208) | 4 921 677 | 36 114 885 | (28 155 398) | 7 959 487 |
| Outdoor Facilities | 131 926 893 | (51 792 886) | 80 134 007 | 119 352 965 | (30 315 829) | 89 037 136 |
| **Total** | **1 544 530 490** | **(957 398 907)** | **587 131 583** | **1 495 609 558** | **(871 652 010)** | **623 957 548** |

# Notes to the Annual Financial Statements

Figures in Rand

**9. Property, plant and equipment (continued)**

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

| | Opening balance | Additions | Transfers received | Transfers from WIP to Completed | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|
| Land | 174 985 000 | - | - | - | - | - | 174 985 000 |
| Buildings | 34 588 385 | 150 470 | - | - | (7 382 838) | - | 27 356 017 |
| Machinery Equipment | 2 826 632 | 241 460 | - | - | (1 042 142) | - | 2 025 950 |
| Furniture and fixtures | 3 059 375 | 660 550 | - | - | (901 366) | - | 2 818 559 |
| Transport | 2 631 348 | - | - | - | (411 992) | - | 2 219 356 |
| Computer equipment | 2 295 175 | 1 071 415 | - | - | (942 454) | - | 2 424 136 |
| Roads | 135 455 155 | 5 109 759 | 21 711 339 | (21 711 339) | (32 216 885) | - | 108 348 029 |
| Community Halls/Cemetries/ Libraries | 141 377 046 | 22 024 753 | 16 525 253 | (16 525 253) | (6 721 565) | (19 869) | 156 660 365 |
| Electricity | 28 087 971 | 6 790 949 | - | - | (11 471 605) | - | 23 407 315 |
| Boreholes | 1 654 838 | 297 649 | - | - | (121 315) | - | 1 831 172 |
| Stormwater | 7 959 487 | - | - | - | (3 037 810) | - | 4 921 677 |
| Outdoor | 89 037 136 | 12 573 929 | 34 415 624 | (34 415 624) | (5 531 492) | (15 945 566) | 80 134 007 |
| | **623 957 548** | **48 920 934** | **72 652 216** | **(72 652 216)** | **(69 781 464)** | **(15 965 435)** | **587 131 583** |

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

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

| | Opening balance | Additions | Other changes, movements | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|
| Land | 174 985 000 | - | - | - | - | 174 985 000 |
| Buildings | 41 971 451 | - | - | (7 370 753) | (12 314) | 34 588 385 |
| Plant and machinery | 4 147 467 | 636 560 | (23 495) | (1 104 086) | - | 2 826 632 |
| Furniture and fixtures | 2 042 792 | 1 641 791 | (1 908) | (817 618) | - | 3 059 375 |
| Motor vehicles | 3 218 632 | - | - | (385 147) | - | 2 631 348 |
| IT equipment | 2 728 882 | 787 964 | (81 889) | (977 284) | - | 2 295 175 |
| Infrastructure | 149 976 242 | 16 601 580 | - | (30 165 377) | (198 247) | 135 455 155 |
| Community | 117 601 581 | 42 636 735 | - | (6 255 978) | (1 019 251) | 141 377 046 |
| Other property, plant and equipment | 39 049 060 | 726 352 | - | (11 232 461) | - | 28 087 971 |
| Other equipment | 1 944 627 | - | - | (133 653) | (156 135) | 1 654 838 |
| Stormwater | 8 593 142 | - | - | (3 029 951) | (3 142) | 7 959 487 |
| Outdoor | 76 760 636 | 7 564 279 | - | (4 254 458) | (199 812) | 89 037 136 |
| | **623 019 512** | **70 595 261** | **(107 292)** | **(65 726 766)** | **(1 588 901)** | **623 957 548** |

**Reconciliation of Work-in-Progress 2024**

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|---|---|---|---|---|
| Opening balance | 16 601 580 | 28 197 925 | 20 558 702 | 65 358 207 |
| Additions/capital expenditure | 5 109 759 | - | 34 514 609 | 39 624 368 |
| | **21 711 339** | **28 197 925** | **55 073 311** | **104 982 575** |

**Reconciliation of Work-in-Progress 2023**

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|---|---|---|---|---|
| Opening balance | 10 112 430 | 10 782 950 | 8 925 714 | 29 821 094 |
| Additions/capital expenditure | 6 489 150 | 17 414 975 | 11 632 988 | 35 537 113 |

# Notes to the Annual Financial Statements

| Figures in Rand | | | 2024 | 2023 |
| --- | --- | --- | --- | --- |
| **9. Property, plant and equipment (continued)** | | | | |
| | **16 601 580** | **28 197 925** | **20 558 702** | **65 358 207** |

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

| | 2024 | 2023 |
| --- | --- | --- |
| **Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance** | | |
| Contracted services | 34 655 128 | 33 202 173 |

## Notes to the Annual Financial Statements

Figures in Rand

**9. Property, plant and equipment (continued)**

**Maintenance of property, plant and equipment**

**Maintenance of property, plant and equipment by condition - 2024**

| | Preventative Maintenance | | Corrective Maintenance | | | |
|---|---|---|---|---|---|---|
| | Interval Based | Total | Planned | Emergency | Total | Total |
| Motor vehicles | 406 591 | 406 591 | - | 269 170 | 269 170 | 675 761 |
| Infrastructure | - | - | 7 344 228 | 368 159 | 7 712 387 | 7 712 387 |
| Other property, plant and equipment | 123 000 | 123 000 | - | - | - | 123 000 |
| Other equipment | - | - | - | 271 000 | 271 000 | 271 000 |
| | **529 591** | **529 591** | **7 344 228** | **908 329** | **8 252 557** | **8 782 148** |

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

**Maintenance of property, plant and equipment by condition - 2023**

| | Preventative Maintenance | | Corrective Maintenance | | | |
|---|---|---|---|---|---|---|
| | Interval Based | Total | Planned | Emergency | Total | Total |
| Buildings | - | - | 237 955 | - | 237 955 | 237 955 |
| Motor vehicles | 357 280 | 357 280 | - | 627 516 | 627 516 | 984 796 |
| Office equipment | 100 750 | 100 750 | - | - | - | 100 750 |
| Infrastructure | - | - | 1 894 220 | - | 1 894 220 | 1 894 220 |
| Other equipment | - | - | - | 447 282 | 447 282 | 447 282 |
| | **458 030** | **458 030** | **2 132 175** | **1 074 798** | **3 206 973** | **3 665 003** |

# Notes to the Annual Financial Statements

Figures in Rand

### 10. Heritage assets

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Mayoral chains | 10 501 | - | 10 501 | 10 501 | - | 10 501 |

**Reconciliation of heritage assets 2024**

| | Opening balance | Other changes, movements | Total |
|---|---|---|---|
| Mayoral chains | 10 501 | - | 10 501 |

**Reconciliation of heritage assets 2023**

| | Opening balance | Additions | Other changes, movements | Total |
|---|---|---|---|---|
| Mayoral chain | 10 501 | - | - | 10 501 |

**Age and/or condition of heritage assets**

The heritage assets of the municpality consist of mayoral chains which were bought in 1997. The condition of these chains is considered as good.condition.

