iNkosi uMtubatuba Local Municipality
Annual financial statements
for the year ended 30 June 2024

General Information

Legal form of entity	KZN275 - Local Municipality
	The Municipality's operations are governed by -Municipal Finance Management Act 56 of 2003, -Municipal Structures Act 117 of 1998, -Municipal Systems Act 32 of 2000, -Municipal Property Rates Act (act of 6 2004), -Division of Revenue Act (Act 1 of 2007) and various other acts and regulations.
Nature of business and principal activities	The provision of service, (sanitation and refuse removal and security) to communities within its municipal jurisdiction in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Mayor	Cllr. M Mthethwa
Deputy Mayor	Cllr. MZ Shobede
Speaker	Cllr. SJ Shezi
Chief WHIP	Cllr. MP Ndlovu
MPAC Chairperson	Cllr. NM Ncube
Other executive committee members	Cllr. MA Gina
	Cllr. LM Mkhwanazi
	Cllr. RBB Mkhwanzi
	Cllr. NPM Mlungwana
	Cllr. SN Nzuza
	Cllr. MB Shangase
	Cllr. S Vilana
Councillors	Cllr. JM Gumede
	Cllr. MR Gumede
	Cllr. PF Gumede
	Cllr. SM Khumalo
	Cllr. L Madondo
	Cllr. GM Masango
	Cllr. IM Masondo
	Cllr. VR Mazibuko
	Cllr. PPN Mbatha
	Cllr. B Mdluli
	Cllr. KD Mfeka
	Cllr. LS Mfekaye
	Cllr. S Mkhumbuzi
	Cllr. MQ Mkhwanzi
	Cllr. NJ Mlambo
	Cllr. SP Mngomezulu
	Cllr. SR Mngomezulu
	Cllr. ME Mnyango
	Cllr. LS Msweli
	Cllr. NS Mthimkhulu
	Cllr. BP Mthiyane
	Cllr. JB Mthiyane
	Cllr. DN Nene
	Cllr. SB Ngubane
	Cllr. PV Ntshalintshali

General Information

	Cllr. DR Ntuli Cllr. TQ Ntuli Cllr. XL Qwabe Cllr. TM Sibiya Cllr. MM Zikhali Cllr. TP Zikhali Cllr. JM Zungu Cllr. BM Zulu
Grading of local authority	Grade 3
Chief Finance Officer	Mr VK Gumede
Accounting Officer	Mr TV Xulu
Registered office	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
Postal address	P O Box 52 Mtubatuba 3935
Bankers	First National Bank
Auditors	Auditor-General South Africa Registered Auditors

Index

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
INEP	Integrated National Electrification Programme
CFO	Chief Financial Officer

Accounting Officer's Responsibilities and Approval

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

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

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.

I certify that the salaries, allowances and benefits of councilors as disclosed in the financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of the Public Office Bearers Act, Act 20 of 1998.

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:

Mr TV Xulu
Accounting Officer

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Receivables from non-exchange transactions	3&4	39 165 495	36 646 028
Receivables from exchange transactions	5	5 121 854	2 852 836
Other receivables from non-exchange transactions	6	-	1 398 911
Cash and cash equivalents	7	2 122 237	866 422
		46 409 586	**41 764 197**
Non-Current Assets			
Investment property	8	22 173 000	22 833 400
Property, plant and equipment	9	525 954 118	469 352 266
Intangible assets	10	125 013	191 213
Heritage assets	11	1 104 835	1 104 835
		549 356 966	**493 481 714**
Total Assets		**595 766 552**	**535 245 911**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	90 857 649	121 848 729
Unspent conditional grants and receipts	13	14 571 745	8 588 310
Long service awards	15	435 000	328 483
		105 864 394	**130 765 522**
Non-Current Liabilities			
Provisions	14	38 295 061	37 611 652
Long service awards	15	4 353 000	3 030 597
		42 648 061	**40 642 249**
Total Liabilities		**148 512 455**	**171 407 771**
Net Assets		**447 254 097**	**363 838 140**
Accumulated surplus		447 254 092	363 838 142
Total Net Assets		**447 254 092**	**363 838 142**

* See Note 46 & 45

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	5 573 191	3 734 464
Rendering of services	17	911 422	1 915 347
Construction contracts (INEP)		5 631 478	6 836 522
Rental of facilities and equipment	18	224 424	212 063
Licences and permits	19	2 858 190	2 753 095
Other income	20	459 180	14 184
Interest income- bank and receivables from exchange	21	7 573 157	4 565 289
Total revenue from exchange transactions		**23 231 042**	**20 030 964**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	57 636 949	50 785 015
Interest income - receivables from non-exchange	23	20 837 719	9 837 645
Transfer revenue			
Government grants & subsidies	24	292 385 565	273 072 828
Public contributions and donations	25	42 380 810	5 024 115
Fines, Penalties and Forfeits	26	1 686 072	1 264 391
Total revenue from non-exchange transactions		**414 927 115**	**339 983 994**
Total revenue		**438 158 157**	**360 014 958**
Expenditure			
Employee related costs	27	(136 864 129)	(127 969 158)
Remuneration of councillors	28	(17 388 707)	(17 559 228)
Construction contracts expenditure (INEP)	29	(5 631 478)	(6 836 522)
Depreciation and amortisation	30	(34 617 206)	(30 143 327)
Finance costs	31	(4 532 621)	(4 942 738)
Lease rentals on operating lease	32	(1 783 179)	(2 035 851)
Debt Impairment	33	(34 085 351)	(12 168 071)
Contracted services	34	(75 861 697)	(123 788 196)
General Expenses	35	(41 585 460)	(54 433 978)
Total expenditure		**(352 349 828)**	**(379 877 069)**
Operating surplus (deficit)		**85 808 329**	**(19 862 111)**
Gain (losses) on disposal of non-current assets	37	(792 501)	(2 511 227)
Fair value adjustments	38	219 600	868 400
Impairment loss	39	(1 819 479)	(5 322 356)
		(2 392 380)	**(6 965 183)**
Surplus (deficit) for the year		**83 415 949**	**(26 827 294)**

* See Note 46 & 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	396 599 445	396 599 445
Adjustments		
Correction of errors 45	(5 934 009)	(5 934 009)
Balance at 01 July 2022 as restated*	**390 665 436**	**390 665 436**
Changes in net assets		
Surplus for the year	(26 827 294)	(26 827 294)
Total changes	(26 827 294)	(26 827 294)
Restated* Balance at 01 July 2023	**363 838 143**	**363 838 143**
Changes in net assets		
Surplus for the period	83 415 949	83 415 949
Total changes	83 415 949	83 415 949
Balance at 30 June 2024	**447 254 092**	**447 254 092**

* See Note 46 & 45

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Service charges rendering of services		2 946 176	9 413 986
Property rates		48 781 333	42 545 284
Grants		298 368 998	269 176 000
Interest income		2 240 303	1 346 166
Construction contracts INEP		5 915 278	6 836 522
Licence and permits		2 858 190	2 753 095
Rental income		65 680	190 347
Other income		459 180	14 184
Fines, Penalties and Forfeits		337 922	19 371
		361 973 060	332 294 955
Payments			
Employee costs and remuneration of councillors		(150 461 790)	(139 698 138)
Suppliers and finance costs		(159 373 985)	(147 247 061)
		(309 835 775)	(286 945 199)
Net cash flows from operating activities	40	**52 137 285**	**45 349 756**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(51 905 185)	(54 998 948)
Proceeds from sale of property, plant and equipment	9	205 504	-
Proceeds from sale of investment property	8	818 211	4 082 658
Net cash flows from investing activities		**(50 881 470)**	**(50 916 290)**
Net increase/(decrease) in cash and cash equivalents		**1 255 815**	**(5 566 534)**
Cash and cash equivalents at the beginning of the year		866 422	6 432 956
Cash and cash equivalents at the end of the year	7	**2 122 237**	**866 422**

The accounting policies on pages 12 to 32 and the notes on pages 33 to 73 form an integral part of the annual financial statements.

