

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024



Big 5 Hlabisa Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2024

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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| <b>Legal form of entity</b>                                | Big 5 Hlabisa Local Municipality   |
| <b>Nature of business and principal activities</b>         | Service Delivery   |
| <b>The following is included in the scope of operation</b> | Rates and Waste Management and General services<br>Local Government Activities   |
| <b>Grading of local authority</b>                          | Medium Capacity Municipality<br>Grade 3  |
| <b>Chief Finance Officer (CFO)</b>                         | Mr J Nkosi   |
| <b>Registered office</b>                                   | Municipal Buildings Hlabisa<br>Lot 808 Off Masson Street<br>Hlabisa<br>3937  |
| <b>Postal address</b>                                      | P O Box 387<br>Hlabisa<br>3937   |
| <b>Bankers</b>   | First National Bank<br>ABSA Bank   |
| <b>Attorneys</b>   | Philip Walsh Attorneys   |
| Mayor  | Cllr CT Khumalo  |
| Deputy Mayor   | Cllr HT Nkosi  |
| Speaker  | Cllr BW Shangase   |
| Exco Members   | Cllr FZ Nkwanyana<br>Cllr TN Ngema<br>Cllr LL Ntshangase   |
| Ordinary Councillors:                                      | Cllr CN Maphisa<br>Cllr JP Zungu<br>Cllr MC Cele<br>Cllr GMC Mdaka<br>Cllr NH Nxumalo<br>Cllr ZM Ngobese<br>Cllr MM Dladla<br>Cllr VW Mkhize<br>Cllr JP Msezane<br>Cllr SP Simelane<br>Cllr ZW Ntuli<br>Cllr AS Thela<br>Cllr BS Ndlazi<br>Cllr ONN Ndwandwe<br>Cllr W Mngomezulu<br>Cllr SF Mdaka<br>Cllr IS Manqe<br>Cllr CS Kwesaba<br>Cllr PS Mantengu |

**Big 5 Hlabisa Local Municipality**

Annual Financial Statements for the year ended 30 June 2024

**General Information**

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Cllr BS Gumbi  
Cllr SI Mhlongo

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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|       |  |
|-------|--|
| COID  | Compensation for Occupational Injuries and Diseases    |
| GRAP  | Generally Recognised Accounting Practice               |
| GAMAP | Generally Accepted Municipal Accounting Practice       |
| PAYE  | Pay As You Earn  |
| VAT   | Value Added Tax  |
| SDL   | Skills Development Levy                                |
| MFMA  | Municipal Finance Management Act                       |
| MIG   | Municipal Infrastructure Grant (Previously CMIP)       |
| INEP  | Intergrated National Electrification Programme         |
| DOH   | Department of Housing                                  |
| EDTEA | Economic Development Tourism and Environmental Affairs |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

The Accounting Officer also certify that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to

Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2024 :

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**Accounting Officer**  
**Mr JM Nkosi (Acting)**

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

| Figures in Rand                            | Note(s) | 2024               | 2023<br>Restated*  |
|--|---------|--------------------|--------------------|
| <b>Assets</b>                              |         |                    |                    |
| <b>Current Assets</b>                      |         |                    |                    |
| Inventories                                | 3       | 1 400 845          | 1 761 396          |
| Receivables from exchange transactions     | 4       | 3 173 618          | 2 275 453          |
| Receivables from non-exchange transactions | 5       | 9 043 437          | 10 143 917         |
| VAT receivable                             | 11      | 2 619 331          | 1 979 592          |
| Cash and cash equivalents                  | 6       | 88 702 528         | 80 969 195         |
|  |         | <b>104 939 759</b> | <b>97 129 553</b>  |
| <b>Non-Current Assets</b>                  |         |                    |                    |
| Investment property                        | 7       | 19 019 823         | 19 247 929         |
| Property, plant and equipment              | 8       | 269 690 617        | 249 298 148        |
| Intangible assets                          | 9       | 83 645             | 351 310            |
| Receivables from non-exchange transactions | 5       | 104 324            | 145 441            |
|  |         | <b>288 898 409</b> | <b>269 042 828</b> |
| <b>Total Assets</b>                        |         | <b>393 838 168</b> | <b>366 172 381</b> |
| <b>Liabilities</b>                         |         |                    |                    |
| <b>Current Liabilities</b>                 |         |                    |                    |
| Payables from exchange transactions        | 15      | 28 414 928         | 29 160 770         |
| Employee benefit obligation                | 10      | 333 022            | 508 966            |
| Unspent conditional grants and receipts    | 12      | 100 200            | 852 079            |
| Provisions                                 | 13      | 1 641 197          | 1 476 558          |
|  |         | <b>30 489 347</b>  | <b>31 998 373</b>  |
| <b>Non-Current Liabilities</b>             |         |                    |                    |
| Employee benefit obligation                | 10      | 4 173 258          | 3 615 292          |
| Provisions                                 | 13      | 12 104 165         | 10 223 579         |
|  |         | <b>16 277 423</b>  | <b>13 838 871</b>  |
| <b>Total Liabilities</b>                   |         | <b>46 766 770</b>  | <b>45 837 244</b>  |
| <b>Net Assets</b>                          |         | <b>347 071 398</b> | <b>320 335 137</b> |
| Accumulated surplus                        |         | 347 071 396        | 320 335 137        |
| <b>Total Net Assets</b>                    |         | <b>347 071 396</b> | <b>320 335 137</b> |

\* See Note 47

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

| Figures in Rand                                     | Note(s) | 2024                 | 2023<br>Restated*    |
|---|---------|----------------------|----------------------|
| <b>Revenue</b>                                      |         |                      |                      |
| <b>Revenue from exchange transactions</b>           |         |                      |                      |
| Sale of goods                                       |         | 128 870              | 93 391               |
| Service charges                                     | 17      | 2 178 853            | 2 125 533            |
| Rendering of services                               |         | 33 205               | 25 907               |
| INEP Construction contracts revenue                 | 51      | 2 260 870            | 5 217 392            |
| Rental of facilities and equipment                  | 18      | 322 145              | 276 105              |
| Agency services                                     | 14      | 90 643               | 80 127               |
| Licences and permits                                | 20      | 1 411 145            | 1 370 363            |
| Other income  | 22      | 808 079              | 6 384 395            |
| Interest received                                   | 23      | 9 647 111            | 6 160 806            |
| <b>Total revenue from exchange transactions</b>     |         | <b>16 880 921</b>    | <b>21 734 019</b>    |
| <b>Revenue from non-exchange transactions</b>       |         |                      |                      |
| <b>Taxation revenue</b>                             |         |                      |                      |
| Property rates                                      | 24      | 27 566 875           | 24 765 531           |
| <b>Transfer revenue</b>                             |         |                      |                      |
| Government grants & subsidies                       | 26      | 187 566 882          | 170 254 002          |
| Fines, penalties and forfeits                       | 19      | 407 500              | 456 650              |
| Donations Received                                  | 27      | 532 060              | 70 988               |
| <b>Total revenue from non-exchange transactions</b> |         | <b>216 073 317</b>   | <b>195 547 171</b>   |
| <b>Total revenue</b>                                | 16      | <b>232 954 238</b>   | <b>217 281 190</b>   |
| <b>Expenditure</b>                                  |         |                      |                      |
| Employee related costs                              | 28      | (86 930 529)         | (84 025 071)         |
| Remuneration of councillors                         | 29      | (10 567 538)         | (10 768 476)         |
| Depreciation and amortisation                       | 30      | (16 795 657)         | (18 061 778)         |
| Finance costs                                       | 33      | (1 476 558)          | (1 212 276)          |
| Lease rentals on operating lease                    | 21      | (642 963)            | (1 249 754)          |
| Debt Impairment                                     | 34      | (7 495 887)          | (1 525 127)          |
| Accounts receivables written-off                    |         | (1 059 759)          | (725 204)            |
| INEP Construction Contract Expenditure              | 51      | (2 260 870)          | (5 217 392)          |
| Contracted services                                 | 35      | (43 019 354)         | (30 286 520)         |
| Transfers and Subsidies                             | 25      | (3 259 158)          | (2 017 343)          |
| General expenses                                    | 36      | (32 262 458)         | (32 940 498)         |
| <b>Total expenditure</b>                            |         | <b>(205 770 731)</b> | <b>(188 029 439)</b> |
| <b>Operating surplus</b>                            |         | <b>27 183 507</b>    | <b>29 251 751</b>    |
| Gain/(Loss) on disposal of assets                   |         | (12 584)             | 305 632              |
| Actuarial gains/(losses)                            | 10      | (22 428)             | 782 283              |
| Impairment loss                                     | 32      | (412 237)            | (1 244 393)          |
|   |         | <b>(447 249)</b>     | <b>(156 478)</b>     |
| <b>Surplus for the year</b>                         |         | <b>26 736 258</b>    | <b>29 095 273</b>    |

\* See Note 47

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

| Figures in Rand                             | Accumulated surplus | Total net assets   |
|---|---------------------|--------------------|
| Opening balance as previously reported      | 291 062 651         | 291 062 651        |
| Adjustments                                 |                     |                    |
| Prior year adjustments refer to note 47     | 177 213             | 177 213            |
| <b>Balance at 01 July 2022 as restated*</b> | <b>291 239 864</b>  | <b>291 239 864</b> |
| Changes in net assets                       |                     |                    |
| Surplus for the year                        | 29 095 273          | 29 095 273         |
| Total changes                               | 29 095 273          | 29 095 273         |
| <b>Balance at 01 July 2023 as restated*</b> | <b>320 335 138</b>  | <b>320 335 138</b> |
| Changes in net assets                       |                     |                    |
| Surplus for the year                        | 26 736 258          | 26 736 258         |
| Total changes                               | 26 736 258          | 26 736 258         |
| <b>Balance at 30 June 2024</b>              | <b>347 071 396</b>  | <b>347 071 396</b> |
| Note(s)                                     |                     |                    |

\* See Note 47



# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

| Figures in Rand   | Note(s) | 2024                       | 2023<br>Restated*          |
|---|---------|----------------------------|----------------------------|
| <b>Cash flows from operating activities</b>             |         |                            |                            |
| <b>Receipts</b>   |         |                            |                            |
| Sale of goods and services                              |         | 2 795 283                  | 3 516 137                  |
| Receipts from customers                                 |         | 23 093 761                 | 21 446 483                 |
| Grants  |         | 187 482 787                | 175 277 000                |
| Interest income   |         | 9 647 111                  | 6 160 806                  |
|   |         | <u>223 018 942</u>         | <u>206 400 426</u>         |
| <b>Payments</b>   |         |                            |                            |
| Employee costs and Councillors                          |         | (97 666 386)               | (94 184 982)               |
| Suppliers   |         | (81 546 527)               | (69 483 828)               |
| Finance costs   |         | -                          | (892)                      |
|   |         | <u>(179 212 913)</u>       | <u>(163 669 702)</u>       |
| <b>Net cash flows from operating activities</b>         | 37      | <b><u>43 806 029</u></b>   | <b><u>42 730 724</u></b>   |
| <b>Cash flows from investing activities</b>             |         |                            |                            |
| Purchase of property, plant and equipment               | 8       | (36 072 696)               | (28 735 805)               |
| Proceeds from sale of property, plant and equipment     | 8       | -                          | 506 000                    |
| <b>Net cash flows from investing activities</b>         |         | <b><u>(36 072 696)</u></b> | <b><u>(28 229 805)</u></b> |
| <b>Cash flows from financing activities</b>             |         |                            |                            |
| Movement in finance lease obligation                    |         | -                          | (10 867)                   |
| <b>Net increase in cash and cash equivalents</b>        |         | <b><u>7 733 333</u></b>    | <b><u>14 490 052</u></b>   |
| Cash and cash equivalents at the beginning of the year  |         | 80 969 195                 | 66 479 143                 |
| <b>Cash and cash equivalents at the end of the year</b> | 6       | <b><u>88 702 528</u></b>   | <b><u>80 969 195</u></b>   |

\* See Note 47

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

|  | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

|   |                  |                  |                   |                   |                  |        |
|---|------------------|------------------|-------------------|-------------------|------------------|--------|
| Sale of goods                                   | 753 000          | -                | 753 000           | 128 870           | (624 130)        | VE1    |
| Service charges                                 | 1 890 000        | -                | 1 890 000         | 2 178 853         | 288 853          | VE 1.2 |
| Rendering of services                           | -                | -                | -                 | 33 205            | 33 205           | VE 1.1 |
| Construction contracts - INEP                   | -                | 2 211 000        | 2 211 000         | 2 260 870         | 49 870           |        |
| Rental of facilities and equipment              | 592 000          | -                | 592 000           | 322 145           | (269 855)        | VE2    |
| Agency services                                 | -                | -                | -                 | 90 643            | 90 643           |        |
| Licences and permits                            | 2 750 000        | (1 350 000)      | 1 400 000         | 1 411 145         | 11 145           | VE3    |
| Other income                                    | -                | -                | -                 | 808 079           | 808 079          | VE4    |
| Interest received - investment                  | 2 100 000        | 4 900 000        | 7 000 000         | 9 647 111         | 2 647 111        | VE6    |
| <b>Total revenue from exchange transactions</b> | <b>8 085 000</b> | <b>5 761 000</b> | <b>13 846 000</b> | <b>16 880 921</b> | <b>3 034 921</b> |        |

##### Revenue from non-exchange transactions

##### Taxation revenue

|                |            |   |            |            |             |     |
|----------------|------------|---|------------|------------|-------------|-----|
| Property rates | 29 438 000 | - | 29 438 000 | 27 566 875 | (1 871 125) | VE7 |
|----------------|------------|---|------------|------------|-------------|-----|

##### Transfer revenue

|                               |             |             |             |             |            |      |
|-------------------------------|-------------|-------------|-------------|-------------|------------|------|
| Government grants & subsidies | 158 381 000 | (1 639 000) | 156 742 000 | 187 566 882 | 30 824 882 | VE8  |
| Fines, penalties and forfeits | 400 000     | -           | 400 000     | 407 500     | 7 500      | VE9  |
| Donations Income              | -           | -           | -           | 532 060     | 532 060    | VE10 |

|   |                    |                    |                    |                    |                   |  |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|--|
| <b>Total revenue from non-exchange transactions</b> | <b>188 219 000</b> | <b>(1 639 000)</b> | <b>186 580 000</b> | <b>216 073 317</b> | <b>29 493 317</b> |  |
| <b>Total revenue</b>                                | <b>196 304 000</b> | <b>4 122 000</b>   | <b>200 426 000</b> | <b>232 954 238</b> | <b>32 528 238</b> |  |