# Notes to the Annual Financial Statements

Figures in Rand

### 11. Investment property

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property - Land | 16 921 000 | - | 16 921 000 | 16 921 000 | - | 16 921 000 |

**Reconciliation of investment property - 2024**

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Investment property - Land | 16 921 000 | - | - | 16 921 000 |

**Reconciliation of investment property - 2023**

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Investment property - Land | 16 921 000 | - | - | 16 921 000 |

**Investment property**

| | | |
|---|---|---|
| Vacant land owned by the municipality | 16 921 000 | 16 921 000 |

# Notes to the Annual Financial Statements

Figures in Rand

### 12. Intangible assets

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 232 785 | (229 910) | 2 875 | 232 773 | (229 391) | 3 382 |

**Reconciliation of intangible assets - 2024**

| | Opening balance | Additions | Other changes, movements | Amortisation | Total |
|---|---|---|---|---|---|
| Computer software | 3 382 | - | - | (507) | 2 875 |

**Reconciliation of intangible assets - 2023**

| | Opening balance | Additions | Other changes, movements | Amortisation | Total |
|---|---|---|---|---|---|
| Computer software, other | 8 570 | - | - | (5 188) | 3 382 |

**Other information**

| | | |
|---|---|---|
| Fully amortised intangible assets still in use | 232 785 | 232 785 |

A brief description of significant intangible assets controlled by the municipality but not recognised as assets because they did not meet the recognition criteria in this Standard or because they were acquired or generated before the version of IAS 38 Intangible Assets issued in 1998 was effective.

Intangible assets with indefinite lives:

The useful life of intangible assets is considered indefinite. It is not bound by any expiry period as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the municipality.

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 13. Payables from exchange transactions

| | | |
|---|---|---|
| Trade payables | 18 164 091 | 16 838 612 |
| Bulk purchases (ESKOM Purchases) | 198 557 536 | 157 746 755 |
| Land sales | 8 933 754 | 8 736 254 |
| Retention fees | 7 234 428 | 6 416 442 |
| Workmans compensation fund | 10 809 751 | 10 087 853 |
| | **243 699 560** | **199 825 916** |

### 14. VAT Payable (Output VAT)

| | | |
|---|---|---|
| Output VAT | 56 335 493 | 48 132 709 |

### 15. Provisions

**Reconciliation of provisions - 2024**

| | Opening Balance | Additions | Reduction | Total |
|---|---|---|---|---|
| Provision - leave | 15 004 480 | 436 789 | - | 15 441 269 |
| Provision - performance bonus | 1 008 378 | - | (35 564) | 972 814 |
| | **16 012 858** | **436 789** | **(35 564)** | **16 414 083** |

**Reconciliation of provisions - 2023**

| | Opening Balance | Reduction | Total |
|---|---|---|---|
| Provision - leave | 15 256 279 | (251 799) | 15 004 480 |
| Provision - performance bonus | 1 008 378 | - | 1 008 378 |
| | **16 264 657** | **(251 799)** | **16 012 858** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 16. Consumer deposits

| | | |
|---|---|---|
| Electricity customer deposits | 2 829 976 | 2 813 995 |

## 17. Long service leave awards

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

| | | |
|---|---|---|
| **Carrying value** | | |
| Present value of the defined benefit obligation | 10 048 000 | 9 865 000 |
| Present value of the defined benefit obligation-wholly unfunded | 840 329 | 786 000 |
| Present value of the defined benefit obligation-partly or wholly funded | 1 186 304 | 1 128 000 |
| Fair value of plan assets | (750 481) | (1 772 230) |
| Fair value of reimbursement rights | (2 637 152) | 41 230 |
| | **8 687 000** | **10 048 000** |

| | | |
|---|---|---|
| Long term liability | (8 160 764) | (9 323 532) |
| Short term liabiility | (526 236) | (724 468) |
| | **(8 687 000)** | **(10 048 000)** |

Benefits paid and Actuarial loss/(gain) amount differs from Actuarial report since the amount dislcosed is actual benefits paid and the report shows 2023/2024 estimate

**Calculation of actuarial gains and losses**

| | | |
|---|---|---|
| Actuarial (gains) losses – Obligation | (2 637 430) | 148 522 |

**Changes in the fair value of plan assets are as follows:**

## 18. Unspent conditional grants

**Unspent conditional grants and receipts comprises of:**

| | | |
|---|---|---|
| **Unspent conditional grants and receipts** | | |
| Global payment Reutlingen (Germany grant) | 85 311 | - |

**Movement during the year**

| | | |
|---|---|---|
| Additions during the year | 995 971 | - |
| Income recognition during the year | (910 660) | - |
| | **85 311** | **-** |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

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

## 19. Income received in advance

| | | |
|---|---|---|
| Credit balances from customer overpayments | 6 187 208 | 7 342 803 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 20. Rental of facilities and equipment

| | | |
|---|---|---|
| **Premises** | | |
| Premises | 1 128 639 | 1 078 597 |
| Premises | 1 128 639 | 1 078 597 |
| Garages and parking | - | - |
| Facilities and equipment | - | - |
| | **1 128 639** | **1 078 597** |

Included in the above rentals are operating

## 21. Licences

| | | |
|---|---|---|
| Licences | 1 705 616 | 1 909 105 |

## 22. Proceeds from sale of land

| | | |
|---|---|---|
| Land sales | - | 2 108 289 |

## 23. Service charges

| | | |
|---|---|---|
| Sale of electricity | 76 580 092 | 64 846 905 |
| Refuse removal | 10 088 713 | 9 933 882 |
| | **86 668 805** | **74 780 787** |

## 24. Operational revenue

| | | |
|---|---|---|
| Library coppies | 31 220 | 22 705 |
| Business plans | 277 694 | 312 021 |
| Cemetary fees | 82 606 | 64 332 |
| Rates clearances | 147 894 | 126 346 |
| Incidental cash | 10 689 | 2 217 |
| Staff recoveries | 124 487 | 132 088 |
| Library membership fees | 2 563 | 69 |
| Transaction handling fees | 46 615 | 130 425 |
| | **723 768** | **790 203** |

## 25. Interest earned - external investments

| | | |
|---|---|---|
| Short term investments and call accounts | 2 318 271 | 1 965 911 |
| | - | - |
| | 2 318 271 | 1 965 911 |

## 26. Actuarial gains and losses

| | | |
|---|---|---|
| Actuarial gains/ (losses) | 2 637 430 | - |

## 27. Property rates

**Rates**

| | | |
|---|---|---|
| Residential properties | 26 992 732 | 25 670 955 |
| Business and commercial properties | 39 221 100 | 29 918 140 |
| State owned properties | 48 756 809 | 58 431 995 |
| Agricultural property | 6 719 548 | 6 218 996 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

**27. Property rates (continued)**

| | | |
| --- | --- | --- |
| Rates rebates | (7 347 138) | (7 769 490) |
| | **114 343 051** | **112 470 596** |

**Valuations**

| | | |
| --- | --- | --- |
| Residential | 1 394 717 000 | 1 384 557 000 |
| Commercial | 1 023 655 000 | 1 020 315 000 |
| State | 1 352 630 000 | 1 352 630 000 |
| Impermissable | 33 380 000 | 33 380 000 |
| Small holdings and farms | 960 260 000 | 960 260 000 |
| PBO | 59 420 000 | 59 420 000 |
| PSI | 13 736 000 | 13 736 000 |
| Vacant Land | 158 051 000 | 158 051 000 |
| | **4 995 849 000** | **4 982 349 000** |

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate Randages for 2023/24 : Residential properties (0.01999)

: Industrial properties (0.03998)

: Business and Commercial (0.03998)

: Agricultural properties (0.00501)

: Mining properties (0.03998)

: (PSP) (0.03998)

: Public Benefit Organisation (0.00454)

: Public Service Infrastructure (0.03998)

: Vacant Land (BUS+RES) (0.03998)

: Indigent customers (0.01999)

Rebates of first R15 0000 (per MPRA) and additional R45 000 (Approved by council) are granted to residential. Rates levied on an annual basis : Agricultural properties and Public Service Purposes (PSP).