* See Note 46 & 45

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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						
Service charges	7 998 587	(1 447 160)	**6 551 427**	5 573 191	**(978 236)**	A1
Rendering of services	472 148	285 641	**757 789**	911 422	**153 633**	A2
Construction contracts (INEP)	-	5 365 901	**5 365 901**	5 631 478	**265 577**	B2
Rental of facilities and equipment	350 355	(200 000)	**150 355**	224 424	**74 069**	A3
Licences and permits	3 323 340	(100 000)	**3 223 340**	2 858 190	**(365 150)**	A4
Other income	66 727	3 878 927	**3 945 654**	459 180	**(3 486 474)**	A5
Interest income- bank and receivables from exchange	5 454 368	851 406	**6 305 774**	7 573 157	**1 267 383**	A6
Total revenue from exchange transactions	**17 665 525**	**8 634 715**	**26 300 240**	**23 231 042**	**(3 069 198)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	52 205 317	188 127	**52 393 444**	57 636 949	**5 243 505**	A7
Interest income from receivables from non-exchange	20 133 014	(133 014)	**20 000 000**	20 837 719	**837 719**	A8
Transfer revenue						
Government grants & subsidies	293 434 001	(3 510 903)	**289 923 098**	292 385 565	**2 462 467**	A9
Public contributions and donations	-	-	**-**	42 380 810	**42 380 810**	
Fines, Penalties and Forfeits	1 544 641	155 359	**1 700 000**	1 686 072	**(13 928)**	A10
Total revenue from non-exchange transactions	**367 316 973**	**(3 300 431)**	**364 016 542**	**414 927 115**	**50 910 573**	
Total revenue	**384 982 498**	**5 334 284**	**390 316 782**	**438 158 157**	**47 841 375**	
Expenditure						
Employee related costs	(124 684 138)	1	**(124 684 137)**	(136 864 129)	**(12 179 992)**	A11
Remuneration of councillors	(18 523 917)	-	**(18 523 917)**	(17 388 707)	**1 135 210**	A12
Construction contracts expenditure (INEP)	-	(5 365 901)	**(5 365 901)**	(5 631 478)	**(265 577)**	A13
Depreciation and amortisation	(29 823 160)	-	**(29 823 160)**	(34 617 206)	**(4 794 046)**	A14
Impairment loss/ Reversal of impairments	-	-	**-**	(1 819 479)	**(1 819 479)**	B14
Finance costs	(1 000 000)	-	**(1 000 000)**	(4 532 621)	**(3 532 621)**	A15
Lease rentals on operating lease	-	-	**-**	(1 783 179)	**(1 783 179)**	A16
Debt Impairment	(12 678 750)	1 653 750	**(11 025 000)**	(34 085 351)	**(23 060 351)**	A17
Contracted Services	(59 698 875)	(8 986 605)	**(68 685 480)**	(75 861 697)	**(7 176 217)**	A18
General Expenses	(44 973 081)	19 599 476	**(25 373 605)**	(41 585 460)	**(16 211 855)**	A19
Total expenditure	**(291 381 921)**	**6 900 721**	**(284 481 200)**	**(354 169 307)**	**(69 688 107)**	
Operating surplus	**93 600 577**	**12 235 005**	**105 835 582**	**83 988 850**	**(21 846 732)**	
Loss on disposal of assets and liabilities	-	-	**-**	(792 501)	**(792 501)**	A20
Fair value adjustments	-	-	**-**	219 600	**219 600**	A21

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	-	**-**	**-**	**(572 901)**	**(572 901)**	
Surplus before capital expenditure	**93 600 577**	**12 235 005**	**105 835 582**	**83 415 949**	**(22 419 633)**	
Capital expenditure	47 556 437	(1 274 632)	**46 281 805**	51 905 185	**5 623 380**	A22
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**46 044 140**	**13 509 637**	**59 553 777**	**31 510 764**	**(28 043 013)**	

Reconciliation		
Basis difference		
Capital expenditure	51 905 185	A22
Actual Amount in the Statement of Financial Performance	**83 415 949**	

Refer to note 56 for the details on the budget vs actual differences.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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						
Receivables from non-exchange transactions	85 634 629	(31 367 974)	**54 266 655**	39 165 495	**(15 101 160)**	
Receivables from exchange transactions	1 861 833	394 451	**2 256 284**	5 121 854	**2 865 570**	
Other receivables from exchange transactions	-	945 654	**945 654**	-	**(945 654)**	
Cash and cash equivalents	65 353 789	(41 187 640)	**24 166 149**	2 122 237	**(22 043 912)**	
	152 850 251	**(71 215 509)**	**81 634 742**	**46 409 586**	**(35 225 156)**	
Non-Current Assets						
Investment property	31 757 970	(8 924 570)	**22 833 400**	22 173 000	**(660 400)**	
Property, plant and equipment	458 096 287	29 789 391	**487 885 678**	525 954 118	**38 068 440**	
Intangible assets	542 306	(351 094)	**191 212**	125 013	**(66 199)**	
Heritage assets	1 104 835	-	**1 104 835**	1 104 835	**-**	
	491 501 398	**20 513 727**	**512 015 125**	**549 356 966**	**37 341 841**	
Total Assets	**644 351 649**	**(50 701 782)**	**593 649 867**	**595 766 552**	**2 116 685**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	75 273 265	(30 875 308)	**44 397 957**	90 857 649	**46 459 692**	
VAT payable	1 831 673	(1 831 673)	**-**	-	**-**	
Unspent conditional grants and receipts	(5 344 993)	13 659 893	**8 314 900**	14 571 745	**6 256 845**	
Provisions	(3 752 803)	8 827 877	**5 075 074**	-	**(5 075 074)**	
Long service awards	-	-	**-**	435 000	**435 000**	
	68 007 142	**(10 219 211)**	**57 787 931**	**105 864 394**	**48 076 463**	
Non-Current Liabilities						
Provisions	-	32 865 061	**32 865 061**	38 295 061	**5 430 000**	
Long service awards	(2 359 000)	7 748 597	**5 389 597**	4 353 000	**(1 036 597)**	
	(2 359 000)	**40 613 658**	**38 254 658**	**42 648 061**	**4 393 403**	
Total Liabilities	**65 648 142**	**30 394 447**	**96 042 589**	**148 512 455**	**52 469 866**	
Net Assets	**578 703 507**	**(81 096 229)**	**497 607 278**	**447 254 097**	**(50 353 181)**	
Net Assets						
Accumulated surplus	610 928 917	(113 321 639)	**497 607 278**	447 254 099	**(50 353 179)**	

Accounting Policies

Figures in Rand	Note(s)	2024	2023

1. Significant account policies

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

1.1 Basis of preparations

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for receivables is calculated per each receivable based on observable data available and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the receivables. In the event of no enough observable data for specific customers, the municipality uses the aggregate of all receivables data to measure the pattern of receivables collections over the past years to estimate expected recoverability.

Fair value estimation

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

1.5 Biological assets that form part of an agricultural activity (continued)

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Non cash generating assets are impaired based on depreciated replacement cost approach.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of non-current assets

The municipality's management determines the estimated useful lives and related depreciation charges for depreciable property plant and equipment and intangible assets. This estimate is based on industry norm. Management revises the depreciation charge prospectively where useful lives are different from previously estimated useful lives.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

Allowance for impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.For non paying debtors in the year of assessment, allowance for impairment is calculated based on historical recovery rate for all receivables in the past 3 years.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Accounting Policies

1.6 Investment property (continued)

Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

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

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.7 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	Depreciation method	Average useful life
Land	Not depreciated	Indefinite
Buildings	Straight-line	10 - 30 years
Plant and machinery	Straight-line	2 - 15 years
Furniture and Office Equipment	Straight-line	3 - 20 years
Motor vehicles	Straight-line	5 - 10 years
Computer equipment	Straight-line	3 - 15 years
Community assets	Straight-line	10 - 30 years
Electrical infrastructure	Straight-line	15-25 years
Solid waste infrastructure	Straight-line	3 - 15 years
Roads & Storm water infrastructure	Straight-line	10 - 50 years

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

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

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

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

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

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

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

1.7 Property, plant and equipment (continued)

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

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

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.9 Intangible assets

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

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

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

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

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

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

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

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

1.9 Intangible assets (continued)

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	2 to 5 years

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

1.10 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.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

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

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

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

1.12 Statutory receivables

Identification

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Accounting Policies

1.12 Statutory receivables (continued)

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

Any previously recognised impairment loss is recognised by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

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

1.12 Statutory receivables (continued)

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.13 VAT

The Municipality is a registered VAT vendor and accounts for declaration and submission of VAT returns on a cash basis.

VAT as disclosed in the annual financial statements is prepared on the accrual basis.

1.14 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

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

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

Operating leases - lessee

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

1.15 Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Bank overdrafts which are repayable on demand forms an integral part of the entity’s cash management activities, and as such are included as a component of cash and cash equivalents.

1.16 Impairment of cash-generating assets

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

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

1.16 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;

Discount rate

The discount rate is a pre-tax 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 (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.17 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets.

Identification

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

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

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

Value in use

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

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

1.18 Employee benefits

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

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

1.18 Employee benefits (continued)

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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

1.19 Provisions and contingencies

Provisions are recognised when:

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

1.19 Provisions and contingencies (continued)

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

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

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

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

Accounting Policies

1.19 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

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

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

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Accounting Policies

1.21 Revenue from exchange transactions

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

Measurement

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

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

Rendering of services and construction contracts

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

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

Recognition

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

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

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Transfers

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

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

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

When an entity recognises an increase in net assets as a result of a non-exchange transaction, it recognises revenue.

The municipality recognises revenue from conditional grants when the condition is satisfied. Upon receipt of grants/transfers that are subject to condition(s), the municipality recognises a liability.

Fines

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

1.22 Revenue from non-exchange transactions (continued)

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

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

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.23 Investment income

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

1.24 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.25 Comparative figures

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

1.26 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.27 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.28 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.

1.28 Irregular expenditure (continued)

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.29 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.30 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

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

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

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

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

Comparative information is not required.