#### Expenditure

|  |                      |                    |                      |                      |                   |      |
|--|----------------------|--------------------|----------------------|----------------------|-------------------|------|
| Employee related costs                     | (92 653 000)         | -                  | (92 653 000)         | (86 930 529)         | 5 722 471         | VE11 |
| Remuneration of councillors                | (11 164 000)         | -                  | (11 164 000)         | (10 567 538)         | 596 462           |      |
| Depreciation and amortisation              | (20 600 000)         | -                  | (20 600 000)         | (16 795 657)         | 3 804 343         | VE12 |
| Impairment loss                            | -                    | -                  | -                    | (412 237)            | (412 237)         | VE13 |
| Finance costs                              | (1 000 000)          | -                  | (1 000 000)          | (1 476 558)          | (476 558)         | VE14 |
| Lease rentals on operating lease           | -                    | -                  | -                    | (642 963)            | (642 963)         | VE15 |
| Debt Impairment                            | (8 127 000)          | -                  | (8 127 000)          | (7 495 887)          | 631 113           | VE16 |
| Accounts receivable written off            | -                    | (500 000)          | (500 000)            | (1 059 759)          | (559 759)         | VE16 |
| Construction contracts - INEP              | -                    | -                  | -                    | (2 260 870)          | (2 260 870)       |      |
| Contracted services                        | (36 705 000)         | (4 798 000)        | (41 503 000)         | (43 019 354)         | (1 516 354)       | VE17 |
| Transfers and Subsidies                    | (3 147 000)          | (16 000)           | (3 163 000)          | (3 259 158)          | (96 158)          | VE18 |
| General expenses                           | (38 550 000)         | (2 549 000)        | (41 099 000)         | (32 262 458)         | 8 836 542         | VE19 |
| <b>Total expenditure</b>                   | <b>(211 946 000)</b> | <b>(7 863 000)</b> | <b>(219 809 000)</b> | <b>(206 182 968)</b> | <b>13 626 032</b> |      |
| <b>Operating surplus</b>                   | <b>(15 642 000)</b>  | <b>(3 741 000)</b> | <b>(19 383 000)</b>  | <b>26 771 270</b>    | <b>46 154 270</b> |      |
| Loss on disposal of assets and liabilities | 200 000              | (200 000)          | -                    | (12 584)             | (12 584)          | VE20 |
| Actuarial gains/losses                     | -                    | -                  | -                    | (22 428)             | (22 428)          |      |
|  | <b>200 000</b>       | <b>(200 000)</b>   | <b>-</b>             | <b>(35 012)</b>      | <b>(35 012)</b>   |      |

## Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

|  | Approved<br>budget  | Adjustments        | Final Budget        | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|--|---------------------|--------------------|---------------------|--|---|-----------|
| Figures in Rand  |                     |                    |                     |  |   |           |
| <b>Deficit for the year</b>  | <b>(15 442 000)</b> | <b>(3 941 000)</b> | <b>(19 383 000)</b> | <b>26 736 258</b>                        | <b>46 119 258</b>                                   |           |
| <b>Actual Amount on Comparable<br/>Basis as Presented in the<br/>Budget and Actual<br/>Comparative Statement</b> | <b>(15 442 000)</b> | <b>(3 941 000)</b> | <b>(19 383 000)</b> | <b>26 736 258</b>                        | <b>46 119 258</b>                                   |           |
| <b>Reconciliation</b>  |                     |                    |                     |  |   |           |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

|  | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|

Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

|  |                   |                  |                   |                    |                   |
|--|-------------------|------------------|-------------------|--------------------|-------------------|
| Inventories                                | -                 | -                | -                 | 1 400 845          | 1 400 845         |
| Receivables from exchange transactions     | 1 482 000         | 11 000           | 1 493 000         | 3 173 618          | 1 680 618         |
| Receivables from non-exchange transactions | 368 000           | (368 000)        | -                 | 9 043 437          | 9 043 437         |
| VAT receivable                             | 17 691 000        | 884 000          | 18 575 000        | 7 683 074          | (10 891 926)      |
| Cash and cash equivalents                  | 56 697 000        | 8 612 000        | 65 309 000        | 88 702 528         | 23 393 528        |
|  | <b>76 238 000</b> | <b>9 139 000</b> | <b>85 377 000</b> | <b>110 003 502</b> | <b>24 626 502</b> |

##### Non-Current Assets

|  |                    |                    |                    |                    |                  |
|--|--------------------|--------------------|--------------------|--------------------|------------------|
| Investment property                        | 1 710 000          | -                  | 1 710 000          | 19 019 823         | 17 309 823       |
| Property, plant and equipment              | 283 867 000        | (1 365 000)        | 282 502 000        | 269 690 617        | (12 811 383)     |
| Intangible assets                          | 167 000            | -                  | 167 000            | 83 645             | (83 355)         |
| Receivables from non-exchange transactions | -                  | -                  | -                  | 104 324            | 104 324          |
|  | <b>285 744 000</b> | <b>(1 365 000)</b> | <b>284 379 000</b> | <b>288 898 409</b> | <b>4 519 409</b> |

#### Total Assets

|                    |                  |                    |                    |                   |
|--------------------|------------------|--------------------|--------------------|-------------------|
| <b>361 982 000</b> | <b>7 774 000</b> | <b>369 756 000</b> | <b>398 901 911</b> | <b>29 145 911</b> |
|--------------------|------------------|--------------------|--------------------|-------------------|

#### Liabilities

##### Current Liabilities

|   |                   |                |                   |                   |                  |
|---|-------------------|----------------|-------------------|-------------------|------------------|
| Payables from exchange transactions     | 25 253 000        | 174 000        | 25 427 000        | 28 414 928        | 2 987 928        |
| VAT payable                             | 485 000           | (66 000)       | 419 000           | 5 063 743         | 4 644 743        |
| Employee benefit obligation             | -                 | -              | -                 | 333 022           | 333 022          |
| Unspent conditional grants and receipts | -                 | -              | -                 | 100 200           | 100 200          |
| Provisions                              | 7 806 000         | -              | 7 806 000         | 1 641 197         | (6 164 803)      |
|   | <b>33 544 000</b> | <b>108 000</b> | <b>33 652 000</b> | <b>35 553 090</b> | <b>1 901 090</b> |

##### Non-Current Liabilities

|                             |                  |          |                  |                   |                  |
|-----------------------------|------------------|----------|------------------|-------------------|------------------|
| Employee benefit obligation | -                | -        | -                | 4 173 258         | 4 173 258        |
| Provisions                  | 6 478 000        | -        | 6 478 000        | 12 104 165        | 5 626 165        |
|                             | <b>6 478 000</b> | <b>-</b> | <b>6 478 000</b> | <b>16 277 423</b> | <b>9 799 423</b> |

#### Total Liabilities

|                   |                |                   |                   |                   |
|-------------------|----------------|-------------------|-------------------|-------------------|
| <b>40 022 000</b> | <b>108 000</b> | <b>40 130 000</b> | <b>51 830 513</b> | <b>11 700 513</b> |
|-------------------|----------------|-------------------|-------------------|-------------------|

#### Net Assets

|                    |                  |                    |                    |                   |
|--------------------|------------------|--------------------|--------------------|-------------------|
| <b>321 960 000</b> | <b>7 666 000</b> | <b>329 626 000</b> | <b>347 071 398</b> | <b>17 445 398</b> |
|--------------------|------------------|--------------------|--------------------|-------------------|

#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

|                     |             |           |             |             |            |
|---------------------|-------------|-----------|-------------|-------------|------------|
| Accumulated surplus | 321 960 000 | 7 666 000 | 329 626 000 | 347 071 398 | 17 445 398 |
|---------------------|-------------|-----------|-------------|-------------|------------|

## Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

|  | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|

Figures in Rand

#### Cash Flow Statement

##### Cash flows from operating activities

##### Receipts

|                 |                    |                  |                    |                    |                     |
|-----------------|--------------------|------------------|--------------------|--------------------|---------------------|
| Property Rates  | 20 607 000         | -                | 20 607 000         | 21 435 488         | 828 488             |
| Service charges | 1 323 000          | -                | 1 323 000          | -                  | (1 323 000)         |
| Grants received | 192 118 000        | (2 192 000)      | 189 926 000        | 175 277 000        | (14 649 000)        |
| Other revenue   | 2 100 000          | 4 900 000        | 7 000 000          | 4 545 905          | (2 454 095)         |
|                 | <b>216 148 000</b> | <b>2 708 000</b> | <b>218 856 000</b> | <b>201 258 393</b> | <b>(17 597 607)</b> |

##### Payments

|                            |                      |                    |                      |                      |                   |
|----------------------------|----------------------|--------------------|----------------------|----------------------|-------------------|
| Employee costs & suppliers | (189 505 000)        | (8 262 000)        | (197 767 000)        | (173 950 278)        | 23 816 722        |
| Finance costs              | (200 000)            | -                  | (200 000)            | -                    | 200 000           |
| Transfers and Grants       | (5 747 000)          | 2 584 000          | (3 163 000)          | -                    | 3 163 000         |
|                            | <b>(195 452 000)</b> | <b>(5 678 000)</b> | <b>(201 130 000)</b> | <b>(173 950 278)</b> | <b>27 179 722</b> |

|   |                   |                    |                   |                   |                  |
|---|-------------------|--------------------|-------------------|-------------------|------------------|
| <b>Net cash flows from operating activities</b> | <b>20 696 000</b> | <b>(2 970 000)</b> | <b>17 726 000</b> | <b>27 308 115</b> | <b>9 582 115</b> |
|---|-------------------|--------------------|-------------------|-------------------|------------------|

##### Cash flows from investing activities

|   |              |           |              |   |             |
|---|--------------|-----------|--------------|---|-------------|
| Purchase of property, plant and equipment           | (40 469 000) | 1 570 000 | (38 899 000) | - | 38 899 000  |
| Proceeds from sale of property, plant and equipment | 3 000 000    | -         | 3 000 000    | - | (3 000 000) |

|   |                     |                  |                     |          |                   |
|---|---------------------|------------------|---------------------|----------|-------------------|
| <b>Net cash flows from investing activities</b> | <b>(37 469 000)</b> | <b>1 570 000</b> | <b>(35 899 000)</b> | <b>-</b> | <b>35 899 000</b> |
|---|---------------------|------------------|---------------------|----------|-------------------|

|  |              |             |              |            |            |
|--|--------------|-------------|--------------|------------|------------|
| Net increase/(decrease) in cash and cash equivalents | (16 773 000) | (1 400 000) | (18 173 000) | 27 308 115 | 45 481 115 |
|--|--------------|-------------|--------------|------------|------------|

|   |                     |                    |                     |                   |                   |
|---|---------------------|--------------------|---------------------|-------------------|-------------------|
| <b>Cash and cash equivalents at the end of the year</b> | <b>(16 773 000)</b> | <b>(1 400 000)</b> | <b>(18 173 000)</b> | <b>27 308 115</b> | <b>45 481 115</b> |
|---|---------------------|--------------------|---------------------|-------------------|-------------------|

#### Reconciliation

#### BUDGET vs ACTUAL Explanations

VE1 - Other income was budgeted for under Sale of goods

VE1.1 - Budgeted for under Sale of goods.

VE2 - Overstatement of Annual Budget, facilities were not utilised as initially anticipated.

VE4 - Business Licences and building plans were budgeted for under sale of goods.

VE6 - Due to cost containment measures implemented by municipality. More funds were re-invested in the current year which resulted in more interest earned

VE7 - Reversal of billing for properties that belong to the municipality resulted in the decrease in Billed revenue.

VE8 - The difference relates to the Municipal Infrastructure Grant (Capital)

VE9 - More fines were issued than anticipated.

VE10 - The municipality did not budget for donations

VE12 - Depreciation was less compared to prior year. Budget was based on prior year.

VE13 - Budgeted for under Depreciation Expense

VE 14 - Finance costs from Landfill site provision were more than budgeted for.

VE15 - This is budgeted for under general expenses

VE16 - Budget is based on the collection rate. The collection rate is low.

VE20 - The sale of land was less than anticipated.

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

| Figures in Rand | Note(s) | 2024 | 2023 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

### 1. Presentation of Annual Financial Statements

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

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

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 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:

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

### 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 13 - Provisions.

### Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

### Allowance for doubtful debts

On debtors an 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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land.

#### Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.4 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.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

| Item                 | Useful life |
|----------------------|-------------|
| Property - land      | indefinite  |
| Property - buildings | 30 years    |

### 1.5 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.

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

| Item                      | Depreciation method | Average useful life |
|---------------------------|---------------------|---------------------|
| Land                      |                     | Indefinite          |
| Buildings                 | Straight-line       | 30 years            |
| Fiance leased asset       | Straight-line       | 5 years             |
| Plant and machinery       | Straight-line       | 10 - 15 years       |
| Furniture and fixtures    | Straight-line       | 7-10 years          |
| Motor vehicles            | Straight-line       | 5 years             |
| Office equipment          | Straight-line       | 5 years             |
| IT equipment              | Straight-line       | 3-7 years           |
| Land fill site            | Straight-line       | 30 years            |
| Infrastructure            |                     |                     |
| • Roads and Paving        | Straight-line       | 30 years            |
| • Roads and water         | Straight-line       | 30 years            |
| Community Assets:         | Straight-line       |                     |
| • Recreational Facilities | Straight-line       | 20-30 years         |
| • Security                | Straight-line       | 5 years             |
| • Community Halls         | Straight-line       | 30 years            |
| • Libraries               | Straight-line       | 30 years            |
| • Parks and Gardens       | Straight-line       | 10 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.



# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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.

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 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

### 1.6 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.

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited 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
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.7 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:

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| Item                     | Depreciation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight-line       | 3-5 years           |

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### 1.8 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash;
- a residual interest of another entity; or

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.8 Financial instruments (continued)

- 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 guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

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

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

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

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

### 1.9 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.

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.9 Statutory receivables (continued)

- 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.

#### 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.

#### Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

#### 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, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

# Big 5 Hlabisa Local Municipality

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### 1.9 Statutory receivables (continued)

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 adjusted either directly or 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.

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.

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

1. Receivables from non-exchange transactions Measured at cost
2. VAT Recivable/(Payable) Measured at cost
3. Traffic fines Measured at cost

### 1.10 Leases

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

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

#### Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the .

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

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

# Big 5 Hlabisa Local Municipality

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### 1.10 Leases (continued)

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.12 Construction contracts and receivables

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

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

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

# Big 5 Hlabisa Local Municipality

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### 1.12 Construction contracts and receivables (continued)

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

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

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

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

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

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

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

### 1.13 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.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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.