Interest prime 5% is charged on outstanding accounts for more than 30 days. The new general valuation will be implemented on 01 July 2024.

**28. Interest on receivables**

| | | |
| --- | --- | --- |
| Interest - Receivables | 2 366 456 | 2 531 150 |

**29. Transfers and subsidies**

**Operating grants**

| | | |
| --- | --- | --- |
| Equitable Share (Unconditional) | 207 486 000 | 196 348 000 |
| Community Library Service (Conditional) | 1 023 000 | 981 000 |
| Provincialisation of Libraries (Conditional) | 981 000 | 1 023 000 |
| Finance Management Grant (Conditional) | 2 100 000 | 2 100 000 |
| EPWP (Conditional) | 3 681 000 | 4 711 000 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |
| **29. Transfers and subsidies (continued)** | | |
| INEP (Conditional) | 5 798 626 | 6 000 000 |
| Housing (Conditional) | 55 888 110 | 857 460 |
| Global payment Reutlingen (Germany grant) (Conditional) | 910 660 | - |
| | **277 868 396** | **212 020 460** |
| **Capital grants** | | |
| MIG (Conditional) | 46 885 000 | 74 888 000 |
| | 277 868 396 | 212 020 460 |
| | 46 885 000 | 74 888 000 |
| | **324 753 396** | **286 908 460** |

**Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of 57 (2023: 48), which is funded from the grant.

**MIG**

| | | |
| --- | --- | --- |
| Current-year receipts | 46 885 000 | 74 888 000 |
| Conditions met - transferred to revenue | (46 885 000) | (74 888 000) |
| | - | - |

**INEP**

| | | |
| --- | --- | --- |
| Current-year receipts | 5 800 000 | 6 000 000 |
| Conditions met - transferred to revenue | (5 800 000) | (6 000 000) |
| | - | - |

**FMG**

| | | |
| --- | --- | --- |
| Current-year receipts | 2 100 000 | 2 100 000 |
| Conditions met - transferred to revenue | (2 100 000) | (2 100 000) |
| | - | - |

**EPWP**

| | | |
| --- | --- | --- |
| Current-year receipts | 3 681 000 | 4 711 000 |
| Conditions met - transferred to revenue | (3 681 000) | (4 711 000) |
| | - | - |

**Provincialisation of Libraries**

| | | |
| --- | --- | --- |
| Current-year receipts | 1 023 000 | 1 083 000 |
| Conditions met - transferred to revenue | (1 023 000) | (1 083 000) |
| | - | - |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 29. Transfers and subsidies (continued)

### Community Libraries

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

### Global payment Reutlingen (Germany grant)

| | | |
|---|---|---|
| Current-year receipts | 995 971 | - |
| Conditions met - transferred to revenue | (910 660) | - |
| Unspent conditional grant | (85 311) | - |
| | - | - |

### HOUSING

| | | |
|---|---|---|
| Current-year receipts | 55 888 110 | 857 460 |
| Conditions met - transferred to revenue | (55 888 110) | (857 460) |
| | - | - |

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

## 30. Fines, Penalties and Forfeits

| | | |
|---|---|---|
| Forfeits | 153 349 | 654 614 |
| Fines | 104 275 | 86 250 |
| | **257 624** | **740 864** |

## 31. Employee related costs (Inclusive of Senior Managers)

| | | |
|---|---|---|
| Basic salary | 113 907 227 | 105 749 877 |
| Bonus | 7 075 405 | 7 008 347 |
| Medical aid | 9 120 765 | 8 485 059 |
| UIF | 686 142 | 665 563 |
| Bargaining council | 43 665 | 41 904 |
| Service related benefits | 4 233 518 | 4 497 363 |
| Allowances | 11 362 968 | 11 241 042 |
| Pension | 20 877 649 | 20 133 544 |
| | **167 307 339** | **157 822 699** |

### Remuneration of municipal manager

| | | |
|---|---|---|
| Annual Remuneration | 966 871 | 690 558 |
| Car Allowance | 252 000 | 210 390 |
| Contributions to UIF, Medical and Pension Funds | 15 255 | 53 192 |
| | **1 234 126** | **954 140** |

### Remuneration of chief finance officer

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

**31. Employee related costs (Inclusive of Senior Managers) (continued)**

| | | |
|---|---|---|
| Annual Remuneration | 825 434 | 855 518 |
| Car Allowance | 196 042 | 144 555 |
| Contributions to UIF, Medical and Pension Funds | 20 340 | 58 414 |
| | **1 041 816** | **1 058 487** |

**Corporate and human resources**

| | | |
|---|---|---|
| Annual Remuneration | 728 938 | 533 936 |
| Car Allowance | 288 000 | 228 144 |
| Contributions to UIF, Medical and Pension Funds | 19 200 | 43 810 |
| | **1 036 138** | **805 890** |

**Protection Services**

| | | |
|---|---|---|
| Annual Remuneration | 901 619 | 502 034 |
| Car Allowance | 108 509 | 84 436 |
| Contributions to UIF, Medical and Pension Funds | 11 865 | 34 075 |
| | **1 021 993** | **620 545** |

**Technical Services**

| | | |
|---|---|---|
| Annual Remuneration | 817 477 | 1 560 733 |
| Car Allowance | 204 000 | 392 846 |
| Contributions to UIF, Medical and Pension Funds | 20 340 | 324 672 |
| | **1 041 817** | **2 278 251** |

**Planning Development**

| | | |
|---|---|---|
| Annual Remuneration | 720 469 | 1 096 326 |
| Car Allowance | 81 381 | 154 188 |
| Contributions to UIF, Medical and Pension Funds | 141 654 | 72 486 |
| | **943 504** | **1 323 000** |

**Community Services**

| | | |
|---|---|---|
| Annual Remuneration | 617 724 | 855 518 |
| Car Allowance | 72 339 | 144 556 |
| Contributions to UIF, Medical and Pension Funds | 54 004 | 58 414 |
| | **744 067** | **1 058 488** |

**32. Remuneration of councillors**

| | | |
|---|---|---|
| Executive Major | 931 594 | 905 259 |
| Deputy Executive Mayor | 755 197 | 733 088 |
| Speaker | 755 198 | 723 088 |
| Councillors | 11 512 413 | 11 454 632 |
| Exco councillors | 2 931 427 | 2 417 558 |
| MPAC | 407 806 | 394 018 |
| Chief whip | 411 441 | 394 592 |
| | **17 705 076** | **17 022 235** |

**Additional information**

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 32. Remuneration of councillors (continued)

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa. Refer to note 47 (Related parties) for detailed breakdown.

The Mayor, Deputy Mayor nd Speaker are full time and they each provided with office and secretarial supportal support at the cost of the municipality.

The Mayor, Deputy Mayor and Speaker each have separate use of council owned vehicles for official duties

The Mayor, Deputy Mayor and Speaker each have 2 full-time body guards.