1.31 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

Accounting Policies

1.31 Related parties (continued)

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

1.32 Events after reporting date

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

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

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	No effective date	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	No effective date	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Receivables from non exchange transactions

	2024	2023
VAT receivable	5 816 103	6 105 451
Property rates	32 986 041	27 901 958
Traffic fines	363 351	2 638 619
	39 165 495	**36 646 028**

	2024	2023
VAT receivable consist of:		
VAT declared on VAT 201	776 688	724 122
Net VAT receivable accrual	5 039 415	5 381 329
	5 816 103	**6 105 451**

4. Receivables from non-exchange transactions detailed disclosure: Statutory receivables

Included in receivables from non-exchange (Note 3) are the following statutory receivables:

	2024	2023
Gross balances		
Property rates	228 523 535	205 606 486
Traffic fines	18 167 526	16 819 376
	246 691 061	**222 425 862**
Less: Allowance for impairment		
Property rates	(195 537 494)	(177 704 528)
Traffic fines	(17 804 175)	(14 180 757)
	(213 341 669)	**(191 885 285)**
Net balance		
Property rates	32 986 041	27 901 958
Traffic fines	363 351	2 638 619
	33 349 392	**30 540 577**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Receivables from non-exchange transactions detailed disclosure: Statutory receivables (continued)

Property rates		
Current (0 -30 days)	4 826 396	2 061 019
31 - 60 days	4 501 973	4 302 654
61 - 90 days	4 394 433	3 769 193
91 - 120 days	4 353 425	4 066 354
121 - 150 days	4 253 906	3 910 890
> 150 days	206 193 402	187 496 376
	228 523 535	**205 606 486**

Traffic fines		
Current (0 -30 days)	169 300	124 555
31 - 60 days	31 000	17 456
61 - 90 days	59 600	153 500
91 - 120 days	138 000	327 501
121 - 150 days	88 100	226 603
> 150 days	17 681 526	15 969 761
	18 167 526	**16 819 376**

Total		
Current (0 -30 days)	4 995 696	2 185 574
31 - 60 days	4 532 973	4 320 110
61 - 90 days	4 454 033	3 922 693
91 - 120 days	4 491 425	4 393 855
121 - 150 days	4 342 006	4 137 493
> 150 days	223 874 928	203 466 137
	246 691 061	222 425 862
Less: Allowance for impairment	(213 341 669)	(191 885 285)
	33 349 392	**30 540 577**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(191 885 285)	(191 751 111)
Contributions to allowance	(21 456 384)	(134 174)
	(213 341 669)	**(191 885 285)**

VAT declared through VAT 201		
VAT declared on VAT 201	776 688	724 122

Figures in Rand	2024	2023

4. Receivables from non-exchange transactions detailed disclosure: Statutory receivables (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates are governed by The Local Government: Municipal Property Rates Act 6 of 2004. Property rates values are calculated based on market value of properties as per applicable valuation roll. Allowance for debt impairrment on statutory receivables takes into consideration the risk profile and payment history of each customer. Non-paying customers are assessed collectively based on past history of recovery for all default customers from the base year, which should not be more than five years.

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act No 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa. Traffic fines charged are determined by The National Road Traffic Offence Charge Book.

Determination of transaction amount

The transaction amount for property rates and traffic fines is determined in accordance with GRAP 23 on Revenue from non-exchange transactions.

Interest or other charges levied/charged

Interest on property rate has been charged as 18% in accordance with debt policy of the municipality.

No interest charged on Traffic fines debtor.

Discount rate applied to the estimated future cash flows

The municipality's uses prime rate at the end of the reporting period to discount all future cash flows to be derived from gross receivables.

Statutory receivables past due but not impaired

All receivables past due were assessed for impairment.

Statutory receivables impaired

The amount of the provision was R213 341 669 as of 30 June 2024 (2023: R191 885 285).

5. Receivables from exchange transactions

Gross balances		
Refuse removal	30 134 128	21 477 235
Security levies	7 882 500	7 668 102
	38 016 628	**29 145 337**
Less: Allowance for impairment		
Refuse removal	(26 164 208)	(19 868 072)
Security levies	(6 730 566)	(6 424 429)
	(32 894 774)	**(26 292 501)**
Net balance		
Refuse removal	3 969 920	1 609 163
Security levies	1 151 934	1 243 673
	5 121 854	**2 852 836**

Figures in Rand	2024	2023

5. Receivables from exchange transactions (continued)

Refuse removal		
Current (0 -30 days)	745 637	-
31 - 60 days	656 699	495 961
61 - 90 days	605 745	630 557
91 - 120 days	2 438 993	617 342
121 - 150 days	369 619	421 548
> 150 days	25 317 435	19 311 827
	30 134 128	**21 477 235**

Security levies		
Current (0 -30 days)	41 799	157 943
31 - 60 days	41 870	22 058
61 - 90 days	37 402	20 878
91 - 120 days	31 172	22 670
121 - 150 days	249 618	22 353
> 150 days	7 480 639	7 422 200
	7 882 500	**7 668 102**

Total		
Current (0 -30 days)	787 436	15 299
31 - 60 days	698 569	660 663
61 - 90 days	643 146	651 435
91 - 120 days	2 470 166	640 013
121 - 150 days	619 237	443 901
> 150 days	32 798 074	26 734 026
	38 016 628	29 145 337
Less: Allowance for impairment	(32 894 774)	(26 292 501)
	5 121 854	**2 852 836**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(26 292 501)	(23 072 947)
Contributions to allowance	(6 602 273)	(3 219 554)
	(32 894 774)	**(26 292 501)**

Consumer receivables past due but not impaired

All receivables past due were assessed for impairment.

Consumer receivables impaired

The amount of the provision was R 32 894 774 as of 30 June 2024 (2023: R 26 292 501).

6. Other receivables from non-exchange transactions

Other receivables from non-exchange transactions	1 398 911	1 398 911
Impairment	(1 398 911)	-
	-	**1 398 911**

The full amount relates to receivables from former employee. The court case is still outstanding and management resolved to provide for imapirment of the full balance as the recoverability of the amount is uncertain.

Figures in Rand	2024	2023

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 757	-
Bank balances	829 993	81 800
Short-term deposits	1 289 362	741 231
Petty cash	1 125	43 391
	2 122 237	**866 422**

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
First National Bank - Cashback 62869585128	265 551	9 536	39 561	265 551	9 536	39 561
First National Bank - Primary 53093735184	829 993	81 800	1 242 329	829 993	81 800	1 242 329
First National Bank - Eskom 71044025057	191 600	191 600	191 600	191 600	191 600	191 600
First National Bank - Money Market 62424097831	15 942	206 156	1 623 419	15 942	206 156	1 623 419
First National Bank - Call Account 62424098376	152 334	7 130	76 488	152 334	7 130	76 488
First National Bank - Money Market 6242094986	176 365	4 698	52 012	176 365	4 698	52 012
First National Bank - 62848428117	45 778	76 037	72 255	45 778	76 037	7 225
First National Bank - Small Town Rehabilitation 62848429511	44 533	32 420	2 545 636	44 533	32 420	2 545 636
First National Bank - INEP 62848428480	136 662	7 654	437 749	136 662	7 654	437 749
First National Bank - Traffic fines 62451696995	79 056	38 494	179 358	79 056	38 494	179 358
First National Bank - Petty Cash 62393938249	1 125	43 391	27 561	1 125	43 391	27 561
Nedbank Bank - 037165025375	181 541	167 506	-	181 541	167 506	-
Cash on hand	-	-	-	1 757	-	-
Total	**2 120 480**	**866 422**	**6 487 968**	**2 122 237**	**866 422**	**6 422 938**

8. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	22 173 000	-	22 173 000	22 833 400	-	22 833 400

Reconciliation of investment property - 2024

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	22 833 400	(880 000)	219 600	22 173 000

Reconciliation of investment property - 2023

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	25 155 970	(3 190 970)	868 400	22 833 400

Pledged as security

No investment property was pledged as security.

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

8. Investment property (continued)

Details of valuation

The effective date of the revaluations was Sunday, 30 June 2024. Revaluations were performed by an independent valuer, Mr C Jacobs, a professional Valuer No. 5375 registered in terms of the Property Valuers Profession Act 47 of 2000. Mr Jacobs is not connected to the municipality and has recent experience in location and category of the investment property being valued.

Valuation Methodology
The valuation was based on open market value that adopted Sales Comparison Approach to determine the market value of the property.

Market commentary & analysis and assumptions
In order to arrive at an opinion of the market value of the properties, the valuer undertook research into the market for similar properties within the subject locality.

The following market factors impacted on the South African economy nationally and locally:

- Eskom loadshedding affecting productivity
- Interest rates increased limiting the buying power of the consumer
- Lack of service delivery
- Fuel price increased to new heights
- Food prices increase due to the higher fuel price
- Rates and Taxes impact the affordability of consumers
- Possibility of a Recession

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	73 555 000	-	73 555 000	61 555 000	-	61 555 000
Buildings	55 005 463	(17 774 058)	37 231 405	55 005 463	(13 996 660)	41 008 803
Plant and machinery	10 634 755	(7 005 690)	3 629 065	11 145 916	(6 651 190)	4 494 726
Furniture and Office Equipment	8 839 921	(5 595 116)	3 244 805	7 741 918	(4 799 900)	2 942 018
Transport assets	5 453 291	(3 740 062)	1 713 229	8 800 944	(5 579 438)	3 221 506
IT equipment	6 717 328	(3 510 657)	3 206 671	5 599 032	(2 414 612)	3 184 420
Infrastructure	405 188 791	(243 741 123)	161 447 668	381 277 257	(223 981 387)	157 295 870
Community assets	310 217 833	(68 291 558)	241 926 275	254 698 451	(59 048 528)	195 649 923
Total	**875 612 382**	**(349 658 264)**	**525 954 118**	**785 823 981**	**(316 471 715)**	**469 352 266**