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

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:



# Big 5 Hlabisa Local Municipality

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### 1.13 Impairment of cash-generating assets (continued)

#### Designation

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

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

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

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

#### Identification

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

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

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

#### Value in use

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

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

#### 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.

# Big 5 Hlabisa Local Municipality

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## Accounting Policies

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### 1.13 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.

# Big 5 Hlabisa Local Municipality

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### 1.13 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.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

### 1.14 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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.

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.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

# Big 5 Hlabisa Local Municipality

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## Accounting Policies

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### 1.14 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### 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

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

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

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

# Big 5 Hlabisa Local Municipality

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## Accounting Policies

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### 1.14 Employee benefits (continued)

#### 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.

Big Five Hlabisa offers long service awards for every 5 years of completed service from 10 years to 45 years, therefore employee obligation will be made up of long service award anticipated to be paid to qualifying employees.

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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### 1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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### 1.14 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### Termination benefits

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

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

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

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

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

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

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

### 1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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



# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.15 Provisions and contingencies (continued)

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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 constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

### 1.16 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.

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.17 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Sale of goods

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

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

#### Rendering of services

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.18 Revenue from non-exchange transactions

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

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

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

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

### Recognition

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

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

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### 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.

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when.

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- There has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Transfers

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

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

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

#### Fines

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

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

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

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### 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.

### 1.19 Investment income

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

### 1.20 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.

### 1.21 Accounting by principals and agents

#### Identification

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

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

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

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

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

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

#### Binding arrangement

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

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

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

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

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

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

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

#### Recognition

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

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

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

### 1.22 Comparative figures

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

### 1.23 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).

### 1.24 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act and has not been condoned in terms of section 170, or
- (b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act or
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998);
- (d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

### 1.26 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.

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.26 Segment information (continued)

#### 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.

### 1.27 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 cash basis and presented by economic classification linked to performance outcome objectives.

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

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

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

### 1.28 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

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



# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.28 Related parties (continued)

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

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

### 1.29 Events after reporting date

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

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

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

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

### 1.30 Contracted Services

Transactions and events are classified as contracted services if and only if they are supplied by external parties not within the municipality. Contracted services can either be outsourced services, contractors or business and professional services.

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand  | 2024   | 2023                                     |
|--|--|--|
| <b>2. New standards and interpretations</b>  |  |  |
| <b>2.1 Standards and interpretations issued, but not yet effective</b>   |  |  |
| 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: |  |  |
| <b>Standard/ Interpretation:</b>   | <b>Effective date:<br/>Years beginning on or after</b> | <b>Expected impact:</b>                  |
| • GRAP 104 (as revised): Financial Instruments   | 01 April 2025  | Unlikely there will be a material impact |
| • GRAP 103 (Amended) :Heritage Assets  | 01 April 2025  | Unlikely there will be a material impact |
| • Grap 1 (Amended): Presentation of Financial Statements   | 01 April 2025  | Unlikely there will be a material impact |
| <b>3. Inventories</b>  |  |  |
| Land held for sale   | 1 400 845  | 1 761 396                                |
| <b>3.1 Reconciliation of land held for sale</b>  |  |  |
| Opening Balance  | 1 761 396  | 1 761 396                                |
| Land sold and transferred  | (360 551)  | -  |
|  | <b>1 400 845</b>                                       | <b>1 761 396</b>                         |
| <b>4. Receivables from exchange transactions</b>   |  |  |
| Consumer debtors - Refuse  | 24 007 134   | 22 293 004                               |
| Accrued rental   | 176 821  | 99 927                                   |
| Consumer debtors - Rental  | 58 120   | 41 146                                   |
| Consumer debtors - Provision for bad debts refuse  | (20 983 427)   | (20 107 211)                             |
| Consumer debtors - Provision for bad debts rental  | (50 799)   | (17 182)                                 |
| Other Debtors  | (34 231)   | (34 231)                                 |
|  | <b>3 173 618</b>                                       | <b>2 275 453</b>                         |
| <b>Refuse</b>  |  |  |
| Current (0-30 days)  | 218 644  | 192 063                                  |
| 31 - 60 days   | 192 988  | 161 432                                  |
| 61-90 days   | 174 770  | 154 712                                  |
| 91 -120 days   | 172 992  | 153 934                                  |
| 121 - 365 days   | 23 247 740   | 21 630 863                               |
|  | <b>24 007 134</b>                                      | <b>22 293 004</b>                        |
| <b>Rentals and other</b>   |  |  |
| Current (0-30 days)  | 6 407  | -  |
| 31 - 60 days   | 37   | -  |
| 61-90 days   | 31 897   | -  |
| 91 -120 days   | 3  | -  |
| 121 - 365 days   | 19 775   | 41 146                                   |
|  | <b>58 119</b>  | <b>41 146</b>                            |
| <b>Total bad debts provision from exchange transactions above</b>  | <b>(21 034 226)</b>                                    | <b>(20 058 697)</b>                      |
| <b>Total receivables from exchange transactions</b>  | <b>3 173 618</b>                                       | <b>2 275 453</b>                         |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand   | 2024              | 2023              |
|---|-------------------|-------------------|
| <b>4. Receivables from exchange transactions (continued)</b>  |                   |                   |
| No receivables were pledged as security in the current year   |                   |                   |
| <b>Trade and other receivables past due but not impaired</b>  |                   |                   |
| Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2024, 624 744 (2023: 519 799) were past due but not impaired. |                   |                   |
| The ageing of amounts past due but not impaired is as follows:  |                   |                   |
| 1 month past due  | 225 050           | 203 655           |
| 2 months past due   | 193 023           | 161 432           |
| 3 months past due   | 206 668           | 154 712           |
| <b>Trade and other receivables impaired</b>   |                   |                   |
| The ageing of these receivables is as follows:  |                   |                   |
| 3 to 6 months   | 172 995           | 153 934           |
| Over 6 months   | 23 267 515        | 21 630 863        |
| During calculation of provision for bad debts, customers are assessed individually to determine if there is any indication for impairment.                                    |                   |                   |
| a. Customers whose total debts are less than 90 days are exempted from provision for doubtful debts   |                   |                   |
| c. All business and residential accounts with balance older than 90 days are considered for impairment at present value of future payments less carrying amount.              |                   |                   |
| <b>5. Receivables from non-exchange transactions</b>  |                   |                   |
| Statutory debtors - Property rates  | 44 287 578        | 40 340 438        |
| Provision for bad debts - Property rates  | (38 709 429)      | (32 310 975)      |
| Other Debtors   | 1 042 190         | 248 714           |
| Statutory debtors - traffic fines   | 19 794 982        | 19 419 782        |
| Provision for bad debts - traffic fines   | (18 071 899)      | (17 884 299)      |
| Staff debtors   | 350 490           | 392 805           |
| Provision for bad debts - staff debtors   | (204 289)         | (204 289)         |
| Creditors with Debit Balances   | 658 138           | 287 182           |
|   | <b>9 147 761</b>  | <b>10 289 358</b> |
| Non-current assets  | 104 324           | 145 441           |
| Current assets  | 9 043 437         | 10 143 917        |
|   | <b>9 147 761</b>  | <b>10 289 358</b> |
| <b>Rates</b>  |                   |                   |
| Current (0-30 days)   | 1 366 598         | 1 066 189         |
| 31 - 60 days  | 758 344           | 499 176           |
| 61 - 90 days  | 657 935           | 710 553           |
| 91 - 120 days   | 632 535           | 675 578           |
| 121 - 365 days  | 40 872 166        | 37 388 942        |
|   | <b>44 287 578</b> | <b>40 340 438</b> |

## Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

| Figures in Rand   | 2024                | 2023                |
|---|---------------------|---------------------|
| <b>5. Receivables from non-exchange transactions (continued)</b>                              |                     |                     |
| <b>Traffic Fines</b>  |                     |                     |
| 0 - 30 days   | -                   | 47 650              |
| 31 - 60 days  | -                   | 57 850              |
| 61 - 90 days  | 3 900               | 30 500              |
| 91 - 120 days   | 1 250               | 26 500              |
| 121 - 365 days  | 19 795 432          | 19 257 282          |
|   | <b>19 800 582</b>   | <b>19 419 782</b>   |
| <b>Total bad debts provision included in receivables from non-exchange transactions above</b> | <b>(56 781 328)</b> | <b>(50 195 274)</b> |
| <b>Total receivables from non-exchange transactions</b>                                       | <b>9 147 761</b>    | <b>10 414 363</b>   |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

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

- -

#### Reconciliation for bad debts - statutory debtors: (Property rates)

|   |                   |                   |
|---|-------------------|-------------------|
| Opening Balance                                 | 32 310 975        | 31 462 499        |
| Provision for bad debts expenses-property rates | 6 398 454         | 848 476           |
|   | -                 | -                 |
|   | <b>38 709 429</b> | <b>32 310 975</b> |

- -

#### Reconciliation for bad debts - statutory debtors: (Traffic fines)

|  |                   |                   |
|--|-------------------|-------------------|
| Opening Balance                                | 17 884 299        | 17 672 384        |
| Provision for bad debts expenses-traffic fines | 187 600           | 211 915           |
|  | -                 | -                 |
|  | <b>18 071 899</b> | <b>17 884 299</b> |

Included in receivables from non-exchange transaction is an amount of R 350 490 owed by employees. The municipality has made agreements with the employees for the periods of settlement hence part of the balance was presented as non-current asset. The municipality does not charge interest on outstanding debtors (both exchange and non-exchange transactions) Included in the amount owed by employees, there is a total of R 204 289 owed by an ex-employee. The amount has been outstanding for a number of years and the amount has been fully provided for impairment.

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. Provision for bad debts on statutory debtors is determined risk profile of each customer and default rate per risk profile as determined by the municipality. The main trigger for impairment loss on statutory debtors is late payment or non-payment of accounts by customers.

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. Due to high rate of default payments of traffic fines, the municipality has implemented a policy to provide for bad debts at rate of 50% of the issued fines issued and not collected..

### Summary of receivables from exchange and non- exchange transactions

#### Business and Commercial

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 613 002           | 378 922           |
| 31 - 60 days         | 199 900           | 179 573           |
| 61 - 90 days         | 166 609           | 171 361           |
| 91 - 120 days        | 153 817           | 147 940           |
| 121 - 365 days       | 14 292 061        | 9 470 833         |
|                      | <b>15 425 389</b> | <b>10 348 629</b> |

#### Residential

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 619 443           | 295 891           |
| 31 - 60 days         | 268 976           | 300 372           |
| 61 - 90 days         | 313 672           | 263 869           |
| 91 - 120 days        | 279 345           | 311 365           |
| 121 - 365 days       | 27 591 944        | 26 433 203        |
|                      | <b>29 073 380</b> | <b>27 604 700</b> |

#### Agriculture

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand  | 2024              | 2023              |
|--|-------------------|-------------------|
| <b>5. Receivables from non-exchange transactions (continued)</b> |                   |                   |
| Current (0 -30 days)   | 1 033 725         | 572 133           |
| 31 - 60 days   | 359 574           | 179 343           |
| 61 - 90 days   | 328 815           | 412 337           |
| 91 - 120 days  | 311 153           | 369 038           |
| 121 - 365 days   | 18 753 444        | 17 877 355        |
|  | <b>20 786 711</b> | <b>19 410 206</b> |
| <b>Government</b>  |                   |                   |
| Current (0 -30 days)   | 233 327           | 22 897            |
| 31 - 60 days   | 48 609            | 21 267            |
| 61 - 90 days   | 23 758            | 32 692            |
| 91 - 120 days  | 17 164            | 21 209            |
| 121 - 365 days   | 2 748 269         | 5 230 008         |
|  | <b>3 071 127</b>  | <b>5 328 073</b>  |

No statutory debtors were pledged as security in current financial year.

### Statutory debtors past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R 464 633- (2023: R 1 405 915) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

|                  |           |           |
|------------------|-----------|-----------|
| 1 month past due | 2 009 405 | 1 066 189 |
|------------------|-----------|-----------|

### Statutory debtors impaired

The ageing of these receivables is as follows:

|               |            |            |
|---------------|------------|------------|
| 3 to 6 months | 1 892 344  | 1 885 307  |
| Over 6 months | 36 402 563 | 37 467 572 |

## 6. Cash and cash equivalents

Cash and cash equivalents consist of:

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| Cash on hand        | 220               | 5 000             |
| Bank balances       | 3 101 492         | 944 980           |
| Short-term deposits | 85 600 816        | 80 019 215        |
|                     | <b>88 702 528</b> | <b>80 969 195</b> |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

### 6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

| Account number / description      | Bank statement balances |                   |                   | Cash book balances |                   |                   |
|-----------------------------------|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
|                                   | 30 June 2024            | 30 June 2023      | 30 June 2022      | 30 June 2024       | 30 June 2023      | 30 June 2022      |
| ABSA BANK - 4053709558            | 5 014 703               | 19 712 833        | 15 566 185        | 5 014 703          | 19 712 833        | 15 566 185        |
| FNB BANK - 62641677466            | 10 572 500              | 9 784 452         | 9 191 914         | 10 572 500         | 9 784 452         | 9 191 914         |
| FNB BANK - 62641681251            | 14 537 496              | 13 453 907        | 12 639 150        | 14 537 496         | 13 453 907        | 12 639 150        |
| NEDBANK -<br>03/7165016708/000001 | 122 312                 | 113 761           | 107 405           | 122 312            | 113 761           | 107 405           |
| MERCANTILE - 4100167725           | 24 306                  | 23 013            | 21 461            | 24 306             | 23 013            | 21 461            |
| FNB MAIN BANK -<br>62632389450    | 1 537 898               | 500 510           | 1 948 650         | 1 537 898          | 500 510           | 1 948 650         |
| FNB MAINBANK - 62022340385        | 1 563 593               | 444 470           | 1 721 684         | 1 563 593          | 444 470           | 1 721 684         |
| FNB BANK - 62641679123            | 2 009 504               | 1 853 834         | 1 735 322         | 2 009 504          | 1 853 834         | 1 735 322         |
| FNB CALL ACC- 62641675890         | 32 928 162              | 35 077 415        | 23 542 224        | 32 928 162         | 35 077 415        | 23 542 224        |
| ABSA SAVINGS - 938132447          | 20 391 834              | -                 | -                 | 20 391 834         | -                 | -                 |
| Petty Cash                        | -                       | -                 | -                 | 220                | 5 000             | -                 |
| <b>Total</b>                      | <b>88 702 308</b>       | <b>80 964 195</b> | <b>66 473 995</b> | <b>88 702 528</b>  | <b>80 969 195</b> | <b>66 473 995</b> |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Investment property

|                     | 2024                |   |                | 2023                |   |                |
|---------------------|---------------------|---|----------------|---------------------|---|----------------|
|                     | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value |
| Investment property | 20 196 402          | (1 176 579)   | 19 019 823     | 20 196 402          | (948 473)   | 19 247 929     |

#### Reconciliation of investment property - 2024

|                     | Opening<br>balance | Depreciation | Total      |
|---------------------|--------------------|--------------|------------|
| Investment property | 19 247 929         | (228 106)    | 19 019 823 |

#### Reconciliation of investment property - 2023

|                     | Opening<br>balance | Transfers to<br>land held for<br>sale | Depreciation | Total      |
|---------------------|--------------------|---------------------------------------|--------------|------------|
| Investment property | 21 168 496         | (1 655 515)                           | (265 052)    | 19 247 929 |



## Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

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

#### 7. Investment property (continued)

##### Pledged as security

None of the investment property has been pledged as security in current year.