### 33. Depreciation, impairment and amortisation

| | | |
|---|---|---|
| Property, plant and equipment | 69 781 420 | 65 726 768 |
| Impairment | 15 965 435 | 1 588 902 |
| Intangible assets | 561 | 5 234 |
| | **85 747 416** | **67 320 904** |

### 34. Finance costs

| | | |
|---|---|---|
| Interest on overdue accounts | 2 312 489 | 8 235 095 |

### 35. Debt impairment

| | | |
|---|---|---|
| Debt impairment | 22 914 634 | 20 292 170 |
| Bad debts written off | 1 691 498 | 6 704 660 |
| | **24 606 132** | **26 996 830** |

### 36. Bulk purchases

| | | |
|---|---|---|
| Electricity | 133 592 320 | 113 324 249 |

### 37. Contracted services

| | | |
|---|---|---|
| **Outsourced Services** | | |
| Administrative and Support Staff | 17 750 | - |
| Pound management | 1 412 500 | - |
| Burial Services | 1 081 541 | 1 628 323 |
| Research and Advisory | 1 395 350 | 500 200 |
| Catering Services | 1 418 612 | 55 053 |
| Project management | 7 188 738 | 2 596 945 |
| LED items | 35 905 | - |
| Clearing and Grass Cutting Services | (2 612) | 29 200 |
| Hygiene Services | 151 639 | 53 086 |
| Valuer | 1 335 587 | 106 319 |
| Commission and committees | 2 476 623 | 3 232 938 |
| Refuse Removal | 6 324 920 | 7 247 972 |
| Researcher | 51 500 | - |
| Security Services | 4 148 419 | 4 148 419 |
| Drivers Licence Cards | 26 373 | - |
| Electrical | 4 194 200 | 7 182 014 |
| Housing projects | 55 888 110 | 857 460 |
| | | |
| **Consultants and Professional Services** | | |
| Business and Advisory | 687 060 | - |
| Infrastructure and Planning | 621 709 | - |

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

### 37. Contracted services (continued)

| | | |
| --- | --- | --- |
| Electrical | 152 520 | 1 849 884 |
| Legal advice and litigation | 3 634 517 | 1 289 654 |
| **Contractors** | | |
| Audio-visual Services | 3 692 061 | 673 898 |
| Catering Services | 272 225 | 2 633 716 |
| Electrical | 4 194 200 | - |
| Employee Wellness | 224 602 | - |
| Event Promoters | 1 161 270 | - |
| Fire Protection | 8 800 | - |
| Maintenance of Buildings and Facilities | 503 261 | 238 095 |
| Maintenance of Equipment | 3 265 660 | 903 517 |
| Maintenance of Unspecified Assets | 30 886 207 | 28 485 760 |
| Prepaid Electricity Vendors | 178 200 | - |
| Traffic and Street Lights | - | 568 481 |
| Presented previously | - | - |
| Outsourced Services | 87 145 155 | 27 637 929 |
| Consultants and Professional Services | 5 095 806 | 3 139 538 |
| Contractors | 44 386 486 | 33 503 467 |
| | **140 077 036** | **64 280 934** |

### 38. Transfer and subsidies

| | | |
| --- | --- | --- |
| Grant in Aid | 286 388 | 524 036 |

### 39. Actuarial losses

| | | |
| --- | --- | --- |
| Actuarial losses recognised | - | 148 522 |

### 40. General expenses

| | | |
| --- | --- | --- |
| TV and radio transmission | 1 798 686 | 5 131 552 |
| External audit fees | 3 473 357 | 3 392 649 |
| Bank related expenses | 331 725 | 472 299 |
| Pollution control | 311 269 | 464 395 |
| Consumables | 44 393 | - |
| Incidental cash shortages | 2 087 | 108 861 |
| Food and beverages | 5 888 | 59 569 |
| Gifts and promotional items | 1 409 800 | 899 |
| Hire charges | 4 922 829 | 656 694 |
| Insurance underwritings | 2 469 703 | 2 241 561 |
| Learnerships and internships | 583 709 | 619 389 |
| Seminars, Conferences, workshops and events | 283 649 | 21 343 |
| Transport assets | 5 815 744 | 7 416 725 |
| Skills development levy | 1 178 310 | 1 136 587 |
| Medical expenses | 29 300 | - |
| Wet fuel | 4 762 234 | 4 315 560 |
| Workmans compensation | 729 904 | 5 629 571 |
| Courier and delivery services | 36 249 | 84 258 |
| Printing, publications and books | 4 204 447 | 735 260 |
| Uniform and Protective clothing | 1 548 594 | 1 433 376 |
| Repairs and maintenance | 183 353 | - |
| Driver licenses and permits | 315 468 | 365 533 |
| Remuneration of ward committees | 3 632 200 | 3 559 300 |
| Software and licenses | 4 173 131 | 4 251 752 |
| Sitting allowance | 4 800 | 5 600 |
| Telephone and fax | 365 905 | 629 466 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 40. General expenses (continued)

| | | |
|---|---|---|
| Own transport | 190 910 | 3 600 |
| Training | 300 253 | 1 217 328 |
| Air transport | 8 271 | 7 748 |
| Water | 33 830 | - |
| Street lights | 147 297 | 239 804 |
| Out of pocket expenses | - | 30 000 |
| Inventory Consumed | 87 049 | - |
| Bursaries | 225 009 | 270 929 |
| Accommodation | 560 137 | 584 195 |
| Permits | 325 331 | 795 |
| Municipal services | 197 200 | 1 239 590 |
| | **44 692 021** | **46 326 188** |

### 41. Inventory consumed

| | | |
|---|---|---|
| Consumables | 8 671 247 | (6 915 333) |

### 42. Cash generated from operations

| | | |
|---|---|---|
| Deficit | (88 094 408) | (19 952 696) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 85 747 412 | 67 320 904 |
| Disposal of fixed assets | - | 107 292 |
| Fair value adjustments (Including Actuarial gains/(losses)) | (2 637 430) | 41 240 |
| Contribution to provision - current | 22 914 634 | 20 292 170 |
| Bad debts written off | 1 691 498 | 6 704 660 |
| Defined employee benefits ,long service award and other | 1 276 430 | 141 770 |
| Leave pay provision | 436 789 | (251 799) |
| Performance bonus provision | (35 564) | - |
| Proceeds from sale of land and other non-current assets | - | (2 108 289) |
| Movement in payables relating to acquisition of assets - Retentions | (817 986) | (3 022 937) |
| **Changes in working capital:** | | |
| Inventories | (845 353) | (71 924) |
| Receivables from exchange transactions | (56 815) | (376 601) |
| Other receivables from non-exchange transactions | (18 542 550) | (28 129 638) |
| Bad debts written-off | (1 691 498) | (6 704 660) |
| Consumer deposits | 15 982 | 73 002 |
| Transfers and subsidies unspent | 85 311 | - |
| Payables from exchange transactions | 42 718 049 | 27 385 563 |
| VAT Receivable/(Payable) | 1 938 912 | 2 608 151 |
| Interest recovered (Debt waiver) | - | 3 680 367 |
| | **44 103 413** | **67 736 575** |

### 43. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

| | | |
|---|---|---|
| Unauthorised expenditure | 52 915 243 | 1 871 545 |
| Irregular expenditure | 447 760 | 42 768 427 |
| Fruitless and wasteful expenditure | - | 9 833 878 |
| **Closing balance** | **53 363 003** | **54 473 850** |

**Criminal or disciplinary steps taken as a result of losses, irregular and fruitless and wasteful expenditure**

**Irregular, Fruitless and wasteful and Unathorised expenditure**

IInvestigations were conducted by council committee and no individual was charged.