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 through acquisition	Additions through construction	Disposals	Donations	Depreciation	Impairment loss	Total
Land	61 555 000	12 000 000	-	-	-	-	-	73 555 000
Buildings	41 008 803	-	-	-	-	(3 236 578)	(540 820)	37 231 405
Plant and machinery	4 494 726	-	-	(87 774)	158 209	(936 096)	-	3 629 065
Furniture and Office Equipment	2 942 018	706 333	-	(7 494)	475 202	(871 254)	-	3 244 805
Transport assets	3 221 506	-	-	(1 127 792)	-	(380 485)	-	1 713 229
IT equipment	3 184 420	1 252 292	-	(57 556)	230 000	(1 402 485)	-	3 206 671
Infrastructure	157 295 870	-	23 911 534	-	-	(19 677 618)	(82 118)	161 447 668
Community assets	195 649 923	-	14 035 025	-	41 484 357	(8 046 489)	(1 196 541)	241 926 275
	469 352 266	**13 958 625**	**37 946 559**	**(1 280 616)**	**42 347 768**	**(34 551 005)**	**(1 819 479)**	**525 954 118**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions through acquisition	Additions through construction	Disposals	Donations	Landfill site adjustment	Depreciation	Impairment loss	Total
Land	62 695 000	-	-	(1 140 000)	-	-	-	-	61 555 000
Buildings	44 691 915	-	-	(946 211)	-	-	(2 690 967)	(45 934)	41 008 803
Plant and machinery	4 301 063	1 167 601	-	-	-	-	(973 938)	-	4 494 726
Furniture and Office Equipment	3 506 851	357 560	-	-	-	-	(922 393)	-	2 942 018
Transport assets	3 993 400	-	-	(414 997)	-	-	(356 897)	-	3 221 506
IT equipment	1 474 648	2 791 968	-	(59 370)	-	-	(1 022 826)	-	3 184 420
Infrastructure	157 270 387	-	20 229 077	-	-	973 940	(17 104 380)	(4 073 154)	157 295 870
Community assets	169 701 957	30 336	30 422 406	(842 337)	4 301 760	-	(6 720 834)	(1 243 365)	195 649 923
	447 635 221	**4 347 465**	**50 651 483**	**(3 402 915)**	**4 301 760**	**973 940**	**(29 792 235)**	**(5 362 453)**	**469 352 266**

Pledged as security

There was no property, plant and equipment pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

	2024	2023
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Jacaranda Avenue Road And Stormwater The main contractor was terminated due to non-performance.	5 861 801	5 861 801
Mtubatuba Sports Complex Ward 05 The main contractor was terminated due to non-performance. The project is currently on tender/procurement stage to appoint new contractor.	17 376 647	16 150 815
Machibini Sports Field DThe main contractor was terminated due to non-performance. The project is currently on tender/procurement stage to appoint new contractor.	10 496 657	10 308 234
Mtubatuba Tourism Centre & SMME Facility The project is implemented in multiple phases over multiple years due to the funding arrangement from EDTEA & COGTA.	29 900 731	27 373 641
	63 635 836	**59 694 491**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	22 902 560	56 301 495	79 204 055
Additions/capital expenditure	23 911 534	14 035 025	37 946 559
Transferred to completed items	(23 790 665)	-	(23 790 665)
	23 023 429	**70 336 520**	**93 359 949**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	14 223 162	37 666 612	51 889 774
Additions/capital expenditure	20 229 077	30 422 406	50 651 483
Transferred to completed items	(11 549 679)	(11 787 523)	(23 337 202)
	22 902 560	**56 301 495**	**79 204 055**

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		
Buildings	507 409	2 933 968
Plant machinery and other equipment	1 927 738	2 182 228
Infrastructure	17 672 942	34 318 557
	20 108 089	**39 434 753**

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

10. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 677 408	(2 552 395)	125 013	2 677 408	(2 486 195)	191 213

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	191 213	(66 200)	125 013

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	542 306	(351 093)	191 213

Pledged as security

No intangible asset had been pledged as security.

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

11. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayors chain	84 000	-	84 000	84 000	-	84 000
Heritage assets which fair values cannot be reliably measured: (Para .94)						
Monuments	1 020 835	-	1 020 835	1 020 835	-	1 020 835
Total	**1 104 835**	**-**	**1 104 835**	**1 104 835**	**-**	**1 104 835**

Reconciliation of heritage assets 2024

	Opening balance	Total
Mayors chain	84 000	84 000
Heritage assets which fair values cannot be reliably measured: (Para .94)		
Monuments	1 020 835	1 020 835
	1 104 835	**1 104 835**

Reconciliation of heritage assets 2023

	Opening balance	Total
Mayors chain	84 000	84 000
Heritage assets which fair values cannot be reliably measured: (Para .94)		
Monuments	1 020 835	1 020 835
	1 104 835	**1 104 835**

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Payables from exchange transactions

Trade payables	44 849 568	52 689 492
Payroll accruals	7 263 475	5 835 331
Accrued leave pay	16 250 346	15 453 850
Accrued bonus	2 841 580	2 704 094
Accrued expenses	7 759 543	30 456 879
Rental and unallocated deposits	27 213	2 673 186
Retentions	8 389 587	9 523 840
Debtors with credit balances	2 850 783	2 512 057
Third party collections	341 754	-
INEP payables	283 800	-
	90 857 649	**121 848 729**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Economic Development Tourism and Environment Affairs- Capital	293 119	2 788 787
Economic Development Tourism and Environment Affairs- Operational	139 610	139 610
Municipal Emergency Housing Grant	1 882 469	1 882 469
Housing Grant	1 232 377	1 232 377
Community Library Services Grant	1 857 450	2 271 656
Municipal Infrastructure Grant - Capital	1 989 716	-
Caretaker Grant	-	273 411
Municipal Disaster Relief Grant	7 177 004	-
	14 571 745	**8 588 310**

Movement during the year

Balance at the beginning of the year	8 588 310	12 485 138
Additions during the year	61 953 000	49 120 000
Income recognition during the year	(55 969 565)	(53 016 828)
	14 571 745	**8 588 310**

See note for reconciliation of grants from Government.

14. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Interest	Reduction due to re-measurement	Total
Environmental rehabilitation	37 611 652	1 831 688	(1 148 279)	38 295 061

Reconciliation of provisions - 2023

	Opening Balance	Additions	Interest	Total
Environmental rehabilitation	32 992 086	973 940	3 645 626	37 611 652

Environmental rehabilitation provision

In terms of the Municipality's licensing stipulations on waste landfill sites, provision is made for the estimated cost of rehabilitating the landfill sites for the potion of land used or contaminated at the reporting date. The provision has been determined based on an independent valuation performed by engineers as at 30 June 2024.

The Municipality operates two landfill sites.

The Nordale landfill site is located on Plot 105, ST Lucia Road, Mtubatuba. It occupies an area of approximately 32 000m2 and is located within the Mtubatuba Local Municipality which is part of uMkhanyakude District Municipality. The landfill is approximately 1.5km west of the Mtubatuba CBD and direct access to the site can be granted from the R618 Main to Eagle Drive. The site centre co-ordinates are -28.412018 South, 32.214252 East.

The Municipality was issued with a waste management licence for the operation with intention of closure, decommissioning and rehabilitation of Mtubatuba waste disposal site i.e Nordale landfill site on 25 January 2016 for a period of 5 years. On 21 January 2021, the license was renewed and extended for a period of three years. The licence expired and the site is currently used as a transfer station whilst the municipality is sourcing funds to start the rehabilitation process. The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation.

The St Lucia landfill is located at Erf 321, Mtubatuba, KwaZulu Natal, The landfill occupies an area of approximately 19 000m2 and is located within the Mtubatuba Local Municipality which is part of the uMkhanyakude District Municipality. The landfill is set within the boundary of the iSimangaliso World Heritage Park. The site centre co-ordinates are -28.364778 south, 32.415026 east. The licence has expired and the site is no longer operational.

Key assumptions

- The municipality has not commenced with the planning activities for the closure of the landfill site
- The provision is currently unfunded and no provision has been made in the 2023/4 MTREF for the rehabilitation activities
- The models assumes that cashflow will be at the end of 2026 even though the licence expiried in 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Long service awards

The amounts recognised in the statement of financial position are as follows:		
Current portion of employee benefit obligation	335 000	328 483
Long term portion of employee benefit obligations	4 353 000	3 030 597
	4 688 000	**3 359 080**

Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	3 359 080	2 986 127
Service cost	387 791	367 173
Interest cost	366 448	328 444
Actuarial (gains) losses	1 076 681	(215 488)
Benefit payments	(402 000)	(107 176)
Closing balance	**4 788 000**	**3 359 080**

Valuation assumptions

Net Discount Rate

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Key assumptions used		
Discount rate	11.44%	11.47%
CPI	5.95%	5.85%
Salary increase rate	6.95%	6.85%
Net Discount Rate	4.19%	4.32%

Long service bonus awards liability

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Mtubatuba advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Completed service (Years)	Total Long Service Benefit Award (% of Annual Salary)	Long Service bonus Awards (% of Annual Salary)
5	2%	(5/250) * Annual Salary
10	4%	(10/250) * Annual Salary
15	8%	(20/250) * Annual Salary
20,25,30,35,40 and 45	12%	(30/250) * Annual Salary

*A day of accumulated leave is worth 1/250 of the annual salary.

Valuation Method

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases.