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

The transfers relates to land that has been reclassified to "Land held for sale"

##### Amounts recognised in surplus or deficit

|   |         |         |
|---|---------|---------|
| Rental revenue from Investment property | 318 527 | 270 975 |
|---|---------|---------|

There was no expenditure incurred in the current year in relation to Investment property

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Property, plant and equipment

|                        | 2024                |   |                    | 2023                |   |                    |
|------------------------|---------------------|---|--------------------|---------------------|---|--------------------|
|                        | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value     | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value     |
| Land                   | 4 255 629           | -   | 4 255 629          | 4 255 629           | -   | 4 255 629          |
| Buildings              | 52 217 618          | (19 993 884)  | 32 223 734         | 48 962 840          | (18 570 694)  | 30 392 146         |
| Plant and machinery    | 6 650 506           | (2 933 378)   | 3 717 128          | 4 224 577           | (2 581 522)   | 1 643 055          |
| Furniture and fixtures | 3 436 850           | (2 426 243)   | 1 010 607          | 2 660 741           | (2 240 856)   | 419 885            |
| Motor vehicles         | 16 749 894          | (5 368 066)   | 11 381 828         | 12 227 721          | (4 561 646)   | 7 666 075          |
| Office equipment       | 2 565 948           | (1 266 814)   | 1 299 134          | 1 836 075           | (1 293 184)   | 542 891            |
| IT equipment           | 3 338 051           | (1 580 636)   | 1 757 415          | 2 932 785           | (1 415 940)   | 1 516 845          |
| Leased Assets          | 146 036             | (137 106)   | 8 930              | 146 036             | (134 130)   | 11 906             |
| Infrastructure         | 140 259 036         | (69 758 891)  | 70 500 145         | 137 509 208         | (64 447 170)  | 73 062 038         |
| Community              | 224 079 421         | (82 298 659)  | 141 780 762        | 203 505 218         | (75 781 830)  | 127 723 388        |
| Landfill site asset    | 13 970 808          | (12 215 503)  | 1 755 305          | 13 402 141          | (11 337 851)  | 2 064 290          |
| <b>Total</b>           | <b>467 669 797</b>  | <b>(197 979 180)</b>  | <b>269 690 617</b> | <b>431 662 971</b>  | <b>(182 364 823)</b>  | <b>249 298 148</b> |

## Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

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

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

|                        | Opening<br>balance | Additions        | Additions<br>through<br>Work in<br>Progress | Donations<br>received | Other<br>changes,<br>movements | Depreciation        | Impairment<br>loss | Total              |
|------------------------|--------------------|------------------|---|-----------------------|--------------------------------|---------------------|--------------------|--------------------|
| Land                   | 4 255 629          | -                | -   | -                     | -                              | -                   | -                  | 4 255 629          |
| Buildings              | 30 392 146         | -                | 3 254 778                                   | -                     | -                              | (1 423 190)         | -                  | 32 223 734         |
| Plant and machinery    | 1 643 055          | 2 460 402        | -   | -                     | -                              | (386 047)           | (282)              | 3 717 128          |
| Furniture and fixtures | 419 885            | 523 588          | -   | 283 286               | -                              | (213 551)           | (2 601)            | 1 010 607          |
| Motor vehicles         | 7 666 075          | 5 002 173        | -   | -                     | -                              | (1 274 480)         | (11 940)           | 11 381 828         |
| Office equipment       | 542 891            | 811 164          | -   | 54 164                | -                              | (108 441)           | (644)              | 1 299 134          |
| IT equipment           | 1 516 845          | 434 688          | -   | 138 363               | -                              | (318 809)           | (13 672)           | 1 757 415          |
| Leased assets          | 11 906             | -                | -   | -                     | -                              | (2 976)             | -                  | 8 930              |
| Infrastructure         | 73 062 038         | -                | 3 011 700                                   | -                     | -                              | (5 312 640)         | (260 953)          | 70 500 145         |
| Community              | 127 723 388        | 27 102           | 20 547 101                                  | -                     | -                              | (6 382 100)         | (134 729)          | 141 780 762        |
| Landfill site asset    | 2 064 290          | -                | -   | -                     | 568 667                        | (877 652)           | -                  | 1 755 305          |
|                        | <b>249 298 148</b> | <b>9 259 117</b> | <b>26 813 579</b>                           | <b>475 813</b>        | <b>568 667</b>                 | <b>(16 299 886)</b> | <b>(424 821)</b>   | <b>269 690 617</b> |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

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

|                        | Opening<br>balance | Additions        | Additions<br>through<br>work in<br>progress | Disposals        | Donations<br>received | Other<br>changes,<br>movements | Depreciation        | Impairment<br>loss | Total              |
|------------------------|--------------------|------------------|---|------------------|-----------------------|--------------------------------|---------------------|--------------------|--------------------|
| Land                   | 4 255 629          | -                | -   | -                | -                     | -                              | -                   | -                  | 4 255 629          |
| Buildings              | 24 909 223         | 376 200          | 6 070 540                                   | -                | -                     | -                              | (963 817)           | -                  | 30 392 146         |
| Plant and machinery    | 1 659 573          | 392 400          | -   | -                | -                     | -                              | (398 074)           | (10 844)           | 1 643 055          |
| Furniture and fixtures | 581 887            | 22 400           | -   | -                | -                     | -                              | (181 369)           | (3 033)            | 419 885            |
| Motor vehicles         | 5 530 830          | 3 193 871        | -   | (200 368)        | -                     | -                              | (858 258)           | -                  | 7 666 075          |
| Office equipment       | 423 872            | 222 200          | -   | -                | -                     | -                              | (98 602)            | (4 579)            | 542 891            |
| IT equipment           | 1 017 265          | 759 075          | -   | -                | 70 988                | -                              | (258 236)           | (72 247)           | 1 516 845          |
| Leased assets          | 23 283             | -                | -   | -                | -                     | -                              | (11 377)            | -                  | 11 906             |
| Infrastructure         | 73 355 695         | -                | 6 248 572                                   | -                | -                     | -                              | (6 542 229)         | -                  | 73 062 038         |
| Community              | 123 400 364        | 179 521          | 11 428 226                                  | -                | -                     | -                              | (6 131 032)         | (1 153 691)        | 127 723 388        |
| Landfill site asset    | 4 602 571          | -                | -   | -                | -                     | (473 991)                      | (2 064 290)         | -                  | 2 064 290          |
|                        | <b>239 760 192</b> | <b>5 145 667</b> | <b>23 747 338</b>                           | <b>(200 368)</b> | <b>70 988</b>         | <b>(473 991)</b>               | <b>(17 507 284)</b> | <b>(1 244 394)</b> | <b>249 298 148</b> |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand  | 2024  | 2023   |
|--|-------|--------|
| <b>8. Property, plant and equipment (continued)</b>          |       |        |
| <b>Pledged as security</b>                                   |       |        |
| No assets have been pledged with security                    |       |        |
| <b>Assets subject to finance lease (Net carrying amount)</b> |       |        |
| Leasehold improvements                                       | 8 930 | 11 906 |

### Reconciliation of Work-in-Progress 2024

|                                | Included within Infrastructure | Included within Community | Included within Other PPE | Total             |
|--------------------------------|--------------------------------|---------------------------|---------------------------|-------------------|
| Opening balance                | 1 886 416                      | 32 057 823                | 18 898 673                | 52 842 912        |
| Prior Period Adjustment        | -                              | (2 236 719)               | -                         | (2 236 719)       |
| Additions                      | 3 011 700                      | 20 547 101                | 3 254 777                 | 26 813 578        |
| Transferred to completed items | -                              | (18 426 300)              | (15 078 004)              | (33 504 304)      |
|                                | <b>4 898 116</b>               | <b>31 941 905</b>         | <b>7 075 446</b>          | <b>43 915 467</b> |

### Reconciliation of Work-in-Progress 2023

|                                | Included within Infrastructure | Included within Community | Included within Other PPE | Total             |
|--------------------------------|--------------------------------|---------------------------|---------------------------|-------------------|
| Opening balance                | 1 199 355                      | 32 205 054                | 12 828 132                | 46 232 541        |
| Additions                      | 6 248 572                      | 11 428 226                | 6 070 541                 | 23 747 339        |
| Transferred to completed items | (5 561 511)                    | (11 575 457)              | -                         | (17 136 968)      |
|                                | <b>1 886 416</b>               | <b>32 057 823</b>         | <b>18 898 673</b>         | <b>52 842 912</b> |

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

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

|                         |                   |                  |
|-------------------------|-------------------|------------------|
| Maintenance of Vehicles | 2 566 032         | 1 417 759        |
| Land and Buildings      | 13 131 018        | 7 013 087        |
|                         | <b>15 697 050</b> | <b>8 430 846</b> |

### Projects taking significantly longer than expected.

**Mahongoza Community Hall** - The project has delayed due to political issues around the community especially during the time s of elections (April to May 2024). The engineers have issued the slow progress report. The carrying amount of the project as at 30 June 2024 (R5 509 264.97 ) and 30 June 2023 (R624 754.37)

**Hlabisa Sport Complex Phase 2** - This project has taken longer than expected because the previous contractor did not perform according to the agreed upon terms and therefore the contract with the supplier was terminated. A new supplier has since been appointed. The carrying amount of the project as at 30 June 2024 (R 4 033 074) 30 June 2023 (R 877 551.82)

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.

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Intangible assets

|                          | 2024                |   |                | 2023                |   |                |
|--------------------------|---------------------|---|----------------|---------------------|---|----------------|
|                          | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value |
| Computer software, other | 3 654 109           | (3 570 464)   | 83 645         | 3 654 109           | (3 302 799)   | 351 310        |

#### Reconciliation of intangible assets - 2024

|                          | Opening<br>balance | Amortisation | Total  |
|--------------------------|--------------------|--------------|--------|
| Computer software, other | 351 310            | (267 665)    | 83 645 |

#### Reconciliation of intangible assets - 2023

|                          | Opening<br>balance | Additions | Amortisation | Total   |
|--------------------------|--------------------|-----------|--------------|---------|
| Computer software, other | 452 552            | 188 200   | (289 442)    | 351 310 |

#### Pledged as security

No intangible assets have been pledged with security

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand  | 2024               | 2023               |
|--|--------------------|--------------------|
| <b>10. Employee benefit obligations</b>  |                    |                    |
| <b>The amounts recognised in the statement of financial position are as follows:</b> |                    |                    |
| <b>Carrying value</b>  |                    |                    |
| Present value of the defined benefit obligation-wholly unfunded                      | (4 124 258)        | (4 292 034)        |
| Contributions by plan participants   | (429 235)          | (464 850)          |
| Interest costs   | (439 606)          | (473 641)          |
| Benefits paid  | 509 247            | 323 984            |
| Net expense recognised in the statement of financial performance                     | (22 428)           | 782 283            |
|  | <b>(4 506 280)</b> | <b>(4 124 258)</b> |
| <br>Non-current liabilities  | <br>(4 173 258)    | <br>(3 615 292)    |
| Current liabilities  | (333 022)          | (508 966)          |
|  | <b>(4 506 280)</b> | <b>(4 124 258)</b> |

Employee benefit obligation relates to long service award extended to municipal staff who served on the payroll of the municipality for each five year interval completed as an employee.

The most recent actuarial valuations of present value of the defined benefit obligation were carried out as at 30 June 2021 by an expert who is a member of the Actuarial society of South Africa. The present value of the defined benefit obligation and the related current cost and past service costs, were measured using the projected Unit Credit Method.

The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA, and is consistent with the requirements of GRAP25.

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

|  |                  |                  |
|--|------------------|------------------|
| Opening balance  | 4 124 258        | 4 292 034        |
| Contributions by plan participants                               | 429 235          | 464 850          |
| Exchange differences   | 439 606          | 473 641          |
| Benefits paid  | (489 455)        | (323 984)        |
| Net expense recognised in the statement of financial performance | 2 636            | (782 283)        |
|  | <b>4 506 280</b> | <b>4 124 258</b> |

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

|                          |                |                  |
|--------------------------|----------------|------------------|
| Current service cost     | 429 235        | 464 850          |
| Interest cost            | 439 606        | 473 641          |
| Actuarial (gains) losses | 2 636          | (782 283)        |
| Benefits Paid            | (489 455)      | (323 984)        |
|                          | <b>382 022</b> | <b>(167 776)</b> |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

### 10. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

|   |         |         |
|---|---------|---------|
| Discount rates used                                 | 10.99 % | 11.36 % |
| Expected increase in salaries                       | 5.53 %  | 5.77 %  |
| Expected pension increases                          | 6.53 %  | 6.77 %  |
| Proportion of employees opting for early retirement | 4.18 %  | 4.30 %  |

The basis used to determine the overall expected rate of return on assets is as follow:

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2023 the duration of liabilities was 6.55 years. The duration is based on the weighted averages of the obligations of Big 5 False Bay and Hlabisa as at 30 June 2023. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 10.99% per annum, and the yield on inflation-linked bonds of a similar term was about 4.69% per annum. This implies an underlying expectation of inflation of 5.53% per annum  $([1 + 10.99\% - 0.5\%] / [1 + 4.69\%] - 1)$ .

The experts have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.53% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 4.18% per annum  $([1 + 10.99\%] / [1 + 6.53\%] - 1)$ .

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases.