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 43. Unauthorised, Irregular and Fruitless and Wasteful Expenditure (continued)

IInvestigations were conducted by council committee and no individual was charged.

**Additional Narratives**

**Unauthorised expenditure**

| **Reconciliation of unauthorised expenditure** | | |
|---|---|---|
| Opening balance - | 1 871 545 | - |
| Unauthorised expenditure incurred during the year (Oerspending on non-cash items [Depreciation and Debt impairement]) | 35 002 846 | 1 871 545 |
| Unauthorised expenditure incurred during the year (Grant expenditure relating to housing projects that was not budgeted for as money was not paid to the municipality) | 52 915 243 | - |
| Less: Unauthorised expenditure written off : Prior year year (Overspending on employee cost) | (1 871 545) | - |
| Less: Unauthorised expenditure written off : Current year (Oerspending on non-cash items [Depreciation and Debt impairement]) | (35 002 846) | - |
| | **52 915 243** | **1 871 545** |

**Fruitless and wasteful expenditure**

| **Reconciliation of fruitless and wasteful expenditure** | | |
|---|---|---|
| Opening balance - | 9 833 878 | - |
| Fruitless incurred during the year | 2 312 489 | 9 833 878 |
| Fruitless and wasteful reversal | (3 680 367) | - |
| Less fruitless expenditure written off : Prior year year (Eskom interest) | (6 153 511) | - |
| Less fruitless expenditure written off : Current year year (Eskom interest) | (2 312 489) | - |
| | **-** | **9 833 878** |

**Irregular expenditure and Deviations**

| **Reconciliation of irregular expenditure** | | |
|---|---|---|
| Opening balance - | 42 768 427 | 1 013 235 |
| Irregular expenditure: current year (Local content and advertisement period) | 102 316 034 | 28 431 462 |
| Irregular expenditure identified during the audit | - | 42 768 427 |
| Instance of irregular (Three qoutes not obtained) | 197 460 | - |
| Instance of irregular (Tax matters not in order) | 1 796 572 | - |
| Instance of irregular (Points incorrectly allocated) | 2 018 330 | - |
| Less: Irregular expenditure written off : Current year (Local content not stated on advert) | (102 316 034) | (28 431 462) |
| Less: Irregular expenditure written off : Prior year year (Local content) not stated on advert) | (42 768 427) | (1 013 235) |
| | **4 012 362** | **42 768 427** |

## 44. Contingencies

**Contingent liability**

**Contingent liability**

| | | |
|---|---|---|
| Claim for damages | - | - |
| The following matters are currently on the roll of the high court and as at balance sheet date the following amounts represent possible liabilities, they are an estimate from the Municipality's attorneys. | - | - |
| Pinky Chiliza vs Ulundi Municipality and Minister of Police | - | 250 000 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

**44. Contingencies (continued)**

**Contingent asset**

**Contigent asset**

**Key Sources of Estimation**

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 affect on the amounts recognised in the financial statements.

**45. Risk management**

**Financial risk management**

| | 2024 | 2023 |
| --- | --- | --- |
| **Service Charges**<br>Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or consumer contract, leading to financial loss.The municipality is exposed to credit risk from its operating activities(primarily for trade receivables | 85 859 181 | 28 121 905 |
| **Cash and Cash Equivalents**<br>Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. | 1 237 123 | 8 556 513 |
| **Property Rates**<br>Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer,taking into account financial position,past experience and other factors.Individual risk limits are set based on internal or external ratings.in accordance with limits set by the municipality. These balances represent the maximum exposure to credit risk; Financial assets exposed to credit risk at year end were as follows: | 109 381 425 | 132 104 875 |
| **Call Deposits**<br>First National Bank Call Investments | 3 633 998 | 7 476 212 |

**Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

| | | |
| --- | --- | --- |
| Unpresented Cheques | 34 009 595 | 17 656 949 |

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

### 46. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated deficit of (R88 094 408) (2023 (R19 952 698)) and that the municipality's current liabilities exceed its assets by R234 638 911 (2023 R182 523 356).

The current ratio of the municipality is sitting at 0.28:1 which is way below nom of 2:1. The main contributor to negative current( ration is ESKOM debt which is R198 557 536 as at 30 June 2024. The municipality was approved for write-off of ESKOM debt throught Debt Relief Programme of R143 253 732. National Treasury is considering the first write-off of 1/3 for the first 12 months. The municipality is also experiencing high distribution losses of 57% (2023 32%) due to illegal connections and technical losses due to ageing infrastructure. Intensive collection innitiatives like mass disconnections and meter audits are conducted by the municipality to reduce electricity theft. Treasury department is providing ongoing support to the municipality on revenue collection improvement focused innitiatives and revenue enhancement strategies. It should alos be noted that net balance of debtors has decreased significantly due to prior period correction adjustment on debt impairment. This represent 80% of total debtors being impaired. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be allocated to the municipality by government though DoRA allocation. Nothing has came to attention that there might be plans to discuntinue or merge the functions of the municipality. Municipality will continue to participate in ESKOM debt relief until total debt is written of which address going concern issues in the near future. Municipality will finance future operations from grant funding and the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 47. Operating lease

| **The municipality has leased its fleet for the duration of 36 months** | | |
| --- | --- | --- |
| No later than one year | 5 800 607 | 6 587 708 |
| Later than one year and no later than five years | - | 5 800 607 |

### 48. Related parties

The municipality has the following related parties;

**Senior management**

**2024**

| Name | Employee benefits | Post-employment benefits | Total |
| --- | --- | --- | --- |
| Municipal Manager | 1 234 126 | - | 1 234 126 |
| Chief Financial Officer | 1 041 816 | - | 1 041 816 |
| Director Corporate Services | 1 036 138 | - | 1 036 138 |
| Director Technical Services | 1 041 817 | - | 1 041 817 |
| Director Planning & Development | 943 904 | - | 943 904 |
| Director Community Services | 744 067 | - | 744 067 |
| Director Protection Services | 1 021 993 | - | 1 021 993 |
| | **7 063 861** | **-** | **7 063 861** |

**2023**

| Name | Employee benefits | Post-employment benefits | Total |
| --- | --- | --- | --- |
| Municipal Manager | 902 543 | - | 902 543 |
| Chief Financial Officer | 1 002 198 | - | 1 002 198 |
| Director Corporate Service | 763 675 | - | 763 675 |

# Notes to the Annual Financial Statements

| Figures in Rand | | 2024 | 2023 |
|---|---|---|---|

### 48. Related parties (continued)

| | | | |
|---|---|---|---|
| Director Technical Service | 2 587 836 | - | 2 587 836 |
| Director Planning & Development | 1 252 639 | - | 1 252 639 |
| Director Community Services | 1 002 199 | - | 1 002 199 |
| Director Protection Services | 587 710 | - | 587 710 |
| | **8 098 800** | **-** | **8 098 800** |