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Service charges

Refuse removal	5 573 191	3 734 464

17. Rendering of services

Business plans	101 737	1 432 602
Cemetery and burial	211 259	203 928
Clearance certificates	13 632	33 382
Photocopies and faxes	218 643	145 170
Commission fee	366 151	100 265
	911 422	**1 915 347**

18. Rental of facilities and equipment

Premises		
Rental of premises	220 986	197 099
Facilities and equipment		
Rental of facilities	3 438	14 964
	224 424	**212 063**

19. Licences and permits

Drivers licence services	2 858 190	2 753 095

20. Other income

Sale of timber	217 391	-
Advertising and sundry income	241 789	14 184
	459 180	**14 184**

21. Interest income- bank and receivables from exchange

Interest income comprises of:		
Bank	2 240 303	1 346 166
Receivables from exchange transactions	5 332 854	3 219 123
	7 573 157	**4 565 289**

22. Property rates

Rates for the year

Residential	21 032 228	12 960 347
Commercial	20 420 988	20 420 098
State	11 780 201	11 730 123
Municipal	1 407 108	1 337 860
Small holdings and farms	7 302 081	7 069 149
Less: Income forgone	(4 305 657)	(2 732 562)
	57 636 949	**50 785 015**

23. Interest income - receivables from non-exchange

Interest - Receivables	20 837 719	9 837 645

Figures in Rand	2024	2023

24. Government grants & subsidies

Operating grants		
Equitable share	232 846 000	215 419 000
Municipal infrastructure operational grant	859 989	710 051
Expanded public work program	2 100 000	2 077 000
Financial management grant	1 920 000	1 920 000
Caretaker grant	688 411	141 589
Small Town Rehabilitation	-	1 315 892
Economic Development Tourism and Environment Affairs (operational)	-	181 976
Community library services grant	2 755 206	652 018
Municipal Disaster Relief Grant	2 690 996	-
Unconditional Community Library Services Grant	3 570 000	4 637 000
	247 430 602	**227 054 526**
Capital grants		
Economic Development Tourism and Environment Affairs	5 495 669	10 861 353
Municipal infrastructure grant	39 459 294	35 156 949
	44 954 963	**46 018 302**
	292 385 565	**273 072 828**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	61 953 000	49 120 000
Unconditional grants received	236 416 000	220 056 000
	298 369 000	**269 176 000**

Equitable Share

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

Economic Development Tourism and Environment Affairs (capital)

Balance unspent at beginning of year	2 788 787	7 150 141
Current-year receipts	3 000 000	6 500 000
Conditions met - transferred to revenue	(5 495 668)	(10 861 354)
	293 119	**2 788 787**

Conditions still to be met - remain liabilities (see note 13).

Economic Development Tourism and Environment Affairs (operational)

Balance unspent at beginning of year	139 610	321 585
Conditions met - transferred to revenue	-	(181 975)
	139 610	**139 610**

Conditions still to be met - remain liabilities (see note 13).

Municipal Emergency Housing Grant

Balance unspent at beginning of year	1 882 469	1 882 469

Conditions still to be met - remain liabilities (see note 13).

24. Government grants & subsidies (continued)

Housing Grant

Balance unspent at beginning of year	1 232 377	1 232 377

Conditions still to be met - remain liabilities (see note 13).

Small Town Rehabilitation

Balance unspent at beginning of year	-	1 315 892
Conditions met - transferred to revenue	-	(1 315 892)
	-	-

Community Library Services Grant

Balance unspent at beginning of year	2 271 656	582 674
Current-year receipts	2 341 000	2 341 000
Conditions met - transferred to revenue	(2 755 206)	(652 018)
	1 857 450	**2 271 656**

Conditions still to be met - remain liabilities (see note 13).

Municipal infrastructure grant (operational)

Current-year receipts	859 989	710 051
Conditions met - transferred to revenue	(859 989)	(710 051)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Municipal Infrastructure Grant (capital)

Current-year receipts	41 449 011	35 156 949
Conditions met - transferred to revenue	(39 459 295)	(35 156 949)
	1 989 716	-

Conditions still to be met - remain liabilities (see note 13).

Caretaker grant

Balance unspent at beginning of year	273 411	-
Current-year receipts	415 000	415 000
Conditions met - transferred to revenue	(688 411)	(141 589)
	-	**273 411**

Conditions still to be met - remain liabilities (see note 13).

Expanded Public Works Program (EPWP)

Current-year receipts	2 100 000	2 077 000
Conditions met - transferred to revenue	(2 100 000)	(2 077 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Government grants & subsidies (continued)

Unconditional Community Library Services Grant

Current-year receipts	3 570 000	4 637 000
Conditions met - transferred to revenue	(3 570 000)	(4 637 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

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

Financial Management Grant (FMG)

Current-year receipts	1 920 000	1 920 000
Conditions met - transferred to revenue	(1 920 000)	(1 920 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Municipal Disaster Relief Grant

Current-year receipts	9 868 000	-
Conditions met - transferred to revenue	(2 690 996)	-
	7 177 004	-

Conditions still to be met - remain liabilities (see note 13).

25. Public contributions and donations

Assets donated at fair value	42 380 810	5 024 115

The municipality received donations of library and equipment to the value of R42 380 810 during the year. These were capitalised as property plant and equipment. Refer to note 9 for class of assets donated.

26. Fines, Penalties and Forfeits

Traffic fines	1 686 072	1 264 391

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

27. Employee related costs

Basic	81 342 974	73 747 619
Commissions	418 181	206 684
Bonus	6 008 741	2 317 536
Medical aid - company contributions	7 326 328	9 227 453
UIF	870 685	609 056
SDL	2 703 081	2 579 169
Bargaining council	30 578	27 360
Leave pay provision charge	1 704 615	3 796 100
Standby Allowance	2 456 409	2 872 836
Life insurance - company contribution	2 119 100	-
Cellphone allowance	113 400	115 500
Defined contribution plans	14 027 876	12 327 861
Travel, motor car, accommodation, subsistence and other allowances	12 401 849	14 620 151
Overtime payments	3 039 945	3 964 678
Long-service awards	1 324 735	311 328
Housing benefits and allowances	975 632	1 245 827
	136 864 129	**127 969 158**

Remuneration of municipal manager (TV Xulu)

Annual Remuneration	633 570	603 257
Travel Allowance	198 540	198 541
Housing Allowance	148 905	148 905
Cellphone allowance	25 200	25 200
Contributions to UIF, Medical and DSL	64 047	62 377
Leave paid out	-	75 792
	1 070 262	**1 114 072**

Remuneration of chief finance officer (VK Gumede)

Annual Remuneration	302 104	-
Acting allowance	37 279	-
Annual bonus Bonuses	20 089	-
Travel allowance	60 926	-
Contributions to UIF and SDL	6 094	-
	426 492	**-**

The Chief Financial Office (CFO) was appointed as as acting CFO from January 2024 till May 2024, he was then appointed as permanent CFO from June 2024.

Remuneration of Chief Finance Officer (B Shandu, resigned 31 December 2023)

Annual Remuneration	270 773	243 780
Acting Allowance	-	38 950
Annual bonus	-	40 630
Travel and Subsistance Allowance	93 870	85 370
Housing Allowance	68 954	-
Cellphone Allowance	14 700	-
Leave paid out	63 748	-
Contributions to UIF and SDL	6 281	-
	518 326	**408 730**

Remuneration of Acting Chief Finance Officer (TS Cele, July 2022 to Sep 2022)

Annual Remuneration	-	178 144
Acting Allowance	-	21 395
Travel and Subsistance Allowance	-	63 356

Figures in Rand	2024	2023

27. Employee related costs (continued)

Housing Allowance	-	3 035
	-	**265 930**

Remuneration of General Manager - Community Services (SJ Khoza)

Annual Remuneration	468 505	443 581
Travel Allowance	165 600	172 447
Housing Allowance	73 200	73 200
Cellphone Allowance	25 200	39 900
Contributions to UIF, SDL, Medical and Pension Funds	151 619	149 410
	884 124	**878 538**

Remuneration of General Manager - Technical Services (SF Mchunu)

Annual Remuneration	533 218	299 167
Travel Allowance	189 000	113 609
Housing Allowance	84 000	49 000
Re-imbursive travel	18 701	22 799
Contributions to UIF, Medical and SDL	51 476	5 839
	876 395	**490 414**

Remuneration of General Manager - Planning (Mrs Z Thwala Zulu)

Annual Remuneration	520 264	495 340
Travel ands Subsistance Allowance	187 740	210 069
Housing Allowance	93 227	93 228
Re-imbursive travel allowance	3 289	-
Cellphone Allowance	25 200	25 200
Contributions to UIF, Medical and SDL	57 697	54 004
Leave payout	137 689	-
	1 025 106	**877 841**

Remuneration of General Manager - Corporate Services(TV Mkhize, resigned 30 April 2024)

Annual Remuneration	528 569	605 375
Travel Allowance	268 503	334 495
Cellphone Allowance	21 000	25 200
Leave payout	84 155	-
Contributions to UIF, Medical and SDL	76 133	86 654
	978 360	**1 051 724**

The General Manager Corporate Services resigned end of April 2024. Mr ME Sithole was then appointed towards the end of June 2024.

28. Remuneration of councillors

Mayor	939 055	948 977
Deputy Mayor	421 273	626 594
Chief WHIP	716 014	413 825
Speaker	759 889	760 894
Mayoral Committee Members	3 220 530	3 344 944
Councillors	11 331 946	11 463 994
	17 388 707	**17 559 228**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Remuneration of councillors (continued)

In-kind benefits

The Mayor and the Speaker each had a rented vehicle for official duties until end of February 2024.

The Mayor has one full-time bodyguard employed by the municipality.