### 11. VAT receivable

|     |           |           |
|-----|-----------|-----------|
| VAT | 2 619 331 | 1 979 592 |
|-----|-----------|-----------|

#### Movement during the year

|                             |                  |                  |
|-----------------------------|------------------|------------------|
| VAT claimed through VAT 201 | 4 093 788        | 3 379 885        |
| Undeclared VAT Output       | (2 174 645)      | (1 897 159)      |
| Undeclared VAT Input        | 700 188          | 496 866          |
|                             | <b>2 619 331</b> | <b>1 979 592</b> |

### 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

|                           |                |                |
|---------------------------|----------------|----------------|
| DOH - Disaster Management | -              | 667 785        |
| EDTEA Grant               | -              | 84 094         |
| Schemes Program Grant     | 100 200        | 100 200        |
|                           | <b>100 200</b> | <b>852 079</b> |



## Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

| Figures in Rand  | 2024           | 2023           |
|--|----------------|----------------|
| <b>12. Unspent conditional grants and receipts (continued)</b> |                |                |
| <b>Movement during the year</b>                                |                |                |
| Balance at the beginning of the year                           | 852 080        | 1 662 828      |
| Additions during the year                                      | 42 613 787     | 38 194 743     |
| Repayment to Human Settlements                                 | (667 785)      | -              |
| Income recognition during the year                             | (42 697 882)   | (39 005 492)   |
|  | <b>100 200</b> | <b>852 079</b> |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

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

## Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

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

#### 13. Provisions

##### Reconciliation of provisions - 2024

|                              | Opening Balance | Additions | Change in discount factor | Total      |
|------------------------------|-----------------|-----------|---------------------------|------------|
| Environmental rehabilitation | 11 700 137      | 568 667   | 1 476 558                 | 13 745 362 |

##### Reconciliation of provisions - 2023

|                              | Opening Balance | Reversed during the year | Change in discount factor | Total             |
|------------------------------|-----------------|--------------------------|---------------------------|-------------------|
| Environmental rehabilitation | 10 962 745      | (473 992)                | 1 211 384                 | 11 700 137        |
| Non-current liabilities      |                 |                          | 12 104 165                | 10 223 579        |
| Current liabilities          |                 |                          | 1 641 197                 | 1 476 558         |
|                              |                 |                          | <b>13 745 362</b>         | <b>11 700 137</b> |

##### Environmental rehabilitation provision

The Provision for rehabilitation of land fill site relate to the legal obligation to rehabilitate the land used for waste disposal in accordance with the National Environment Management Act No 107 of 1998 and Environmental Conservation Act No 73 of 1989. It is calculated as a present value of the expenditure expected to be incurred to settle the future obligations during rehabilitation of the land.

The provision for rehabilitation for landfill site represents management's best estimate of the municipality's liability relating to closure and rehabilitation of the landfill sites. Decommissioning costs includes costs associated with decommissioning end-use infrastructure, compacting works, capping, top-up soling and vegetation as well as construction of stormwater control systems. The discount rate used for the present value calculation was based on GOVI long bond and amounts to 9.35%.

Hlabisa landfill site is located approximately 1km west of Hlabisa Central Business District, on Portion 812 of the Farm Hlabisa, and takes access off an unnamed gravel road that branches off the D1907 road. It is located on top of a hill where a cutting was made to create a level area. The site coordinates are 28°08'37.51" S 31°51'49.87" E. Figure 2 shows the location of Hlabisa Landfill sitet.

Hlabisa Landfill Site had Waste Management Licence, Permit Number DC 27/WML/0002/2015 was issued in August 2016 and was valid for 5 years. The municipality has been issued with the Variation for the next 5 years.

The Hluhluwe landfill site is located approximately 1.6km southwest of the Hluhluwe town. The site coordinates are 28°01'39.65" S and 32°15'80.96" E The Hluhluwe landfill site received a closure licence valid for 10 years from February 2015 in terms of the National Environmental Management: Waste Act, 2008 (Act 59 of 2008). During its operation, most of the waste was burnt and the site was cleared to accommodate the growing demand for residential spaces in the FY 2020/21 and all the waste transferred to an old quarry extraction site within the same ERF number 15944.

The landfill site was moved approximately 700m from the previous area, but within the same ERF number. The new dumpsite is situated aabout 1.3 km in the southwest direction from the Big 5 Hlabisa offices in Hluhluwe town. The coordinates are 28°1'18.42" S and 32°15'49.02" E . The estimated remaining site life of Hluhluwe landfill site is then 21 years.

##### Assumptions

|                          |        |
|--------------------------|--------|
| Discount Rate            | 11.94% |
| Consumer price inflation | 6.51%  |

|  |          |
|--|----------|
| Estimated remaining useful life - Hlabisa  | 3 years  |
| Estimated remaining useful life - Hluhluwe | 21 years |
| Net discount rate $((1+D)/(1+H)-1)$        | 5.10%    |
| Cover to waste ratio                       | 1 to 4   |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

### 14. Accounting by principals and agents

#### Entity as agent

Details of the arrangement are as follows:

#### Application of Grap 109

Big 5 Hlabisa Local Municipality entered into an agreement with department of Transport to renew and issue licences on their behalf. The municipality collects monies for licence discs renewals on behalf of Department of Transport and receives 7% commission.

Total commission of R 90 643 (2024) and R 80 127 (2023) was received from the Department of Transport as a result of Principal vs Agent relationship

Based on this assessment, it has been concluded that Big 5 Hlabisa Local Municipality is acting as an agent to the agreement. Terms and conditions of the arrangement have not changed in current year and no significant risk identified.

#### Additional information

#### Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

#### Total Commission received

|                              |        |        |
|------------------------------|--------|--------|
| Agency services - Commission | 90 643 | 80 127 |
|------------------------------|--------|--------|

### 15. Payables from exchange transactions

|                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| Trade payables                | 2 695 697         | 2 462 557         |
| Retention liability           | 5 910 571         | 4 623 165         |
| Bonus accruals                | 2 261 360         | 2 177 219         |
| Deposits received             | 101 340           | 102 674           |
| Travel Claims Accruals        | 245 419           | 742 053           |
| Unallocated Deposits          | 167 367           | 135 679           |
| Payables - medical aid        | 1 174             | -                 |
| Deposit on sale of land       | 2 972 940         | 3 177 340         |
| Leave pay provision           | 7 895 244         | 7 711 179         |
| Consumer Deposits - Hall Hire | 14 239            | 14 239            |
| Debtors with credit balances  | 6 149 577         | 6 477 479         |
| Stated Benefit Payable        | -                 | 1 537 186         |
|                               | <b>28 414 928</b> | <b>29 160 770</b> |

### 16. Revenue

|                                    |                    |                    |
|------------------------------------|--------------------|--------------------|
| Sale of goods                      | 128 870            | 93 391             |
| Rendering of services              | 33 205             | 25 907             |
| Service charges                    | 2 178 853          | 2 125 533          |
| Construction contracts             | 2 260 870          | 5 217 392          |
| Rental of facilities and equipment | 322 145            | 276 105            |
| VAT recoveries                     | 90 643             | 80 127             |
| Licences and permits               | 1 411 145          | 1 370 363          |
| Other income                       | 808 079            | 6 384 395          |
| Interest received - investment     | 9 647 111          | 6 160 806          |
| Property rates                     | 27 566 875         | 24 765 531         |
| Government grants & subsidies      | 187 566 882        | 170 254 002        |
| Fines, penalties and forfeits      | 407 500            | 456 650            |
| Donations Received                 | 532 060            | 70 988             |
|                                    | <b>232 954 238</b> | <b>217 281 190</b> |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand   | 2024               | 2023               |
|---|--------------------|--------------------|
| <b>16. Revenue (continued)</b>  |                    |                    |
| <b>The amount included in revenue arising from exchanges of goods or services are as follows:</b> |                    |                    |
| Sale of goods (Tender documents)  | 128 870            | 93 391             |
| Service charges   | 2 178 853          | 2 125 533          |
| Rendering of services   | 33 205             | 25 907             |
| Construction contracts  | 2 260 870          | 5 217 392          |
| Rental of facilities and equipment  | 322 145            | 276 105            |
| VAT recovery  | 90 643             | 80 127             |
| Licences and permits  | 1 411 145          | 1 370 363          |
| Other income  | 808 079            | 6 384 395          |
| Interest received - investment  | 9 647 111          | 6 160 806          |
|   | <b>16 880 921</b>  | <b>21 734 019</b>  |
| <b>The amount included in revenue arising from non-exchange transactions is as follows:</b>       |                    |                    |
| <b>Taxation revenue</b>   |                    |                    |
| Property rates  | 27 566 875         | 24 765 531         |
| <b>Transfer revenue</b>   |                    |                    |
| Government grants & subsidies   | 187 566 882        | 170 254 002        |
| Fines, penalties and forfeits   | 407 500            | 456 650            |
| Donation Received   | 532 060            | 70 988             |
|   | <b>216 073 317</b> | <b>195 547 171</b> |
| <b>17. Service charges</b>  |                    |                    |
| Refuse removal  | 2 178 853          | 2 125 533          |
| <b>18. Rental of facilities and equipment</b>   |                    |                    |
| <b>Premises</b>   |                    |                    |
| Premises  | 2 000              | 12 000             |
| Hall hire   | 5 520              | 5 130              |
|   | <b>7 520</b>       | <b>17 130</b>      |
| <b>Facilities and equipment</b>   |                    |                    |
| Rental of facilities  | 312 742            | 258 975            |
| Rental of equipment   | 1 883              | -                  |
|   | <b>314 625</b>     | <b>258 975</b>     |
|   | <b>322 145</b>     | <b>276 105</b>     |
| <b>19. Fines, Penalties and Forfeits</b>  |                    |                    |
| Traffic fines   | 522 350            | 456 650            |
| Traffic fines forgone   | (114 850)          | -                  |
|   | <b>407 500</b>     | <b>456 650</b>     |
| <b>20. Licences and permits (exchange)</b>  |                    |                    |
| Road and Transport  | 1 411 145          | 1 370 363          |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand                             | 2024             | 2023             |
|---|------------------|------------------|
| <b>21. Lease rentals on operating lease</b> |                  |                  |
| <b>Equipment</b>                            |                  |                  |
| Contractual amounts                         | 642 963          | 1 249 754        |
| <b>22. Other income</b>                     |                  |                  |
| Insurance Refund                            | 506 587          | 1 539 434        |
| Gain from sale of inventory                 | 99 449           | 4 714 151        |
| Business licences                           | 26 418           | 13 875           |
| Commission received                         | 72 695           | 71 837           |
| Building Plans                              | 102 930          | 45 098           |
|   | <b>808 079</b>   | <b>6 384 395</b> |
| <b>23. Investment revenue</b>               |                  |                  |
| <b>Interest revenue</b>                     |                  |                  |
| Interest received from investments          | 9 636 539        | 6 160 806        |
| Interest received - other                   | 10 572           | -                |
|   | <b>9 647 111</b> | <b>6 160 806</b> |

Interest from investments arises from favourable bank balance and short term investments.

Interest received - other arose from Eskom deposits. The municipality pays deposits for any new account opened which will be refundable when the account is closed. The deposits paid have earned interest of R 10 572 as at 30 June 2024

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand                    | 2024              | 2023              |
|------------------------------------|-------------------|-------------------|
| <b>24. Property rates</b>          |                   |                   |
| <b>Rates</b>                       |                   |                   |
| Residential                        | 4 570 772         | 4 131 942         |
| Business and commercial properties | 7 094 450         | 6 239 219         |
| Agriculture properties             | 5 802 439         | 5 079 705         |
| Small holdings and farms           | 86 619            | 83 288            |
| State Owned Properties             | 11 569 842        | 10 743 425        |
| Less: Income forgone               | (1 557 247)       | (1 512 048)       |
|                                    | <b>27 566 875</b> | <b>24 765 531</b> |

### Valuations

|                               |                      |                      |
|-------------------------------|----------------------|----------------------|
| Residential                   | 277 152 003          | 277 152 003          |
| Commercial                    | 436 456 016          | 436 456 016          |
| State                         | 168 397 006          | 168 397 006          |
| Municipal                     | 67 523 001           | 67 523 001           |
| Agriculture                   | 1 083 099 000        | 1 083 099 000        |
| Public Service Infrastructure | 22 851 012           | 22 851 012           |
| Special Properties            | 571 429 520          | 571 429 520          |
| Place of worship              | 11 312 000           | 11 312 000           |
| Rural Communal Land           | 108 906 000          | 108 906 000          |
| Public Benefit Organisation   | 5 776 001            | 5 776 001            |
| Hospitality Industry          | 54 702 003           | 54 702 003           |
| Mining & Quarries             | 4 418 000            | 4 418 000            |
| Protected Areas               | 257 521 000          | 257 521 000          |
|                               | <b>3 069 542 562</b> | <b>3 069 542 562</b> |

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

### 25. Transfers and subsidies

#### Other subsidies

|               |           |           |
|---------------|-----------|-----------|
| Social relief | 3 259 158 | 2 017 343 |
|---------------|-----------|-----------|

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand  | 2024               | 2023               |
|--|--------------------|--------------------|
| <b>26. Government grants and subsidies</b>   |                    |                    |
| <b>Operating grants</b>  |                    |                    |
| Equitable share  | 147 469 000        | 137 248 511        |
| Extended Public Works Programme Intergrated Grant  | 1 906 000          | 2 304 000          |
| Financial Management Grant   | 2 750 000          | 2 750 000          |
| LG SETA  | 156 787            | 155 743            |
| Community Library Service Grant  | 4 617 000          | 4 516 024          |
| Sport Grant  | -                  | 582 999            |
|  | <b>156 898 787</b> | <b>147 557 277</b> |
| <b>Capital grants</b>  |                    |                    |
| EDTEA Grant  | 84 094             | 196 725            |
| Municipal Infrastructure Grant   | 30 584 001         | 22 500 000         |
|  | <b>30 668 095</b>  | <b>22 696 725</b>  |
|  | <b>187 566 882</b> | <b>170 254 002</b> |
| <b>Conditional and Unconditional</b>   |                    |                    |
| Conditional grants were utilised in accordance with the conditions of the grant. No funds were delayed or withheld .Included in above are the following grants and subsidies received:   |                    |                    |
| Conditional grants received  | 42 457 000         | 169 479 254        |
| Unconditional grants received  | 147 469 000        | 137 284 511        |
|  | <b>189 926 000</b> | <b>306 763 765</b> |
| <b>DOH - Disaster Management grant</b>   |                    |                    |
| Balance unspent at beginning of year   | 667 785            | 667 785            |
| Amount paid back to Treasury   | (667 785)          | -                  |
|  | <b>-</b>           | <b>667 785</b>     |
| <b>Municipal Infrastructure Grant</b>  |                    |                    |
| Current-year receipts  | 30 584 000         | 22 500 000         |
| Conditions met - transferred to revenue  | (30 584 000)       | (22 500 000)       |
|  | <b>-</b>           | <b>-</b>           |
| MIG was spent on the construction of roads, halls, taxi rank, creches and installation of high masts amongst other things.   |                    |                    |
| <b>Financial Management Grant</b>  |                    |                    |
| Current-year receipts  | 2 750 000          | 2 750 000          |
| Conditions met - transferred to revenue  | (2 750 000)        | (2 750 000)        |
|  | <b>-</b>           | <b>-</b>           |
| FMG was spent on payment of salaries for interns, acquisition of laptops for interns and paying the consultants that were contracted to finance assist the municipality with the implementation of financial management systems. |                    |                    |
| <b>LG SETA</b>   |                    |                    |
| Current-year receipts  | 156 787            | 155 743            |
| Conditions met - transferred to revenue  | (156 787)          | (155 743)          |
|  | <b>-</b>           | <b>-</b>           |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

### 26. Government grants and subsidies (continued)

LGSETA was spent on the training for emergency management services.