**Remuneration Councillors**

**2024**

| Name | Basic salary | Car allowance | Telephone allowance | Medical aid | Pension | Total |
|---|---|---|---|---|---|---|
| Mayor | 567 901 | 217 600 | 45 919 | 17 280 | 82 894 | 931 594 |
| Deputy Mayor | 452 054 | 174 080 | 45 919 | 17 280 | 65 864 | 755 197 |
| Speaker | 452 054 | 174 080 | 45 919 | 17 280 | 65 864 | 755 198 |
| Chief Whip | 231 023 | 91 046 | 45 919 | 10 080 | 33 373 | 411 441 |
| MPAC Chairperson | 223 907 | 88 373 | 45 919 | 17 280 | 32 327 | 407 806 |
| Executive committee members | 1 616 880 | 637 324 | 321 433 | 122 180 | 233 610 | 2 931 427 |
| Ordinary councillors | 6 043 317 | 2 410 183 | 1 607 165 | 587 520 | 864 228 | 11 512 413 |
| | **9 587 136** | **3 792 686** | **2 158 193** | **788 900** | **1 378 160** | **17 705 076** |

**2023**

| Name | Basic salary | Car allowance | Telephone allowance | Medical aid | Pension | Total |
|---|---|---|---|---|---|---|
| Mayor | 546 404 | 215 215 | 44 400 | 17 280 | 81 961 | 905 259 |
| Deputy Mayor | 434 118 | 172 172 | 44 400 | 17 280 | 65 118 | 733 088 |
| Speaker | 424 118 | 172 172 | 44 400 | 17 280 | 65 118 | 723 088 |
| Chief Whip | 209 882 | 90 048 | 44 400 | 17 280 | 32 982 | 394 593 |
| MPAC Chairperson | 212 986 | 44 400 | 87 405 | 17 280 | 31 948 | 394 018 |
| Executive committee members | 1 309 294 | 540 289 | 266 400 | 103 680 | 197 894 | 2 417 558 |
| Ordinary councillors | 5 936 706 | 2 442 510 | 1 543 229 | 620 590 | 911 597 | 11 454 632 |
| | **9 073 508** | **3 676 806** | **2 074 634** | **810 670** | **1 386 618** | **17 022 236** |

### 49. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- .
  It has come to management attention that there were trade receivables which were raised by AG in previous years. These receivables are not traceable as in some instances are deceased and are not property owners. The municipality has decided to write off these debtors as they are untraceable and council resolution will be sought.

- Estimated impact is debt write-off R3 676 081 that the municipality will write off.

### 50. Prior period errors

Management icorrectly recognised the following transactions in the previous financial periods. )

1. Debt impairment was understated as result of error of not correctly applying GRAP 104 on all debtors. Retrospective adjustment on debt impairment has been applied from 2021/22 financial period as it impracticable to go beyond this period. The effect of inability to go far back is not material as the debt impairment balance has been adjusted to reflect correct position.

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 50. Prior period errors (continued)

2. Indigents raised as debtor in prior years were not correctly accounted for by raising corresponding revenue. Error relating to this was adjusted in 2022/23 financial period

3. Assets that were donated to the municipality during 2022/23 were not correctly brought into accounting system during that period.

4. Interest recovered which relates to 2022/2023 was only identified during 2023/2024 when it was shown on the statement.

5. Cash flow statement was incorrect due to receivables, impairment, assets and interes and was restated accordinglyt

| | | |
|---|---|---|
| **Statement of Financial Position** | | |
| Debt impairment 2022 | 66 721 174 | 131 377 855 |
| Debt impairment 2023 | 91 191 331 | 151 670 026 |
| Assets donated | - | 323 867 |
| **Statement of Financial Performance** | | |
| Revenue from indigent | - | 3 676 081 |
| Interest recovered | - | 3 680 367 |
| **Cashflow Statement** | | |
| Net cash flows from operating actiities | 73 082 424 | 67 700 435 |
| Net cash flow from investing activities | 70 959 261 | 65 140 168 |
| Net increase/(decrease) in cash and cash equivalents | 2 560 166 | 2 560 267 |

## 51. Prior-year adjustments

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

**Statement of financial position**

**2022**

| | Note | As previously reported | Correction of error | Restated |
|---|---|---|---|---|
| Impairment from exchange transactions | | 15 465 905 | 10 489 168 | 25 955 073 |
| Impairment from non-exchange transactions | | 51 255 268 | 54 167 515 | 105 422 783 |
| | | **66 721 173** | **64 656 683** | **131 377 856** |

**2023**

| | Note | As previously reported | Correction of error | Re-classification | Restated |
|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | |
| Revenue resulting from Indigent which was not accounted for | | - | (3 676 081) | - | (3 676 081) |
| Interest recovered | | - | (3 680 367) | - | (3 680 367) |
| **Statement of Fiancial Position** | | | | | |
| Assets donated | | - | (323 867) | - | (323 867) |
| Impairment from exchange transactions | | 16 414 439 | 13 800 931 | - | 30 215 370 |
| Impairment from non-exchange transactions | | 74 776 892 | 46 677 762 | - | 121 454 654 |
| Gross receivables from exchange | | 28 121 905 | - | 5 339 587 | 33 461 492 |
| Gross receivables from non-exchange | | 132 104 875 | - | 2 003 223 | 134 108 089 |
| Payments received in advance | | 6 086 538 | - | 1 256 264 | 7 342 802 |
| Income received in advance (Disclosed separately under liabilities) | | - | - | (7 342 802) | (7 342 802) |
| Other creditors | | 437 935 | - | (437 935) | - |
| Trade creditors | | 17 656 949 | - | (818 337) | 16 838 612 |
| Property,plant and equipment (Community) | | 85 584 183 | - | 1 067 426 | 86 651 609 |

# Notes to the Annual Financial Statements

| Figures in Rand | | | 2024 | 2023 |
|---|---|---|---|---|

**51. Prior-year adjustments (continued)**

| | | | | |
|---|---|---|---|---|
| Property ,plant and equipment (Machinery) | 9 677 751 | - | (1 067 426) | 8 610 325 |
| **Cashflow Statement** | | | | |
| Net cash flows from operating actiities | 73 082 424 | (5 381 989) | - | 67 700 435 |
| Net cash flow from investing activities | 70 959 261 | (5 819 093) | - | 65 140 168 |
| Net increase/(decrease) in cash and cash equivalents | 2 560 166 | 101 | - | 2 560 267 |
| | **517 463 318** | **41 597 397** | **-** | **559 060 706** |

**Reclassifications**

The following reclassifications adjustment occurred:

**Gross receivables**

Gross receivables from exchange were allocated incorrectly between exchange and non-exchange.

**Payments received in advance**

Payments received in advance were reclassified from other payables to be disclosed as a separate line item in the statement of financial position.

**Other creditors and Trade creditors**

Other creditors were reclassified to Trade creditors as these are all creditors with similar characteristics.

**Property, plant and equipment**

PPE reclassification within community and machinery was processed due to asset verification excercise that was performed.

**52. Proceeds from sale of land**

| | | |
|---|---|---|
| Land sales | - | 2 108 289 |
| | - | 2 108 289 |
| | - | - |
| | - | - |

**53. Construction contracts**

Municipality is constructing electrification project at areas which are Eskom is license areas.
Electrification asset will be Eskom asset once completed.

Municipality is also constructing housing project for Department of Human Settlement.

**Agreements that meet all the criteria of GRAP11**

The municipality recognise revenue using the percentage of completion method for agreements that meet all the criteria of GRAP11 (Construction Contracts), continuously as construction progresses.