29. Construction contracts (INEP)

Construction contracts revenue	5 631 478	6 836 522
Construction contracts expenditure	(5 631 478)	(6 836 522)
	-	-

30. Depreciation and amortisation

Property, plant and equipment	34 551 005	29 792 235
Intangible assets	66 201	351 092
	34 617 206	**30 143 327**

31. Finance costs

Trade and other payables SARS penalties and interest	2 334 486	968 668
Landfill site provision and long service awards	2 198 135	3 974 070
	4 532 621	**4 942 738**

32. Lease rentals on operating lease

Equipment		
Contractual amounts	1 783 179	2 035 851

33. Debt impairment

Debt impairment	29 457 569	3 353 728
Bad debts written off	4 627 782	8 814 343
	34 085 351	**12 168 071**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

34. Contracted services

Outsourced Services		
Administrative and Support Staff	411 170	219 097
Audit committee fees	659 660	782 730
Catering Services	179 000	1 765 900
Cleaning Services	1 243 456	2 927 785
Community Awareness	182 147	-
Internal Auditors	1 267 089	1 661 684
Medical services	42 035	-
Signage	429 840	-
Refuse Removal	7 161 938	8 856 251
Researcher	341 620	216 428
Security Services	18 786 182	25 815 183
Transport Services	2 300 302	5 161 191
Consultants and Professional Services		
Business and Advisory	13 616 535	13 536 180
Other professional fees	178 000	246 000
Legal Cost	7 875 210	20 074 386
Contractors		
Audio-visual Services	28 800	727 050
Employee Wellness	1 050 624	2 363 578
Maintenance of Buildings and Facilities	507 409	2 933 968
Maintenance of Equipment	1 927 738	2 182 228
Maintenance of Unspecified Assets	17 672 942	34 318 557
	75 861 697	**123 788 196**

35. General expenses

Advertising	1 479 473	2 914 519
Auditors remuneration	3 430 072	3 803 416
Bank charges	651 031	647 921
Consumables	5 310 082	11 163 437
Hire	6 963 700	1 715 925
Insurance	(21 788)	1 789 443
IT expenses	3 378 792	803 586
Fuel and oil	1 489 577	3 450 864
Printing and stationery	1 863 675	2 672 367
Subscriptions and membership fees	312 914	619 233
Telephone and fax	2 986 216	3 297 030
Transport and vehicle expenses	997 260	1 983 134
Training	736 874	345 405
Travel and accommodation	769 417	725 423
Electricity	1 598 066	1 073 921
Uniforms	1 740 316	2 558 318
Ward committee fees	4 050 850	3 480 155
Public participation expenses	3 007 729	10 661 360
Assets below threshold	33 010	185 278
Learnership expenses	194 485	-
Unauthorised debit orders	4 489	543 243
Poverty alleviation programmes	362 650	-
Venue hire	246 570	-
	41 585 460	**54 433 978**

36. Auditors' remuneration

Fees	3 430 072	3 803 416

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

37. Gains (losses) on disposal of non-current assets

Selling price	1 368 115	4 082 658
Carrying value of assets disposed	(2 160 616)	(6 593 885)
	(792 501)	**(2 511 227)**

38. Fair value adjustments

Investment property (Fair value model)	219 600	868 400

39. Impairment loss

Impairments		
Property, plant and equipment	1 819 479	5 322 356

40. Cash generated from operations

Surplus (deficit)	83 415 949	(26 827 294)
Adjustments for:		
Depreciation and amortisation	34 617 206	30 143 327
Gain on sale of assets and liabilities	792 501	2 511 227
Fair value adjustments	(219 600)	(868 400)
Impairment loss	1 819 479	5 322 356
Debt impairment	34 085 351	12 168 071
Movements in provisions	683 409	4 619 566
Non-cash donations and other in-kind benefits	(42 380 810)	(5 024 115)
Other non-cash items	377 446	4 403 416
Changes in working capital:		
Receivables from non-exchange transactions	(28 603 630)	(28 007 650)
Receivables from exchange transactions	(8 871 291)	545 052
Payables from exchange transactions	(30 991 080)	49 888 074
Unspent conditional grants and receipts	5 983 435	(3 896 827)
Movement in employee obligation	1 428 920	372 953
	52 137 285	**45 349 756**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	17 326 172	36 212 922

Total capital commitments		
Already contracted for but not provided for	17 326 172	36 212 922

Authorised operational expenditure

This committed expenditure relates to contracts for acquisition, construction and/or upgrade of property, plan and equipment and will be financed by, existing cash resources, funds internally generated, and government grants.

Refer to 45 for prior period error on commitments.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 556 584	414 954
- in second to fifth year inclusive	1 556 584	-
	3 113 168	**414 954**

Current year operating lease payments represent rentals payable by the municipality for rental of photocopier machines. The lease commenced on 1st of July 2023 and is for a period of three years. Contingent rent is payable based on copies made, plus a fixed fee for each machine..

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

42. Contingencies

The municipality had the following contingent liabilities as at the end of the reporting period:

Total contingent liabilities		
uMhlathuze construction and industrial suppliers The municipality is defendant in the matter. The company is suing the municipality for unpain retentions and the claim includes additional costs for delay in payments and associated legal fees	1 655 864	-
Sibgem Partners Pty Ltd The municipality is defendant in the matter. The claim if for alleged unpaid invoices for construction work which the municipality denies.	3 451 877	-
Garlicky & Outfield Incorporated The municipality is defendant in the matter . The claim is for legal fees due to Garlicky & Outfield Incorporated.	-	230 000
Incomputable Hade The municipality is a defendant in the matter . The claim is for legal fees due to Incomputable Hade.	-	1 607 313
T.L Mbili Attorneys The municipality is a defendant in the matter . The claim is for legal fees due to T.L Mbili Attorneys.	-	131 000
Pro Secure (Pty) Ltd The claim by Pro Secure (Pty) Ltd is for fees they believe is owed for rendering protection services.	-	700 000
Nxumalo & Partners Attorneys The municipality is a defendant in the matter . The claim is for legal fees due to Nxumalo & Partners Attorneys.	-	700 000
The former MEC for COGTA Various applications and litigation matters:	-	1 500 000
EGxeni Engineering The municipality is a defendant in the matter . The matter relates to a breach of contract.	-	450 000
Asime Media Media (PTY) Ltd The municipality is a defendant in the matter . The matter relates to a breach of contract.	-	750 000
Lalpardsad Incorporated The municipality is a defendant in the matter . The claim is for legal fees due to Garlicke & Bousfield Incorporated.	-	1 200 000
TT Mbokazi vs Mtubatuba Local Municipality The municipality is a defendant in the matter . The claim is in relation to labour court matter for the dismisal of TT Mbokazi.	1 505 661	-
	6 613 402	**7 268 313**

43. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Members of key management and Councilors	Refer to note 27&28

Related party balances

Key management information and remuneration

Refer to note 27 "Employee costs" and note 28" Remuneration of councillors" and note 53 for Councillors with arrear accounts.

44. Change in estimate

Property, plant and equipment

The useful life of property, plant and equipment was revised in the current year after management noted that some assets have more useful life than originally estimated. The effect of this revision has reduced depreciation charges for the current period by R 568 252 and increased aggregate depreciation charges for future periods by the same amount.

45. Prior period errors

Error 1

Long term portion for long service awards (previously Employee benefit obligations) were overstated by R2 359 000 due to incorrect medical aid provision for post employment that was provided for whilst the municipality does not offer post employment services anymore. The adjustment was corrected by restating the opening balance from 2022 financial year against accumulated surplus.

Provisions for rehabilitation of landfill site were incorrectly split between short term portion and long-term portion when the municipality has not yet set timelines for restoration of the site. The full amount of the provision was reclassified to long term liabilities.

Error 2

Allowance for impairment for receivables was incorrectly calculated in 2022 and 2023 financial years. Impairment was recalculated retrospectively and resulted in an adjustment of R1 297 265 in 2023 financial year and a net decrease in total accumulated impairment of R397 456.

Unspent conditional grants for Caretaker was incorrectly under stated by R273 412 and related revenue overstated by the same amount. The error was as a result of realising revenue on employees's salaries who were not funded by the project.

45. Prior period errors (continued)

Error 3

Property plant and equipment was incorrectly overstated by R2 792 611. During the recalculation of depreciation, it was identified that errors occurred in the calculation for certain assets. These errors were attributed to use of incorrect useful lives and inaccuracies in the formula used, resulting in depreciation expense being overstated by R812 689. Further impairment loss was understated by R40 097 due to errors in reconciling asset register. Work in progress was also incorrectly disclosed as a class of asset, and this was corrected retrospectively and all work in progress was included within the respective class of assets.

Further, an invoice for contstruction of sportsfield to the amount of R717 844 excluding VAT was incorrectly not accrued for in prior year.

Error 4

Net receivables from non-exchange transactions was overstated by R3 687 581 due to errors in impairment calculation, errors in VAT as a result of correction of cut off for payables and debt equalisation by SARS between VAT refunds and employee tax obligations that were not accounted for and also as a result of incorrect classification of receivables.

Receivables from exchange transactions were understated by a net amount of R4 125 851 due to incorrect classification of receivables and incorrect allowance for impairment.

Revenue from rendering of services was understated by R737 690 due to incorrect reversal of billing charges for prior periods that were reversed against revenue in 2023 instead of opening accumulated surplus for that year. The error was corrected by retrospectively reversing incorrect entry to revenue and re-processing the entry to accumulated opening accumulates surplus for comparative period. Property rates amounting to R14 019 were also incorrectly classified as revenue from rendering of services. This was corrected by classifying the charges to property rates.

Interest from receivables from exchange transactions was incorrectly classified under non-exchange transactions and the error was corrected by reclassifying the interest income to revenue from exchange transactions. A further interest income from receivables from exchange transactions was incorrectly not recognised in prior year.

Revenue from propriety rates amounting to R14 019 was incorrectly recorded under revenue from rendering of services. This was corrected by classifying the charges to property rates.

45. Prior period errors (continued)

Error 5

Leave provision was incorrectly understated in the prior year and the correction resulted in increase in employee costs. Further, skills development levy of R166 257 was misallocated between remuneration of councilors and employee costs.

Finance costs were understated by R1 297 111 as a result of cut off and incorrect classification of repayments for employee costs that was allocated to finance costs amounting to net amount of R1 707 816 and incorrect classification of interest from payables that was incorrectly presented under general expenses amounting to R3 004 927. The errors were corrected by reallocating expenses and payments to their correct categories and financial years.

Operating lease expenses were incorrectly overstated as a result of incorrect classification of general expenses (hire charges) amounting to R3 428 417 that wese incorrectly presented under operating leases. Operating leases were also incorrectly understated due to cut off and incorrect classification of invoices amounting to R2 035 851.