#### Expanded Public Works Programme

|   |             |             |
|---|-------------|-------------|
| Current-year receipts                   | 1 906 000   | 2 304 000   |
| Conditions met - transferred to revenue | (1 906 000) | (2 304 000) |
|   | -           | -           |

#### Community Library Service Grant

|   |             |             |
|---|-------------|-------------|
| Balance unspent at beginning of year    | -           | 614 024     |
| Current-year receipts                   | 4 617 000   | 3 902 000   |
| Conditions met - transferred to revenue | (4 617 000) | (4 516 024) |
|   | -           | -           |

Library grant was used for operational costs for managing the libraries under Big 5 Hlabisa municipality

#### EDTEA Grant

|   |          |           |
|---|----------|-----------|
| Balance unspent at beginning of year    | 84 094   | 280 819   |
| Conditions met - transferred to revenue | (84 094) | (196 725) |
|   | -        | 84 094    |

#### Schemes program Grant

|  |         |         |
|--|---------|---------|
| Balance unspent at the end of the year | 100 200 | 100 200 |
|--|---------|---------|

Schemes program grant is used for land use management scheme for the municipality.

#### Sport Grant

|   |   |           |
|---|---|-----------|
| Current-year receipts                   | - | 583 000   |
| Conditions met - transferred to revenue | - | (583 000) |
|   | - | -         |

Sports grant was spent on paying salaries of caretakers and buying cleaning tools as well as construction of Hlabisa Sports Field.

### 27. Donations received

#### Department of Arts and Culture

|                  |         |        |
|------------------|---------|--------|
| Furniture        | 283 286 | -      |
| IT Equipment     | 138 363 | 70 988 |
| Office Equipment | 54 164  | -      |
| Small Tools      | 56 247  | -      |
|                  | 532 060 | 70 988 |

The assets donated include furniture, IT and office equipment donated by Department of Arts and Culture to be used at Makhasa Library.



# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand                                    | 2024              | 2023              |
|--|-------------------|-------------------|
| <b>28. Employee related costs</b>                  |                   |                   |
| Basic  | 57 544 329        | 55 304 539        |
| Bonus  | 4 574 858         | 4 520 516         |
| Medical aid - company contributions                | 4 888 414         | 4 882 165         |
| UIF  | 440 245           | 435 997           |
| SDL  | 705 221           | 677 622           |
| Bargain Council                                    | 29 224            | 27 303            |
| Leave pay provision charge                         | 447 303           | 745 087           |
| Defined contribution plans                         | 9 072 834         | 8 641 402         |
| Overtime payments                                  | 366 741           | 190 926           |
| Long-service awards                                | 868 842           | 938 491           |
| Car allowance                                      | 6 525 775         | 6 344 856         |
| Housing benefits and allowances                    | 793 927           | 637 834           |
| Cell phones allowances                             | 171 846           | 143 893           |
| Other allowances                                   | 500 970           | 534 440           |
|  | <b>86 930 529</b> | <b>84 025 071</b> |
| <b>Remuneration of municipal manager</b>           |                   |                   |
| Annual Remuneration                                | 880 655           | 769 853           |
| Car Allowance                                      | 13 642            | 11 865            |
| Contributions to UIF, Medical and Pension Funds    | 2 125             | 2 303             |
| Cellphone Allowance                                | 28 659            | 21 460            |
| Housing Allowance                                  | 164 122           | 142 523           |
| Travel Allowance                                   | 344 252           | 282 370           |
|  | <b>1 433 455</b>  | <b>1 230 374</b>  |
| <b>Remuneration of chief finance officer</b>       |                   |                   |
| Annual Remuneration                                | 742 432           | 678 464           |
| Acting Allowance                                   | 21 383            | -                 |
| Travel Allowance                                   | 287 603           | 261 275           |
| Skills and LGBC                                    | 11 429            | 10 196            |
| Contributions to UIF, Medical and Pension Funds    | 2 125             | 2 125             |
| Housing Allowance                                  | 126 545           | 113 328           |
| Cellphone Allowance                                | 34 512            | 34 384            |
|  | <b>1 226 029</b>  | <b>1 099 772</b>  |
| <b>Remuneration of Director Corporate Service</b>  |                   |                   |
| Annual Remuneration                                | 694 727           | 662 267           |
| Car Allowance                                      | 283 481           | 165 097           |
| Skills and LGBC                                    | 11 754            | 9 360             |
| Contributions to UIF, Medical and Pension Funds    | 2 303             | 85 224            |
| Housing Allowance                                  | 124 731           | 21 952            |
| Cellphone Allowance                                | 34 018            | 100 529           |
| Backpay and other allowances                       | 51 814            | -                 |
|  | <b>1 202 828</b>  | <b>1 044 429</b>  |
| <b>Remuneration of Director Community Services</b> |                   |                   |
| Annual Remuneration                                | 703 202           | 665 015           |
| Skills and LGBC                                    | 11 904            | 10 829            |
| Backpay and allowances                             | 39 230            | 13 449            |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand                                 | 2024             | 2023             |
|---|------------------|------------------|
| <b>28. Employee related costs (continued)</b>   |                  |                  |
| Contributions to UIF, Medical and Pension Funds | 2 125            | 2 125            |
| Travel Allowances                               | 287 603          | 261 275          |
| Housing Allowances                              | 126 545          | 113 328          |
| Cellphone Allowances                            | 34 512           | 34 384           |
|   | <b>1 205 121</b> | <b>1 100 405</b> |

### Remuneration of Director Technical Services

|   |                  |                |
|---|------------------|----------------|
| Annual Remuneration                             | 695 381          | 323 014        |
| Backpay   | 29 677           | -              |
| Skills Levy                                     | 10 825           | 4 954          |
| Contributions to UIF, Medical and Pension Funds | 2 125            | 1 240          |
| Housing Allowance                               | 124 823          | 58 248         |
| Cellphone Allowance                             | 34 043           | 15 886         |
| Travel and other                                | 283 688          | 132 383        |
|   | <b>1 180 562</b> | <b>535 725</b> |

### 29. Remuneration of councillors

|              |                   |                   |
|--------------|-------------------|-------------------|
| Mayor        | 961 616           | 1 047 137         |
| Deputy Mayor | 777 840           | 826 313           |
| Exco Members | 1 282 341         | 1 570 482         |
| Speaker      | 453 294           | 481 588           |
| Councillors  | 6 676 355         | 6 323 368         |
| MPAC         | 416 092           | 519 586           |
|              | <b>10 567 538</b> | <b>10 768 474</b> |

### In-kind benefits

The Mayor and Deputy Mayor are full -time employees. The Speaker and Exco Members are part-time employees. The Mayor, Deputy Mayor and Speaker have offices and secretarial support (with exception to Deputy Mayor) at the cost of the council. The Mayor, Deputy Mayor and Speaker has use of a Council owned vehicles for official duties. The Mayor and Speaker have full-time bodyguards. The gazette No.49142 of 18 August 2023 relating to upper limits of salaries, allowances and benefits of the municipal council was used to pay the salaries and allowance for councillors in 2023/2024 financial years. The new gazette was issued (No. 49142) dated 18 August 2023 and effective from 01 July 2022. The accruals as at 30 June 2023 were raised and payments made during the 2023/24 financial year.

Councillors are paid standard amounts as per the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. As a result, the disclosure of councillors remuneration per person was not considered material

### 30. Depreciation and amortisation

|                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| Property, plant and equipment | 16 299 886        | 17 507 284        |
| Investment property           | 228 106           | 265 052           |
| Intangible assets             | 267 665           | 289 442           |
|                               | <b>16 795 657</b> | <b>18 061 778</b> |

### 31. Change in Accounting Estimate

The municipality performed conditional assessment of municipal assets during the financial year under review. Estimated useful life of property plant and equipment items has been revised to match with the expected future economic benefits as per conditional assessment results. The effect of this revision has increased the depreciation charges for the current financial year by R6 626 990 . The change in estimate has been applied prospectively. Amount of the effect in future periods is not disclosed because estimating it is impracticable. Below is the detailed breakdown of the change in estimate.

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand  | 2024             | 2023               |
|--|------------------|--------------------|
| <b>31. Change in Accounting Estimate (continued)</b>   |                  |                    |
| <b>Property, plant and equipment</b>   |                  |                    |
| Furniture and Equipment  |                  | (370 032)          |
| Motor vehicles   |                  | (590 879)          |
| Office Equipment   |                  | (153 058)          |
| Plant and Machinery  |                  | (362 592)          |
| IT Equipment   |                  | (168 598)          |
| Community  |                  | (3 236 696)        |
| Offices  |                  | (382 346)          |
| Infrastructure   |                  | (1 362 789)        |
|  |                  | <b>(6 626 990)</b> |
| <b>32. Impairment of assets</b>  |                  |                    |
| <b>Impairments</b>   |                  |                    |
| Property, plant and equipment  | 412 237          | 1 244 393          |
| A conditional assessment was performed for all property plant and equipment items. Based on the assessment results, assets assessed to have a very poor conditions and not in use were impaired to nil value. Conditions considered during this assessment includes amongst others, the functionality of the assets as well as its physical status. Some infrastructure and community assets as well as office buildings have been impaired during the year. |                  |                    |
| <b>33. Finance costs</b>   |                  |                    |
| Finance leases   | -                | 892                |
| Interest expenses -provision for landfill Site   | 1 476 558        | 1 211 384          |
|  | <b>1 476 558</b> | <b>1 212 276</b>   |
| <b>34. Debt Impairment</b>   |                  |                    |
| Traffic fines  | -                | 211 915            |
| Property rates   | 7 495 887        | 848 476            |
| Refuse removal and rental  | -                | 464 736            |
|  | <b>7 495 887</b> | <b>1 525 127</b>   |
| <b>35. Contracted services</b>   |                  |                    |
| <b>Outsourced Services</b>   |                  |                    |
| Cleaning Services  | 59 953           | 210 473            |
| Hygiene Services   | 340 264          | 508 953            |
| Internal Auditors  | 4 441 059        | 4 882 309          |
| <b>Consultants and Professional Services</b>   |                  |                    |
| Professional fees  | 4 255 562        | 4 134 700          |
| Legal Cost   | 110 277          | 325 894            |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand                            | 2024              | 2023              |
|--|-------------------|-------------------|
| <b>35. Contracted services (continued)</b> |                   |                   |
| <b>Contractors</b>                         |                   |                   |
| Artists and Performers                     | 442 681           | 44 882            |
| Catering Services                          | 2 608 338         | 466 556           |
| Employee Wellness                          | 48 082            | 14 766            |
| Event Promoters                            | 7 106 079         | 3 888 271         |
| Interior Decorator                         | 47 800            | 17 850            |
| Maintenance of Land and Buildings          | 13 131 018        | 7 013 087         |
| Maintenance of Motor Vehicles              | 2 566 032         | 1 417 759         |
| Safeguard and Security                     | 7 803 443         | 7 263 512         |
| Stage and Sound Crew                       | 58 766            | 97 508            |
|  | <b>43 019 354</b> | <b>30 286 520</b> |
| <b>36. General expenses</b>                |                   |                   |
| Advertising                                | 3 093 904         | 2 859 108         |
| Auditors remuneration                      | 3 095 251         | 3 238 427         |
| Bank charges                               | 314 389           | 302 690           |
| Commission Expense                         | -                 | 46 000            |
| Hire                                       | 495 198           | -                 |
| Insurance                                  | 86 243            | 2 179 552         |
| Software and Licences                      | 4 327 870         | 3 340 735         |
| Municipal Events                           | 1 269 890         | 507 079           |
| Fuel and oil                               | 2 898 402         | 2 553 869         |
| Printing and stationery                    | 737 235           | 368 645           |
| Protective clothing                        | 319 963           | 174 079           |
| Subscriptions and membership fees          | 1 399 026         | 965 631           |
| Telephone and cellphone costs              | 2 731 231         | 2 621 411         |
| Training                                   | 6 522             | 1 977 192         |
| Travel - local                             | 3 399 883         | 4 164 578         |
| Electricity                                | 1 501 361         | 1 182 839         |
| Uniforms                                   | 24 670            | 222 754           |
| Bursary non-employees                      | 142 009           | 110 000           |
| Consumables and Other                      | 400 587           | 388 591           |
| Learnership and Internship                 | 3 070 394         | 2 948 438         |
| Remuneration of ward committees            | 2 708 935         | 2 598 401         |
| Audit Committee Fees                       | 239 495           | 190 479           |
|  | <b>32 262 458</b> | <b>32 940 498</b> |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand                               | 2024              | 2023              |
|---|-------------------|-------------------|
| <b>37. Cash generated from operations</b>     |                   |                   |
| Surplus                                       | 26 736 258        | 29 095 273        |
| <b>Adjustments for:</b>                       |                   |                   |
| Depreciation and amortisation                 | 16 795 657        | 18 061 778        |
| Gain (loss) on sale of assets and liabilities | 12 584            | (305 632)         |
| Finance costs - Finance leases                | -                 | 892               |
| Impairment loss                               | -                 | 1 244 393         |
| Bad debts                                     | 7 495 695         | -                 |
| Bad debts written off                         | 1 059 760         | 725 204           |
| Movement in long service award obligation     | 382 022           | (167 776)         |
| Movements in provisions                       | 1 476 558         | 737 389           |
| Other non -cash                               | (399 799)         | (48 679)          |
| Donations received                            | (532 060)         | (146 079)         |
| <b>Changes in working capital:</b>            |                   |                   |
| Inventories                                   | 360 551           | 1 637 802         |
| Receivables from exchange transactions        | (898 165)         | (968 696)         |
| Provision for bad debts and write-off         | (7 495 887)       | -                 |
| Receivables from non-exchange transactions    | 1 141 597         | (1 562 300)       |
| Payables from exchange transactions           | (745 842)         | (4 477 712)       |
| VAT   | (831 021)         | (284 384)         |
| Unspent conditional grants and receipts       | (751 879)         | (810 749)         |
|   | <b>43 806 029</b> | <b>42 730 724</b> |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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|-----------------|------|------|
|-----------------|------|------|

### 38. Contingencies

The municipality has the following litigation cases

#### **BIG2/0001- Republic Watch (Pty) Ltd:**

When two municipality merged, The Republic Watch Pty Ltd was appointed by BIG 5 before merger using section 36 of MFMA but the appointment process was not properly followed. The municipality contested this since there was no valid contract or any supporting documentation. Municipality stopped paying the supplier therefore they took the matter to court. The matter will be set down for argument in the High Court Pietermaritzburg and we estimate the exposure to be in the region of R1.8 million. The case have not been progressing since 2020 and attorneys have logged an application to overturn the judgement granted against the municipality. Big5 Hlabisa was ordered to pay R 1,056,220.83 together with interest as from 10th day of January 2017 and further to comply with service level agreement. The Municipality was also requested to allow the applicant to render services as per signed service level agreement and pay for the services up to 31st of October 2019. Legal costs already paid amount to R114,000 and additional R120 000 is anticipated by the attorneys depending on the progress of the matter. It is not clear whether the Plaintiff still wants to pursue the matter or not.