The entity determines which agreements meet all the criteria in the Standard of GRAP on continuously as construction progresses in the following manner:

| | | |
|---|---|---|
| Electrification of Babanango (INEP) | 5 800 000 | 6 000 000 |
| ZUNGU RURAL HOUSING PROJECT | 55 888 110 | - |
| NDEBELE RURAL HOUSING PROJECT | - | 758 955 |
| NOBAMBA RURAL HOUSING PROJECT | - | 98 505 |

The methods used to determine the stage of completion of agreements in progress is as follows:

| Figures in Rand | 2024 | 2023 |
|---|---|---|

**53. Construction contracts (continued)**

Reference to stage of completion

| | | |
|---|---|---|
| The aggregate amount of costs incurred for agreements in progress | - | (6 206 000) |
| Electrification of Babanango | (5 800 000) | - |
| ZUNGU RURAL HOUSING PROJECT | (55 888 110) | - |
| NDEBELE RURAL HOUSING PROJECT | - | (758 955) |
| NOBAMBA RURAL HOUSING PROJECT | - | (98 505) |

**54. Distribution losses**

The municipality incurred distribution losses on Electricity amounting to approximately 39 492 613 units for the period ended 30 June 2024, this loss amounted to approximately R75 825 816. These losses are calculated as the difference between power supplies purchased and sales recorded.s

| **Distribution loss break down** | | |
|---|---|---|
| Units purchased | 69 401 340 | 67 279 102 |
| Units sold | 29 908 727 | 46 073 269 |
| Units lost in distribution | 39 492 613 | 21 205 832 |
| % Lost in distribution | 57% | 32% |
| Avarage Cost per unit purchased (cents) | 1.92 | 1.46 |
| | **75 825 816** | **30 966 098** |

**Financial guarantee contracts**

The entity has its debt guaranteed by another entity . No fee has been paid to the issuer.

**55. Commitments**

**Authorised capital expenditure**

| | | |
|---|---|---|
| **Already contracted for but not provided for** | | |
| • Community | 25 487 070 | 69 404 683 |
| **Not yet contracted for and authorised by accounting officer** | | |
| • Infrastructure | 20 325 971 | - |
| **Total capital commitments** | | |
| Already contracted for but not provided for | 25 487 070 | 69 404 683 |
| Not yet contracted for and authorised by accounting officer | 20 325 971 | - |
| | **45 813 041** | **69 404 683** |

**Authorised operational expenditure**

| | | |
|---|---|---|
| **Already contracted for but not provided for** | | |
| • Operational expenditure | 26 117 807 | 34 819 535 |
| **Total operational commitments** | | |
| Already contracted for but not provided for | 26 117 807 | 34 819 535 |

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 55. Commitments (continued)

**Total commitments**

| Total commitments | | |
|---|---|---|
| Authorised capital expenditure | 45 813 041 | 69 404 683 |
| Authorised operational expenditure | 26 117 807 | 34 819 535 |
| | **71 930 848** | **104 224 218** |

This committed expenditure relates to plant and equipment and will be financed by available funding and MIG.

### 56. Budget differences

**Material differences between budget and actual amounts**

The variances in excess of actual expenditure over the final budget of 10% for are explained below;

1. Operational revenue - Operational revenue was erroneously distorted by including VAT refund.

2. Property Rates - Due to valuation roll that is almost 5 years old, new valuation roll to implemented this financial year.

3. Government grants & subsidies Dora with reduction on EPWP grant.

4. Interest income - Due to customers not paying their account when due.

5. Employee cost - Cost containment measures that the municipality has adopted

6. Bulk purchases - Due to seasonal tariff and tariff hikes of more than 18% implemented by ESKOM

7. Actuarial gains - Due to changes actuarial valuation for provision on leave days and leave paid.

8. VAT receivable - Due to non-payment of PAYE and SARS off-setting VAT amount to PAYE.

9. Cash and cash equivalents - The municipality was paying its creditors as and when the fall due.

10. Property, plant and equipment - PPE carrying amount increased due additional MIG funding that was all used on WIP

projects

11. Payables - Due to Eskom outstanding invoices

12. Long service leave award - Due to resignations and new appointments that happened during the year

13. Service charges - 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

14. Interest on Receivables - More debtor fell on more than 120 days category attracting more interest on outstanding balances

15. Interest earned - external investments - More interest yielded due to funds maturity in call accounts since funds were kept for much longer period than previous year

16 Fines, Penalties & Forfeits - An operation was conducted on meter tampering resulting into increase tampering and reconnection fees.

17. Licences and permits - This is due to nature of the complexity of learner's licence test structure after replacement of the old papers by DOT resulting to a high failure rate

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

**56. Budget differences (continued)**

18. Government grants and subsidies - Housing projects implementation which was not included on budget as this amount was not gazetted through DoRA

19. Sale of goods - This is budgeted under operational revenue

20. Operational revenue - Operational revenue was erroneously distorted by including VAT refunds

21. Provision for bad debts adjustment - This line item was budgeted under bad debts written-off

22. Depreciation and amortisation expense - This is due to assets impairment which was a once off adjustment

23. Bad Debts Written off - A portion of debt impairment is included here

24. Contracted services - Housing projects implementation which was not included on budget as this amount was not gazetted through DoRA
t

**57. Segment information**

## Notes to the Annual Financial Statements

Figures in Rand

**57. Segment information (continued)**

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

**2024**

| | Community and public safety | Trading services-Electricity | Trading Services-refuse | Unallocated | Economic and environmental services | Total |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Revenue from non-exchange transactions | 2 004 000 | 75 770 467 | 10 088 713 | 348 620 239 | - | 436 483 419 |
| Revenue from exchange transactions | 11 218 000 | 66 213 332 | - | 14 623 210 | - | 92 054 542 |
| Interest revenue | - | 2 318 271 | - | 6 046 823 | - | 8 365 094 |
| **Total segment revenue** | **13 222 000** | **144 302 070** | **10 088 713** | **369 290 272** | **-** | **536 903 055** |
| **Entity's revenue** | | | | | | **536 903 055** |
| **Expenditure** | | | | | | |
| Salaries and wages | 59 266 848 | 46 052 386 | 5 278 986 | 69 683 488 | 4 897 368 | 185 179 076 |
| Other expenses | 23 401 778 | 149 195 854 | 6 324 920 | 114 246 273 | 59 879 356 | 353 048 181 |
| Depreciation, impairement and amortisation | 7 397 191 | 11 399 835 | 6 495 825 | 59 165 355 | - | 84 458 206 |
| Interest | - | 2 312 000 | - | - | - | 2 312 000 |
| **Total segment expenditure** | **90 065 817** | **208 960 075** | **18 099 731** | **243 095 116** | **64 776 724** | **624 997 463** |
| **Total segmental surplus/(deficit)** | **(76 843 817)** | **(64 658 005)** | **(8 011 018)** | **126 195 156** | **(64 776 724)** | **(88 094 408)** |
| **Assets** | | | | | | |
| Segment assets | 247 923 953 | 7 092 087 | 22 024 753 | 345 207 629 | - | 622 248 422 |
| Investment property | - | 16 921 000 | - | - | - | 16 921 000 |
| **Total segment assets** | **247 923 953** | **24 013 087** | **22 024 753** | **345 207 629** | **-** | **639 169 422** |
| **Total assets as per Statement of financial Position** | | | | | | **639 169 422** |
| **Liabilities** | | | | | | |
| Segment liabilities | 2 429 976 | 198 557 536 | - | 76 915 626 | - | 277 903 138 |

## Notes to the Annual Financial Statements

Figures in Rand

| | Community and public safety | Trading services- Electricity | Trading Services- refuse | Unallocated | Economic and environmental services | Total |
|---|---|---|---|---|---|---|
| **57. Segment information (continued)** | | | | | | |
| **Total liabilities as per Statement of financial Position** | | | | | | **277 903 138** |

Only service related service departments are disclosed separately, all other non service delivery and administration departments are included under Unallocated.