Error 6

The municipality did not accrue for all invoices as at the end of the year, resulting in understatement in payables, VAT receivables and general and contracted services. Further, retentions were incorrectly accrued for including VAT. The errors were corrected by raising all invoices in the correct period and adjusting for VAT on retentions.

Skills development levy relating to councillors amounting to R166 257 was incorrectly presented under employee costs. The error was corrected by reclassifying the expenses from employee costs to remuneration of councillors.

Error 7

The municipality incorrectly reported unauthorised debit orders amounting to R858 894 from prior year as receivables from exchange. The error was corrected by processing all unauthorsed debit orders to general expenses and the full amount was disclosed as fruitless expenditure.

Error 8

The cash flow statement was incorrectly calculated in prior year. The error was corrected by recalculating cash flow statements. Further, cash and cash equivalents was incorrectly understated by R151 335.

Irregular expenditure and unauthorised expenditure were incorrectly understated in the prior year as all appointments that were irregular were not disclosed. The registers were updated and all irregular expenditure identified was disclosed in the financial statements.

Error 9

Prior year capital commitments were incorectly overstated by R1 274 409. The error was corrected by reducing the amount of capital commitments for comparative period.

During the prior year, the municipality disclosed operational commitments of R94 018 535. The error was corrected in line with the municiplaity's accounting policy to disclose only capital commitments.

46. 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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

46. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from non-exchange transactions*	3	40 333 610	(3 824 024)	136 443	36 646 029
Receivables from exchange transactions	5	(1 273 015)	4 262 295	(136 444)	2 852 836
Other receivables from exchange transactions		858 894	(858 894)	-	-
Cash and cash equivalents	7	715 087	151 335	-	866 422
Property, plant and equipment	9	471 427 033	(2 074 767)	-	469 352 266
Payables from exchange transactions	12	(91 699 963)	(30 148 766)	-	(121 848 729)
Unspent conditional grants	13	(8 314 898)	(273 412)	-	(8 588 310)
Provisions	14	(4 746 591)	-	4 746 591	-
Long Service Awards	15	(5 389 597)	2 359 000	-	(3 030 597)
Long term provisions	14	(32 865 061)	-	(4 746 591)	(37 611 652)
Accumulated surplus		(394 245 374)	30 407 230	-	(363 838 144)
		(25 199 875)	**(3)**	**(1)**	**(25 199 879)**

*Receivables from non-exchange transactions were previously presented as statutory receivables

**Other receivables from non-exchange transactions were previously presented as receivables from non-exchange

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Rendering of services	17	1 191 676	737 690	(14 019)	1 915 347
Rental of facilities and equipment	18	231 500	(19 437)	-	212 063
Interest received - receivables from exchange		2 778 743	-	(2 778 743)	-
Interest income - bank and receivables from exchange	21	1 346 166	-	3 219 123	4 565 289
Property rates	22	50 770 996	-	14 019	50 785 015
Interest income- receivables from non-exchange	23	10 278 024	-	(440 380)	9 837 644
Government grants & subsidies	24	273 346 241	(273 413)	-	273 072 828
Employee costs	27	(124 205 730)	(3 929 685)	166 257	(127 969 158)
Remuneration of councillors	28	(17 392 971)	-	(166 257)	(17 559 228)
Depreciation and amortisation	30	(30 956 016)	812 689	-	(30 143 327)
Finance costs	31	(3 645 626)	1 707 816	(3 004 927)	(4 942 737)
Lease rentals on operating lease	32	(3 428 417)	(2 035 851)	3 428 417	(2 035 851)
Debt Impairment	33	(13 465 336)	1 297 265	-	(12 168 071)
Contracted services	34	(106 512 782)	(17 275 414)	-	(123 788 196)
General expenditure	35	(48 555 702)	(5 454 786)	(423 490)	(54 433 978)
Impairment loss	39	(5 282 259)	(40 097)	-	(5 322 356)
Surplus for the year		**(13 501 493)**	**(24 473 223)**	**-**	**(37 974 716)**

Cash flow statement

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

46. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Service charges rendering of services		54 594 540	(45 180 554)	9 413 986
Property rates		(24 523 229)	67 068 513	42 545 284
Grants		269 176 004	(4)	269 176 000
Interest income		14 402 933	(13 056 767)	1 346 166
Construction contracts INEP		-	6 836 522	6 836 522
Licence and permits		-	2 753 095	2 753 095
Rental income		-	190 347	190 347
Other income		-	14 184	14 184
Fines, Penalties and Forfeits		-	19 371	19 371
Other cash items		9 273 101	(9 273 101)	-
		322 923 349	**9 371 606**	**332 294 955**
Cash flow from investing activities				
Employee costs and remuneration of councillors		(140 839 109)	1 140 971	(139 698 138)
Suppliers and finance costs		(132 584 126)	(14 662 935)	(147 247 061)
		(273 423 235)	**(13 521 964)**	**(286 945 199)**
Cash flow from financing activities				
Purchase of property, plant and equipment		(59 556 722)	4 557 774	(54 998 948)
Proceeds from sale of property, plant and equipment		927 039	-	927 039
Proceeds from sale of investment property		3 190 970	891 688	4 082 658
		(55 438 713)	**5 449 462**	**(49 989 251)**

47. Risk management

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and grant allocations and existing cash resources.

Budgets are prepared and monitored regularly to help manage the municipality's liquidity risk.

The table below analyses the municipality’s liabilities and their maturity.

2024	Within 12 months	> 12 months	Total
Payables from exchange transactions	90 857 649	-	90 857 649
Unspent grants	14 571 745	-	14 571 745
Long service awards	435 000	4 353 000	4 788 000
Provisions for landfill site	-	38 295 061	38 295 061
	105 864 394	**42 648 061**	**148 512 455**

2023	Within 12 months	> 12 months	Total
Payables from exchange transactions	121 848 729	-	121 848 729
Unspent grants	8 588 310	-	8 588 310
Long service awards	328 483	3 030 597	3 359 080
Provisions for landfill site	-	37 611 652	37 611 652
	130 765 522	**40 642 249**	**171 407 771**

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, receivables The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated 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 its financial position, past experience and other factors.

Assets exposed to credit risk at year end were as follows:

	2024	2023
Current assets		
Receivables from non-exchange transactions	39 165 495	36 646 028
Receivables from exchange transactions	5 121 834	2 852 836
Other receivables from non-exchange transactions	-	1 398 911
Cash and cash equivalents	2 122 237	866 422

These assets are not hedged for credit risk.

Market risk

Interest rate risk

Surplus cash earns interest and the rate is exposed to fluctuations in the Repo rate. As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates, with the exception of deposits/investments held by banks from which the entity earns interest income and receivables and payables that attract interest from late payments.

48. Going concern

As at 30 June 2024, the municipality had an accumulated surplus of R 447 254 092 and that the municipality's total assets exceed its liabilities by R 447 254 092. However the municipality's current liabilities exceeds its current assets by R59 454 808.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

48. Going concern (continued)

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the government will continue to provide funding for the ongoing operations for the municipality.

The municipality is currently operating under strict budget in order to ensure that it manages its going concern risk. The budget for the next 12 months has been prepared based on allocations for the next financial year aims at reducing the liquidity and going concern risks.

49. Events after the reporting date

The Authority was not aware of any material events that may have occurred between 30 June 2024 and the date when the annual financial statements were authorised.

50. Unauthorised expenditure

Opening balance as previously reported	58 246 999	46 057 681
Add: Unauthorised expenditure - current	37 856 006	58 246 999
Less: Amount authorised - current	(15 892 563)	(46 057 681)
Closing balance	**80 210 442**	**58 246 999**

The unauthorised expenditure incurred relates to the overspending on the approved operational expenditure budget.

The balance of unauthorised expenditure incurred and not yet written off will be investigated by MPAC during 2025 financial year.

51. Fruitless and wasteful expenditure

Opening balance as previously reported	6 324 564	5 315 132
Prior period error	-	315 651
Add: Fruitless and wasteful expenditure identified - current	1 754 927	1 675 769
Less: Amount written off - current	(1 209 032)	(981 988)
Closing balance	**6 870 459**	**6 324 564**

The balance of fruitless and wasteful expenditure incurred and not yet written off will be investigated by MPAC during 2025 financial year.

52. Irregular expenditure

Opening balance as previously reported	392 385 038	271 527 774
Correction of prior period error	-	89 732 551
Opening balance as restated	**392 385 038**	**361 260 325**
Add: Irregular Expenditure - current	117 717 369	152 704 378
Less: Amount written off - current	(100 208 803)	(121 579 665)
Closing balance	**409 893 604**	**392 385 038**

Irregular expenditure is presented inclusive of VAT

The balance of irregular expenditure expenditure incurred and not yet written off will be investigated by MPAC during 2025 financial year.