#### **BIG2/0002 - Vezwe Investment CC:**

The municipality was sued for payments made on work performed by Bonakude Consulting ( Pty) Ltd which claim was ceded to Vezwe Investment CC. Application for summary judgement was made and opposed, plaintiff attorneys suggested payment of 50% of the claimed amount which the municipality rejected. Should the matter proceed to trial, anticipated costs are close to R20 000.

#### **WAMKELWA TRADING ENTERPRISE CC**

This supplier was appointed to do the back up system and maintenance of preconditions. The documentation was not signed by the supplier within stipulated time. Hence the supplier claimed that the municipality owes them. This have been taken to court. It is estimated that the contingent liability to be in the region of R600 000.00 and the matter has yet to be set down for hearing in the High Court, Pietermaritzburg.

#### **SAMWU OBO MP PHAKATHI/ LABOUR COURT**

When the two municipalities merged, there was a placement policy affecting the staff members. Mr Phakathi wanted to be placed in the position of Deputy CFO, however he was placed as a Manager Income. This led to a disagreement and the case was taken to court for adjudication. Mr Phakathi has instituted proceedings for these setting aside of arbitration award, which matter is being dealt with the labour court. Should the matter proceed to finalisation, the municipality estimates a contingency of R 140 000 in respect of legal costs. A deposit of R 40000 was paid on this matter.

#### **XOLANI ERIC BUKHOSINI**

The case relates to allegations for stealing diesel on the 24th of January 2019 of which Xolani is defending the case. The matter is at regional court and expected financial exposure is R200 000 if the matter succeed.

#### **MFUYI INVESTMENT HOLDINGS**

A case against the municipality and expected financial exposure is R238,000 if the matter succeeds.

#### **Municipal Vs COGTA**

The matter relates to a dispute between COGTA and BIG 5 Hlabisa Local Municipality regarding properties. The expected legal cost amounts to R 23,000.00.

#### **EFF PR**

##### **Councillors**

The matter relates to EFF councillors who did not organise the buses for their constituency for the EFF 10th anniversary. The matter has been filed to the High Court. Estimated costs of R175 000

#### **ALBANY KHAYELIHLE vs BIG 5**

##### **HLABISA**

This matter relates to the complainant who lost 15 cows and believes that this was due to the municipal dumping site where he claims that the cows consumed plastics and died. The expected costs of R313 500.

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand   | 2024             | 2023   |
|---|------------------|--------|
| <b>38. Contingencies (continued)</b>  |                  |        |
| <b><u>SPAR RENTAL CLAIM</u></b>   |                  |        |
| The matter has been stagnant. No further action of legal proceeding has been filed on this matter. Additional information is required for the attorneys to continue with the legal proceedings. Financial loss expected to be R65 000 if the matter to proceed to judgement |                  |        |
| <b><u>Mlungisi Khumalo vs BIG 5 HLABISA</u></b>   |                  |        |
| The complainant was charged by the municipality for acting against the interest of the municipality and was dismissed. He appealed to SGBLC and the estimated cost is R200 000.   |                  |        |
| <b><u>Contravention - Law of Property</u></b>   |                  |        |
| Mr Leon Geldenhuys sued his neighbour for being troublesome, that was encroachment of one's right to ownership. Expected legal costs is R200 000  |                  |        |
| <b>39. Related parties</b>  |                  |        |
| <b>Relationships</b>  |                  |        |
| Senior Management   | Refer to note 28 |        |
| Councillors   | Refer to note 29 |        |
| <b>Related party balances</b>   |                  |        |
| <b>Loan accounts - Owing (to) by related parties</b>  |                  |        |
| F Z Nkwanyana   | 29 752           | 27 728 |
| <b><u>Other related parties (Non-financial impact)</u></b>  |                  |        |
| Mr J Mngomezulu is the municipal manager for Jozini Municipality and sits in the performance committee. Mr Mngomezulu does not charge the municipality, however he is only re-imbursed for Travelling expenses  |                  |        |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand                                    | 2024      | 2023       |
|--|-----------|------------|
| <b>40. Commitments</b>                             |           |            |
| <b>Authorised capital expenditure</b>              |           |            |
| <b>Already contracted for but not provided for</b> |           |            |
| • Property, plant and equipment                    | 6 824 135 | 20 116 727 |
| <b>Total capital commitments</b>                   |           |            |
| Already contracted for but not provided for        | 6 824 135 | 20 116 727 |
| <b>Authorised operational expenditure</b>          |           |            |
| <b>Total commitments</b>                           |           |            |
| <b>Total commitments</b>                           |           |            |
| Authorised capital expenditure                     | 6 824 135 | 20 116 727 |

1. Commitment are calculated using approved value-(including VAT) of the project which includes costs for consultants, and contracted supplier/construction company/vendor.

2. Commitments for capital projects/MIG are removed from the commitment schedule when the completion certificate is prepared and the municipality is satisfied with the work done.

3. Commitments balance at the end of the financial period excludes retention payments/value, as retention is a creditor and forms part of the accounting records already.

### Operating leases - as lessee (expense)

The municipality's operating lease commitments consist of the following:

The municipality entered into a three year lease agreement for machine rental (01 March 2023 to 01 March 2026). Operating lease payments represent rentals payable by the municipality for the leased machines. The municipality has leased eight (8) machines at a fixed rate for three years (i.e no escalation rate). No contingent rent is payable. The comparative relates to the old lease contract which ended during the financial year.

### Rental expenses relating to operating leases

|                         |                |                  |
|-------------------------|----------------|------------------|
| within one year         | 457 943        | 457 943          |
| in second to fifth year | 305 295        | 763 238          |
|                         | <b>763 238</b> | <b>1 221 181</b> |

## 41. Risk management

### Financial risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

| Financial instrument                | 2024       | 2023       |
|-------------------------------------|------------|------------|
| Payables from Exchange Transactions | 28 414 928 | 29 160 770 |
| Employee Obligation                 | 4 506 280  | 4 124 258  |
| Unspent conditional Grant           | 100 200    | 852 079    |



# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

### 41. Risk management (continued)

#### Credit risk

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

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

| Financial instrument                     | 2024       | 2023       |
|--|------------|------------|
| Cash and Cash Equivalents                | 88 702 528 | 80 969 195 |
| Receivable from Exchange Transaction     | 3 173 618  | 2 275 453  |
| Receivable from Non-Exchange Transaction | 9 147 761  | 10 143 917 |

#### Market risk

#### Interest rate risk

The municipality's interest rate risk arises from long service award obligation and provision for landfill site.

### 42. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of 347 071 396 and that the municipality's total liabilities exceed its assets by 347 071 396.

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 municipality will continue to get support through government grants as well as funds received from services rendered to the community. The municipality has implemented policies to increase their cashflows through collections from debtor and to reduce bad debts.

Revenue fines, penalties, service charges, licenses and permits are some of the income streams which were hit hard by the effects of this pandemic and the municipality figures were below anticipated amounts for the past two years. However, the municipality is slowly recovering and has implemented the cost cutting measures to ensure that the municipality retains a favourable balance.

The pandemic did affect the collection rate in relation to debtors, however the municipality has implemented strategies to encourage debtors to pay and that has increased the collection rate in relation to the past three years

Based on the above discussion, the financial statements have been prepared on a going concern as the effect of the pandemic is going down and the municipality will continue receive funding support from the government.

### 43. Events after the reporting date

Approval of Unauthorised and Irregular Expenditure write offs by municipal council. Refer to Note 44 and 46

### 44. Unauthorised expenditure

|   |           |             |
|---|-----------|-------------|
| Opening balance as restated                   | -         | -           |
| Add: Expenditure identified - current         | 2 648 829 | 1 249 754   |
| Less: Approved/condoned/authorised by council | -         | (1 249 754) |
| Closing balance                               | 2 648 829 | -           |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| Figures in Rand  | 2024               | 2023               |
|--|--------------------|--------------------|
| <b>44. Unauthorised expenditure (continued)</b>                                |                    |                    |
| <b>Analysed as follows: non-cash</b>   |                    |                    |
| Finance costs  | 476 558            | -                  |
| Accounts receivable written off  | 559 759            | -                  |
|  | <b>1 036 317</b>   | <b>-</b>           |
| <b>Analysed as follows: cash</b>   |                    |                    |
| Contracted services  | 1 516 354          | 1 249 754          |
| Transfers and subsidies  | 96 158             | -                  |
|  | <b>1 612 512</b>   | <b>1 249 754</b>   |
| <b>Unauthorised expenditure under investigation</b>                            |                    |                    |
| Contracted Services  | 1 516 354          | 1 249 754          |
| Transfers and subsidies  | 96 158             | -                  |
| Finance Costs  | 476 558            | -                  |
| Accounts receivable written off  | 559 759            | -                  |
| Write -off (Current year)  | (2 648 829)        | (1 249 754)        |
| <b>Closing Balance</b>   | <b>-</b>           | <b>-</b>           |
| <b>45. Fruitless and wasteful expenditure</b>                                  |                    |                    |
| Opening balance as previously reported   | 3 717 675          | 3 717 226          |
| <b>Opening balance as restated</b>   | <b>3 717 675</b>   | <b>3 717 226</b>   |
| Add: Expenditure identified - current  | -                  | 449                |
| <b>Closing balance</b>   | <b>3 717 675</b>   | <b>3 717 675</b>   |
| Fruitless and wasteful expenses arises from late payment of supplier accounts  |                    |                    |
| Total of R 3,717,675 for current and prior years is still under investigation. |                    |                    |
| <b>46. Irregular expenditure</b>   |                    |                    |
| Opening balance as previously reported   | 172 972 433        | 172 970 598        |
| <b>Opening balance as restated</b>   | <b>172 972 433</b> | <b>172 970 598</b> |
| Add: Irregular Expenditure - Incorrect Composition of BAC                      | -                  | 5 565 654          |
| Add: Irregular Expenditure - Overexpenditure                                   | -                  | 433 953            |
| Add: Irregular Expenditure - Interest not declared                             | 69 321             | 62 570             |
| Add: Irregular - Competitive bids not invited                                  | -                  | 756 660            |
| Add: Emergency deviation, required quotations not obtained                     | -                  | 205 500            |
| Add: Irregular expenditure - Evaluated on BBBEE and not specific goals         | 946 990            | -                  |
| Less: Amount written off - prior period  | (1 024 730)        | -                  |
| Less: Amount written off - current   | (69 321)           | (5 845 865)        |
| Less : Amount written off - Prior Period (Big 5 False Bay)                     | (29 658 765)       | (1 176 637)        |
| Less : Amount written off - Prior Period (Hlabisa Local Municipality)          | (115 734 131)      | -                  |
| <b>Closing balance</b>   | <b>27 501 797</b>  | <b>172 972 433</b> |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

### 46. Irregular expenditure (continued)

#### Cases under investigation

Irregular expenditure arises mainly from non-compliance with supply chain regulations as well as incomplete supporting documentation submitted by the appointed supplier. The investigation of irregular expenditure is still underway and part of the irregular expenditure have been finalised. A recommendation was made and approved by council to write-off the finalised items as presented above.

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 46. Irregular expenditure (continued)

#### Amounts recoverable

After the council committee investigations, council adopted the council committee recommendations to recover an amount of NIL from the supplier as it was proven without reasonable doubt that the supplier was liable for the identified non-compliance to the SCM processes. The irregular expenditure of R27 501 797 is still under investigation.

### 47. 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

##### 2023

|                                       | Note | As previously reported | Correction of error | Restated          |
|---------------------------------------|------|------------------------|---------------------|-------------------|
| Land Held for sale                    | 4    | 1 362 699              | 398 697             | 1 761 396         |
| Receivables fro Exchange Transactions |      | 2 113 918              | 161 535             | 2 275 453         |
| Receivables from Non-Exchange         |      | 10 268 922             | (125 005)           | 10 143 917        |
| VAT Receivable                        |      | 1 987 952              | (8 360)             | 1 979 592         |
| Investment Property                   |      | 19 734 418             | (486 489)           | 19 247 929        |
| Property, Plant and Equipment         |      | 248 837 402            | 460 746             | 249 298 148       |
| Payables from Exchange Transactions   |      | (28 552 294)           | (608 474)           | (29 160 768)      |
| Accumulated surplus                   |      | (320 542 635)          | (177 213)           | (320 719 848)     |
| Cash and cash equivalents             |      | 80 969 343             | (148)               | 80 969 195        |
|                                       |      | <b>16 179 725</b>      | <b>(384 711)</b>    | <b>15 795 014</b> |

#### Statement of financial performance

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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| Figures in Rand                           | 2024 | 2023                   |                     |                   |              |
|---|------|------------------------|---------------------|-------------------|--------------|
| 47. Prior-year adjustments (continued)    |      |                        |                     |                   |              |
| 2023                                      |      |                        |                     |                   |              |
|   | Note | As previously reported | Correction of error | Re-classification | Restated     |
| Service Charges                           |      | (2 098 747)            | (26 786)            | -                 | (2 125 533)  |
| Property Rates                            |      | (24 773 381)           | 7 850               | -                 | (24 765 531) |
| Employee Related Costs                    |      | 83 911 560             | 113 511             | -                 | 84 025 071   |
| Depreciation and amortisation             |      | 18 009 846             | 51 932              | -                 | 18 061 778   |
| General Expenditure                       |      | 33 097 418             | (156 922)           | -                 | 32 940 496   |
| Licences and Permits                      |      | (1 450 490)            | -                   | 80 127            | (1 370 363)  |
| Agency services                           |      | -                      | -                   | (80 127)          | (80 127)     |
| Interest on Investments                   |      | (6 060 879)            | (99 927)            | -                 | (6 160 806)  |
| Remuneration for councillors              |      | 10 273 422             | 495 053             | -                 | 10 768 475   |
| Gain on sale                              |      | 5 019 783              | (4 714 151)         | -                 | 305 632      |
| Other income -Profit on sale of inventory |      | 1 670 244              | 4 714 151           | -                 | 6 384 395    |
| Surplus for the year                      |      | 117 598 776            | 384 711             | -                 | 117 983 487  |

### Errors

The following prior period errors adjustments occurred.