**2023**

| | Community and public safety | Trading Services - Electricity | Trading Services - Refuse | Unallocated | Economic and environmental services | Total |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Revenue from non-exchange transactions | 2 004 000 | 64 846 905 | 9 933 882 | 327 015 501 | - | 403 800 288 |
| Revenue from exchange transactions | 1 078 597 | 74 780 787 | - | 4 807 596 | - | 80 666 980 |
| Interest revenue | - | 1 965 911 | - | 2 531 150 | - | 4 497 061 |
| **Total segment revenue** | **3 082 597** | **141 593 603** | **9 933 882** | **334 354 247** | **-** | **488 964 329** |
| **Entity's revenue** | | | | | | **488 964 329** |
| **Expenditure** | | | | | | |
| Salaries and wages | 48 967 852 | 42 879 863 | 5 025 594 | 73 337 747 | 4 633 879 | 174 844 935 |
| Other expenses | 21 879 358 | 119 113 614 | 6 324 920 | 53 736 825 | 61 639 360 | 262 694 077 |
| Interest expense | - | 8 235 095 | - | - | - | 8 235 095 |
| Depreciation and amortisation | 4 862 148 | 18 480 288 | 5 897 663 | 30 391 021 | 7 689 785 | 67 320 905 |
| **Total segment expenditure** | **75 709 358** | **188 708 860** | **17 248 177** | **157 465 593** | **73 963 024** | **513 095 012** |
| **Total segmental surplus/(deficit)** | **(72 626 761)** | **(47 115 257)** | **(7 314 295)** | **176 888 654** | **(73 963 024)** | **(24 130 683)** |
| **Assets** | | | | | | |
| Segment assets | 299 830 785 | 6 235 798 | 19 875 236 | 235 789 658 | 106 436 639 | 668 168 116 |
| Investment property | - | - | - | 16 921 000 | - | 16 921 000 |
| **Total segment assets** | **299 830 785** | **6 235 798** | **19 875 236** | **252 710 658** | **106 436 639** | **685 089 116** |

### 57. Segment information (continued)

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total assets as per Statement of financial Position** | | | | | | **685 089 116** |
| **Liabilities** | | | | | | |
| Segment liabilities | 1 987 265 | 157 734 872 | - | 76 321 442 | - | 236 043 579 |
| **Total liabilities as per Statement of financial Position** | | | | | | **236 043 579** |

Only service related service departments are disclosed separately, all other non service delivery and administration departments are included under Unallocated.

**Information about geographical areas**

The municipality's operations are in the Kwazulu Natal Province.

The table below indicates the relevant geographical information after eliminating inter segmental transfers:

**2024**

| | External revenues from non-exchange transactions | External revenues from exchange transactions | Total expenditure | Non-current assets* |
|---|---|---|---|---|
| 'Ward 8 - Mahlabathini | 1 302 820 | 511 509 | 6 384 243 | 3 635 850 |
| Ward 12 - BA, B & C | 59 715 843 | 61 669 832 | 344 447 487 | 372 083 337 |
| Ward 16 - Babanango | 19 770 664 | 32 425 | 96 882 699 | 230 480 |
| Ward 18 - Unit A | 14 399 736 | 18 537 401 | 70 563 401 | 131 765 450 |
| Ward 22 - Unit D & K | 21 778 068 | 14 431 361 | 106 719 633 | 102 579 362 |
| **Total** | **116 967 131** | **95 182 528** | **624 997 463** | **610 294 479** |

**2023**

| | External revenues from non-exchange transactions | External revenues from exchange transactions | Total expenditure | Non-current assets* |
|---|---|---|---|---|

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 57. Segment information (continued)

| | | | | |
|---|---|---|---|---|
| 'Ward 8 - Mahlabathini | 1 281 485 | 445 509 | 3 051 673 | 7 298 612 |
| Ward 12 - BA, B & C | 63 109 224 | 53 444 332 | 313 157 610 | 319 837 439 |
| Ward 16 - Babanango | 19 446 904 | 28 241 | 193 448 | 110 758 509 |
| Ward 18 - Unit A | 14 163 929 | 16 145 524 | 110 594 498 | 80 669 688 |
| Ward 22 - Unit D & K | 21 421 435 | 12 569 286 | 86 097 783 | 122 004 316 |
| **Total** | **119 422 977** | **82 632 892** | **513 095 012** | **640 568 564** |

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

**Contributions to organised local government (SALGA membership)**

| | 2024 | 2023 |
|---|---|---|
| Opening balance | 1 197 837 | 4 983 077 |
| Current year subscription / fee | 1 930 251 | - |
| Amount paid - current year | (1 930 251) | (3 785 240) |
| Amount paid - previous years | (1 197 837) | - |
| | **-** | **1 197 837** |

**Material losses through criminal conduct**

| | 2024 | 2023 |
|---|---|---|
| Opening balance as previously reported | 108 861 | - |
| Add: Losses identified - current period | - | 108 861 |
| Less: Amounts recovered - current | (48 712) | - |
| | **60 149** | **108 861** |

This matter occured in 2022/23 inolving cash embezzlement, said employee resigned before disciplinary could be finalised and matter was reported to SAPS.

**Audit fees**

| | 2024 | 2023 |
|---|---|---|
| Current year subscription / fee | 3 473 257 | 3 392 649 |
| Amount paid - current year | (3 473 257) | (3 392 649) |
| | **-** | **-** |

**PAYE and UIF**

| | 2024 | 2023 |
|---|---|---|
| Opening balance | 2 249 444 | 1 856 210 |
| Current year subscription / fee | 27 556 041 | 26 705 614 |
| Amount paid - current year | (22 720 250) | (1 856 210) |
| Amount paid - previous years | (2 249 444) | (24 456 170) |
| | **4 835 791** | **2 249 444** |

**Pension and Medical Aid Deductions**

| | 2024 | 2023 |
|---|---|---|
| Opening balance | 4 725 438 | 2 874 561 |
| Current year subscription / fee | 30 281 072 | 28 582 359 |
| Amount paid - current year | (24 741 526) | (23 856 921) |
| Amount paid - previous years | (4 725 438) | (2 874 561) |
| | **5 539 546** | **4 725 438** |

**VAT**

| | 2024 | 2023 |
|---|---|---|
| VAT receivable | 64 178 245 | 57 914 373 |
| VAT payable | (56 335 493) | (48 132 709) |

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

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

| | 2024 | 2023 |
|---|---|---|
| | **7 842 752** | **9 781 664** |

VAT output payables and VAT input receivables are shown in note .

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

**Councillors' arrear consumer accounts**

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

| 30 June 2024 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---|---|---|---|
| Deputy Mayor - Councillor TG Madela | 734 | 1 499 | 2 233 |

| 30 June 2023 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---|---|---|---|
| Deputy Mayor - Councillor TG Madela | 730 | - | 730 |
| Councillor AL Mgabhi | 1 351 | - | 1 351 |
| | **2 081** | **-** | **2 081** |

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

**Supply chain management regulations**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

| **Incident** | 2024 | 2023 |
|---|---|---|
| Information technology upgrade | 108 168 | 1 034 580 |