Figures in Rand	2024	2023

53. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	276 008	(323 992)
Current year audit fees	3 430 072	3 803 416
Amount paid - current year	(2 382 102)	(3 203 416)
Amount paid - previous years	(276 008)	-
	1 047 970	**276 008**

VAT

VAT receivable as per VAT 201	776 688	724 122
VAT receivable accrual	5 039 415	5 381 329
	5 816 103	**6 105 451**

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 R	Outstanding more than 90 days R	Total R
Councillor JM Gumede	3 334	8 254	11 588
Councillor LS Mfekayi	12 870	298 583	311 453
	16 204	**306 837**	**323 041**

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor JM Gumede	1 158	-	1 158
Councillor RBB Mkhwanazi	2 811	64 059	66 870
Councillor NA Mthethwa	2 166	64 059	66 225
	6 135	**128 118**	**134 253**

The balances relates to amounts owing in respect for property rates and refuse removal services.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Deviation from supply chain management regulations

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

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

Some items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. Deviations from Municipal Supply Chain Management Regulations for the year are as follows:

Total deviations for the year	455 648	801 304

55. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas:Community & Social Services, Public Safety and Waste Management services. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments’ performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Segment 1: Community & Social Services	Community programes, sports and service delivery
Segment 2: Public Safety	Issue and renewal of vehicle and drivers licences and safe and free flow of traffic
Segment 3: Waste Management	Refuse removal

The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments’ performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregation of segments

Other segments that do not meet the requirements of reportable segments were all grouped together and reported as "Unallocated"

Notes to the Annual Financial Statements

Figures in Rand

55. Budget differences (continued)

Segment surplus or deficit, assets and liabilities

2024

	Segment 1	Segment 2	Segment 3	Unallocated	Total
Revenue					
Revenue from non-exchange transactions	305 972 116	19 928 797	87 106 204	1 920 000	414 927 117
Revenue from exchange transactions	6 192 996	3 224 341	11 573 403	2 240 303	23 231 043
Total segment revenue	**312 165 112**	**23 153 138**	**98 679 607**	**4 160 303**	**438 158 160**
Entity's revenue					**438 158 160**
Expenditure					
Employee related costs	50 052 763	23 308 819	27 933 133	35 569 413	136 864 128
Remuneration of councillors	17 388 707	-	-	-	17 388 707
INEP construction contracts expenditure	5 631 478	-	-	-	5 631 478
Depreciation and amortisation	31 380 629	-	-	3 236 578	34 617 207
Finance costs	-	-	2 198 135	2 334 486	4 532 621
Operating lease expense	-	-	-	1 783 179	1 783 179
Debt Impairment	34 085 350	-	-	-	34 085 350
Contracted services	51 772 055	185 940	23 903 702	-	75 861 697
General Expenses	36 140 241	286 339	5 154 388	4 489	41 585 457
Gain (losses) on disposal assets	-	-	-	792 501	792 501
Fair value adjustments	-	-	-	(219 600)	(219 600)
Impairment loss	-	-	-	1 819 479	1 819 479
Total segment expenditure	**226 451 223**	**23 781 098**	**59 189 358**	**45 320 525**	**354 742 204**
Total segmental surplus/(deficit)	**85 713 889**	**(627 960)**	**39 490 249**	**(41 160 222)**	**83 415 956**

Notes to the Annual Financial Statements

Figures in Rand

55. Budget differences (continued)

	Segment 1	Segment 2	Segment 3	Unallocated	Total
Assets					
Receivables	48 960 087	1 376 297	(6 381 369)	332 335	44 287 350
Cash and cash equivalents	-	-	-	2 122 236	2 122 236
Non current assets (Fixed assets)	382 998 894	1 821 750	164 536 324	-	549 356 968
Total segment assets	**431 958 981**	**3 198 047**	**158 154 955**	**2 454 571**	**595 766 554**
Total assets as per Statement of financial Position					**595 766 554**
Liabilities					
Payables from exchange transactions	22 896 668	121 204	(700 241)	68 540 018	90 857 649
Unspent conditional grants and receipts	12 714 294	-	1 857 450	-	14 571 744
Employee benefit obligation	-	-	-	4 788 000	4 788 000
Provisions	-	-	38 295 061	-	38 295 061
Total segment liabilities	**35 610 962**	**121 204**	**39 452 270**	**73 328 018**	**148 512 454**
Total liabilities as per Statement of financial Position					**148 512 454**

2023

	Segment 1	Segment 2	Segment 3	Unallocated	Total
Revenue					
Revenue from non-exchange transactions	239 248 188	13 468 391	85 347 414	1 920 000	339 983 993
Revenue from exchange transactions	8 317 470	2 853 360	7 513 967	1 346 166	20 030 963
Total segment revenue	**247 565 658**	**16 321 751**	**92 861 381**	**3 266 166**	**360 014 956**
Entity's revenue					**360 014 956**

55. Budget differences (continued)

Expenditure					
Employee related costs	44 970 011	21 463 357	27 967 013	33 568 778	127 969 159
Remuneration of councillors	17 559 228	-	-	-	17 559 228
INEP construction contracts expenditure	6 836 522	-	-	-	6 836 522
Depreciation and amortisation	26 986 556	-	-	3 156 771	30 143 327
Finance costs	-	-	3 645 626	1 297 111	4 942 737
Lease rentals on operating lease	-	-	-	2 035 851	2 035 851
Debt Impairment	12 168 071	-	-	-	12 168 071
Contracted services	92 260 753	-	31 527 442	-	123 788 195
General Expenses	46 119 353	1 223 779	6 547 601	543 243	54 433 976
Gain (losses) on disposal of assets	-	-	-	2 511 227	2 511 227
Fair value adjustments	-	-	-	(868 400)	(868 400)
Impairment loss	5 322 356	-	-	-	5 322 356
Total segment expenditure	**252 222 850**	**22 687 136**	**69 687 682**	**42 244 581**	**386 842 249**
Total segmental surplus/(deficit)	**(4 657 192)**	**(6 365 385)**	**23 173 699**	**(38 978 415)**	**(26 827 293)**
Assets					
Receivables	28 919 526	3 957 702	1 670 197	6 350 351	40 897 776
Cash and cash equivalents	-	-	-	866 421	866 421
Non current assets (Fixed assets)	326 454 270	2 491 120	164 536 324	-	493 481 714
Total segment assets	**355 373 796**	**6 448 822**	**166 206 521**	**7 216 772**	**535 245 911**
Total assets as per Statement of financial Position					**535 245 911**
Liabilities					
Payables from exchange transactions	109 210 488	85 338	(420 547)	12 973 449	121 848 728
Unspent conditional grants and receipts	6 043 243	-	2 545 067	-	8 588 310
Employee benefit obligation	-	-	-	3 359 080	3 359 080
Provisions	-	-	37 611 652	-	37 611 652
Total segment liabilities	**115 253 731**	**85 338**	**39 736 172**	**16 332 529**	**171 407 770**
Total liabilities as per Statement of financial Position					**171 407 770**

Figures in Rand	2024	2023

55. Budget differences (continued)

Information about geographical areas

Inkosi Mtubatuba municipality is one of five Category B Municipalities within the UMkhanyakude District Municipality. It is located on the North-East of the province of KwaZulu-Natal. Mtubatuba forms the Southern end of UMkhanyakude District, with the N2 almost dividing the Municipality into Mtubatuba East, and Mtubatuba West.

The municipality is bounded to the South by Mfolozi River, which separates the Municipality with Umfolozi Municipality (King Cetshwayo District Municipality) further South. On the East, Mtubatuba Municipality is bordered by the ocean, while it is bounded by the Big Hlabisa Municipality in the immediate North.

Inkosi Mtubatuba Municipality comprises 20 wards with 20 Ward Councillors respectively.

The municipality, however, does not have separate financial information per geographical area:

56. Budget differences

The changes between the approved and final budget are a consequence of changes in organisational plans and predictions for the year and to incorporate of new funding that was allocated to the authority during the year.

Material differences between budget and actual amounts

56. Budget differences (continued)

A1-Service charges – The municipality slightly over budgeted for service charges.

A2- Rendering of services– The municipality performed well against the budget, achieving more and helping the municipality to generate more funds.

B2- Construction contracts expenditure– The municipality under budgeted for construction contracts expenditure.

A3-Rental of facilities and equipment– The municipality achieved more than budget which is favourable.

A4-Licences and permits: – The municipality planed to operate over the weekends for issuing licences and permits however this was not implemented because of related overtime costs.

A5-Other income– The municipality over budgeted for other income and recoveries which was not achieved.

A6-Interest income bank and receivables from exchange:– The municipality managed to invest surplus cash during the year and earned more interest income than budgeted. Also customers were not paying on time resulting in high interest income charges.

A7-Property rates: – The municipality did not offer more rebates and discounts to customers and billing was also improved compared to prior year as the municipality aims at improving revenue generated internally.

A8-Interest income - receivables from non-exchange: Interest from receivable was in line with budget, achieving slightly more than budget.

A9-Government grants & subsidies: – The municipality performed in line with budget, falling short of budget by less than 1%.

A10- Fines, Penalties and Forfeits: Fines and penalties were in line with budget.

A11- Personnel costs: – The municipality under budgeted for employee costs, and a portion of the increase was due to more leave paid due to high staff turnover and more leave accrual as employees did not take more leave as budgeted.

A12-Remuneration of councillors: – The municipality spent less than budget due to some positions that were vacant within the council during the year.

A13-INEP construction contracts expenditure: The municipality under budgeted for INEP.

A14-Depreciation and amortisation: – Depreciation was more than budget because the municipality did not budget to complete and start depreciation the project that was capitalised during the year.

B14-Impairment loss: – The municipality did not budget for any loss of value of the assets during the year..

A15-Finance costs: – The municipality incurred more finance costs because of late payment to suppliers due to cash problems.

A16-Lease rentals on operating lease:– The municipality under budgeted for operating lease expense.

A17-Debt Impairment: – The municipality under budgeted for debt impairment because they expected customers to take opportunity of settlement discounts and pay for their accounts on time, however customers continued to not pay in time despite settlement discounts that were offered by the municipality..

A18-Contracted Services: – The municipality spent more on repair and maintenance costs than budgeted for.

A19-General Expenses: – The municipality under budgeted for general expenses.

A20-Gain (loss)on disposal of assets and liabilities: The municipality did not budget for any disposal of assets.

A21-Fair value adjustments: – The municipality incorrectly not budgeted for fair value adjustments.

A22-Capital expenditure: – The municipality spent more than budget mainly because of the land that was acquired and was not initially budgeted for.