#### Error 1

**Receivables from Exchange and Non-Exchange Transactions** - The adjustment is due to reversal of rates and refuse billing relating to properties billed that should not have been billed. Revenue is debited and Receivables are credited and this also affects VAT output.

The other adjustment to interest receivable relates to accrual of interest that was not raised in the prior year. Interest on investment increases while the accrual also increases.

#### Error 2

**Payables from Exchange Transactions** - The correction relates to Land deposits that were previously recognised as income in previous years. The correction affects Deposit for Land and Accumulated Surplus.

There is also correction of travel claims for directors and councillors that was recognised in the incorrect period. The correction raises a creditor in the prior year and also recognises expenditure.

#### Error 3

**Investment Property and Land held for sale** - The correction relates to Land that is in the process of being sold but was still included in the Investment property register. The correction recognises Land held for sale and derecognises Investment Property.

#### Error 4

**Property Plant and Equipment** - The adjustment relates to recognition of Plant and machinery that was incorrectly expensed on the prior year and depreciation thereof. The correction raises an asset and increases Accumulated Surplus that was previously reduced.

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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|---|---------------|--------------|
| <b>48. Additional disclosure in terms of Municipal Finance Management Act</b> |               |              |
| <b>SALGA fees</b>   |               |              |
| Opening balance   | -             | 5 839 907    |
| Current year subscription / fee   | 943 307       | 921 874      |
| Amount paid - current year  | (943 307)     | (6 761 781)  |
| Other fees  | 43 250        | -            |
|   | <b>43 250</b> | <b>-</b>     |
| <b>Skills Development Levy</b>  |               |              |
| Add: Subscription Fee- current period   | 805 281       | 778 260      |
| Less: Amounts Paid - current  | (805 281)     | (778 260)    |
|   | <b>-</b>      | <b>-</b>     |
| <b>Audit fees</b>   |               |              |
| Current year subscription / fee   | 4 965 493     | 3 724 192    |
| Amount paid - current year  | (4 965 493)   | (3 724 192)  |
|   | <b>-</b>      | <b>-</b>     |
| <b>PAYE and UIF</b>   |               |              |
| Current year subscription / fee   | 12 889 123    | 12 636 384   |
| Amount paid - current year  | (12 889 123)  | (12 636 384) |
|   | <b>-</b>      | <b>-</b>     |
| <b>Pension and Medical Aid Deductions</b>                                     |               |              |
| Current year subscription / fee   | 22 878 353    | 21 846 179   |
| Amount paid - current year  | (22 877 179)  | (21 846 179) |
|   | <b>1 174</b>  | <b>-</b>     |
| <b>VAT</b>  |               |              |
| VAT receivable  | 2 619 331     | 1 979 592    |

VAT output payables and VAT input receivables are shown in note 11.

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

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 49. 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 Council and includes a note to the annual financial statements

Additional costs were incurred during the financial year under review and process followed in incurring those costs deviated from the precision of paragraph 12(1) (d)(i) as stated above. The reason for these deviations were documented.

#### Deviations are disclosed as follows:

|                        | 2024      | 2023      |
|------------------------|-----------|-----------|
| Current Year Deviation | 233 107   | 373 574   |
| Condoned by council    | (233 107) | (373 574) |
|                        | -         | -         |

### 50. Auditors' remuneration

|      |           |           |
|------|-----------|-----------|
| Fees | 3 095 251 | 3 238 427 |
|------|-----------|-----------|

### 51. Construction contracts and receivables

Big 5 Hlabisa Local Municipality entered into an agreement with department of energy to undertake rural electrification projects on behalf of the department. The municipality's responsibilities include appointment of the service provider, management of the project from the start to the end and paying amounts owed to the service providers. The municipality is required to submit monthly progress reports to the department of energy reflecting stage of completion.

The municipality is allocated the grant under Schedule 5B and does not have the licence to provide electricity. It is constructing the asset on behalf of Eskom. The INEP Construction Contract Expenses consists mainly of costs incurred to obtain goods and services from suppliers or subcontractors for the construction of Electrification Infrastructure.

The INEP Construction Contract Revenue is recognised on a stage of completion based on the costs incurred. There are no contracts accounted for as work in progress given that costs are expensed when incurred.

The amount due for contract work done is recognised as a debtor and disclosed on the note for Receivables from exchange transactions.

The amounts received in advance for work to be done is recognised as a liability and disclosed in Note 15: Payables from exchange transactions.

At 30 June 2024, there were no amounts withheld as retentions for INEP construction contract.

At 30 June 2024, Total expenditure and revenue excluding VAT equals R 2 260 870 - (2023: R5 217 392-).

### 52. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Governance and administration, Community and public safety, Economic planning and development and Trading services. 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

## Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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|-----------------|------|------|
|-----------------|------|------|

#### 52. Segment information (continued)

##### Aggregated segments

The municipality is organised and operates in three key reportable functions throughout the fourteen (14) wards under Big 5 Hlabisa Municipality demarcations. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Big 5 Hlabisa were sufficiently similar to warrant aggregation.

**The municipality has the following reportable segments:**

Community and public safety: Sports and recreation, Parks and gardens, Human settlements, Library services and - Community services. --

Economic planning and development: Local Development and Technical departments.

Trading services: Waste management.

Municipal Governance



# Big 5 Hlabisa Local Municipality

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### 52. Segment information (continued)

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

2024

|  | Community<br>and public<br>safety | Economic<br>planning and<br>development | Municipal<br>Governance | Trading<br>Services | Total              |
|--|-----------------------------------|---|-------------------------|---------------------|--------------------|
| <b>Revenue</b>                           |                                   |   |                         |                     |                    |
| Revenue from non-exchange transactions   | -                                 | 30 584 001                              | 173 936 207             | 1 906 000           | 206 426 208        |
| Revenue from exchange transactions       | 3 497                             | 1 628 222                               | 13 070 348              | 2 178 853           | 16 880 920         |
| Interest Received                        | -                                 | -                                       | 9 647 110               | -                   | 9 647 110          |
| <b>Total segment revenue</b>             | <b>3 497</b>                      | <b>32 212 223</b>                       | <b>196 653 665</b>      | <b>4 084 853</b>    | <b>232 954 238</b> |
| <b>Entity's revenue</b>                  |                                   |   |                         |                     | <b>232 954 238</b> |
| <b>Expenditure</b>                       |                                   |   |                         |                     |                    |
| Employee related costs                   | 31 800 854                        | 9 295 380                               | 39 626 684              | 6 207 607           | 86 930 525         |
| Remuneration for councillors             | -                                 | -                                       | 10 567 538              | -                   | 10 567 538         |
| Debt Impairment                          | -                                 | -                                       | 7 495 887               | -                   | 7 495 887          |
| Bad debts written off                    | -                                 | -                                       | 1 059 759               | -                   | 1 059 759          |
| Depreciation and amortisation            | 6 382 100                         | -                                       | 10 413 558              | -                   | 16 795 658         |
| Interest,dividends and Rent on Land      | 1 476 558                         | -                                       | -                       | -                   | 1 476 558          |
| Contracted services                      | 8 905 245                         | 3 965 824                               | 28 899 014              | 1 249 270           | 43 019 353         |
| Operating leases                         | 642 963                           | -                                       | -                       | -                   | 642 963            |
| General expenses                         | 676 777                           | 696 516                                 | 28 083 704              | 2 805 458           | 32 262 455         |
| Transfers and Subsidies                  | 3 257 354                         | -                                       | 1 803                   | -                   | 3 259 157          |
| INEP Construction contract               | -                                 | -                                       | 2 260 870               | -                   | 2 260 870          |
| Actuarial gains/losses                   | -                                 | -                                       | -                       | 22 428              | 22 428             |
| Loss on sale of assets                   | -                                 | -                                       | -                       | 12 584              | 12 584             |
| Impairment loss                          | -                                 | -                                       | -                       | 412 237             | 412 237            |
| <b>Total segment expenditure</b>         | <b>53 141 851</b>                 | <b>13 957 720</b>                       | <b>128 408 817</b>      | <b>10 709 584</b>   | <b>206 217 972</b> |
| <b>Total segmental surplus/(deficit)</b> |                                   |   |                         |                     | <b>26 736 266</b>  |

# Big 5 Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 52. Segment information (continued)

|   | Community<br>and public<br>safety | Economic<br>planning and<br>development | Municipal<br>Governance | Trading<br>Services | Total               |
|---|-----------------------------------|---|-------------------------|---------------------|---------------------|
| <b>Assets</b>   |                                   |   |                         |                     |                     |
| Current Assets  | 2 026 398                         | 1 042 786                               | 101 870 572             | -                   | 104 939 756         |
| Non-Current Assets  | 131 258 481                       | 61 450 508                              | 96 189 419              | -                   | 288 898 408         |
| <b>Total segment assets</b>                                     | <b>133 284 879</b>                | <b>62 493 294</b>                       | <b>198 059 991</b>      | <b>-</b>            | <b>393 838 164</b>  |
| <b>Total assets as per Statement of financial Position</b>      |                                   |   |                         |                     | <b>393 838 164</b>  |
| <b>Liabilities</b>  |                                   |   |                         |                     |                     |
| Current Liabilities   | (2 148 227)                       | 18 511 407                              | (46 852 582)            | -                   | (30 489 402)        |
| Non-Current Liabilities   | -                                 | -                                       | (16 277 423)            | -                   | (16 277 423)        |
| <b>Total segment liabilities</b>                                | <b>(2 148 227)</b>                | <b>18 511 407</b>                       | <b>(63 130 005)</b>     | <b>-</b>            | <b>(46 766 825)</b> |
| <b>Total liabilities as per Statement of financial Position</b> |                                   |   |                         |                     | <b>(46 766 825)</b> |

### 2023

|  | Community<br>and public<br>safety | Economic<br>planning and<br>development | Trading<br>services | Municipal<br>Governance | Total              |
|--|-----------------------------------|---|---------------------|-------------------------|--------------------|
| <b>Revenue</b>                         |                                   |   |                     |                         |                    |
| Revenue from non-exchange transactions | 582 999                           | 22 500 000                              | 2 304 000           | 170 160 142             | 195 547 141        |
| Revenue from exchange transactions     | 3 278                             | 1 511 238                               | 2 098 747           | 18 120 756              | 21 734 019         |
| Actuarial Gains                        | -                                 | -                                       | -                   | 782 283                 | 782 283            |
| Gains and losses                       | -                                 | -                                       | -                   | 305 632                 | 305 632            |
| <b>Total segment revenue</b>           | <b>586 277</b>                    | <b>24 011 238</b>                       | <b>4 402 747</b>    | <b>189 368 813</b>      | <b>218 369 075</b> |
| <b>Entity's revenue</b>                |                                   |   |                     |                         | <b>218 369 075</b> |

## Big 5 Hlabisa Local Municipality

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### Notes to the Annual Financial Statements

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#### 52. Segment information (continued)

##### Expenditure

|  |                   |                   |                   |                    |                    |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|
| Contracted Services                      | 5 910 968         | 4 535 900         | 1 595 586         | 18 244 066         | 30 286 520         |
| Employee related costs                   | 31 404 794        | 8 008 208         | 5 713 485         | 38 898 584         | 84 025 071         |
| Remuneration for councillors             | -                 | -                 | -                 | 10 768 476         | 10 768 476         |
| Transfers and Subsidies                  | 2 017 343         | -                 | -                 | -                  | 2 017 343          |
| Interest,dividends and rent              | 1 212 276         | -                 | -                 | -                  | 1 212 276          |
| Operating leases                         | 1 249 754         | -                 | -                 | -                  | 1 249 754          |
| General expenses                         | 571 139           | 1 973 104         | 3 059 598         | 27 336 657         | 32 940 498         |
| Debt impairment                          | -                 | -                 | -                 | 1 525 127          | 1 525 127          |
| Accounts Receivable written off          | -                 | -                 | -                 | 725 204            | 725 204            |
| Depreciation and amortisation            | 6 073 735         | -                 | -                 | 11 988 013         | 18 061 748         |
| INEP Construction expenditure            | -                 | 5 217 392         | -                 | -                  | 5 217 392          |
| Impairment losses                        | -                 | -                 | -                 | 1 244 393          | 1 244 393          |
| <b>Total segment expenditure</b>         | <b>48 440 009</b> | <b>19 734 604</b> | <b>10 368 669</b> | <b>110 730 520</b> | <b>189 273 802</b> |
| <b>Total segmental surplus/(deficit)</b> |                   |                   |                   |                    | <b>29 095 273</b>  |

##### Assets

|  |                    |                   |          |                    |                    |
|--|--------------------|-------------------|----------|--------------------|--------------------|
| Current Assets   | 632 667            | 1 087 096         | -        | 95 409 790         | 97 129 553         |
| Non-current Assets   | 125 044 507        | 62 209 386        | -        | 81 788 935         | 269 042 828        |
| <b>Total segment assets</b>                                | <b>125 677 174</b> | <b>63 296 482</b> | <b>-</b> | <b>177 198 725</b> | <b>366 172 381</b> |
| <b>Total assets as per Statement of financial Position</b> |                    |                   |          |                    | <b>366 172 381</b> |

##### Liabilities

|   |          |                  |                  |                     |                     |
|---|----------|------------------|------------------|---------------------|---------------------|
| Current Liabilities   | -        | (698 667)        | 5 802 966        | (37 102 672)        | (31 998 373)        |
| Non-current Liabilities   | -        | -                | -                | (13 838 871)        | (13 838 871)        |
| <b>Total segment liabilities</b>                                | <b>-</b> | <b>(698 667)</b> | <b>5 802 966</b> | <b>(50 941 543)</b> | <b>(45 837 244)</b> |
| <b>Total liabilities as per Statement of financial Position</b> |          |                  |                  |                     | <b>(45 837 244)</b> |

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.