



City of uMhlathuze  
Annual Financial Statements  
for the year ended 30 June 2024

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## General Information

<b>Nature of business and principal activities</b>	Local government that provides basic services to communities in a sustainable manner, to promote social and economic development.
<b>Executive Committee</b>	 Cllr X Ngwezi ( Mayor) Cllr CM Botha( EXCO) Cllr SH Zulu ( EXCO)
<b>Chief Finance Officer</b>	Mr M Kunene
<b>Accounting Officer</b>	Mr NG Zulu
<b>Registered Office</b>	5 Mark Strasse Central Business District Richards Bay 3900
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor-General South Africa

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

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### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Accounting Officer's Responsibilities and Approval

The City of uMhlathuze, situated at 5 Mark Strasse, Richards Bay, is a category B municipality, established in terms of Section 12 (1) of the Municipal Structures Act, 1998 ( Act No. 117 of 1998) and published in terms of the Provincial Government Notice 346 on 19 September 2000. The Local Government operations of the Municipality are assigned by section 156 and 229 of the Constitution of the Republic of South Africa, 1996 ( Act No 108 of 1996 ) and are defined specifically in terms of Section 83 of the Municipal Structures Act 1998 ( Act No. 117 of 1998 ).

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 annual financial statements set out on page 4 to 79, which have been prepared on the going concern basis by the accounting officer in terms of section 126 (1) of the Municipal Finance Management Act, 2003 ( Act No 56 of 2003) and were signed off by the accounting officer on 31 August 2024.

I certify that the Salaries, allowances and benefits of Councillors and payments made to Councillors as disclosed in note 29 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act, 1998 (Act No 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

As required by Section 45 of the Municipal Systems Act, 2000 ( Act No. 32 of 2000 ) and Section 121 (4)(a) and (b) of the Municipal Finance Management Act, 2003 ( Act No. 56 of 2003 ) and Gazette number 43582 the Annual Financial Statements were submitted to the Auditor-General South Africa (AGSA) on 31 August 2024.

  
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Mr NG Zulu  
City Manager



AUDITOR-GENERAL  
SOUTH AFRICA

# AUDIT REPORT

uMhlathuze Municipality

2023-24

# Report of the auditor-general to KwaZulu Natal Provincial Legislature and the council on City of uMhlathuze Municipality

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the City of uMhlathuze Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual information amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the City of uMhlathuze Municipality as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### Material impairments – Receivables from exchange transactions

7. As disclosed in note 4 to the financial statements, an allowance for impairment of R119,3 million (2022-23: R120 million) on receivables from exchange transactions was raised as the recoverability of these amounts were doubtful.



### **Material losses - Bad debts written off**

8. As disclosed in note 33 to the financial statements, R60,68 million (2022-23: R245,95 million) was written off as bad debts from exchange and non-exchange transactions.

### **Material impairments – Property, plant and equipment**

9. As disclosed in notes 8 and 37 to the financial statements, an impairment of R50,33 million (2022-23: R10,12 million) was processed on items of property plant and equipment, of which R48,5 million was on land that was no longer expected to be used by the municipality for the initial purposes intended.

### **Material losses – Water (bulk purchases)**

10. As disclosed in note 34 to the financial statements, water distribution losses of R402,29 million (2022-23: R434,10 million) was incurred, which represented 55% (2022-23: 57%) of total water purchased. These losses were largely due to illegal connections, metering losses and leakages.

### **Other matter**

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### **Unaudited disclosure notes (MFMA125)**

12. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

### **Responsibilities of the accounting officer for the financial statements**

13. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
14. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the auditor-general for the audit of the financial statements**

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page XX, forms part of our auditor's report.

### Report on the audit of the annual performance report

17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected key performance area presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
18. I selected the following key performance area presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected a key performance area that measures the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Key performance area	Page numbers	Purpose
Basic service delivery and infrastructure development	XX	Integrated infrastructure and efficient services

19. I evaluated the reported performance information for the selected key performance area against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.
20. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
  - all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
  - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
  - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated



- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
- there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance.

21. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

22. I did not identify any material findings on the reported performance information for the selected key performance area.

### Other matter

23. I draw attention to the matter below.

### Achievement of planned targets

24. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages xx to xx.

### Basic service delivery and infrastructure development

<i>Targets achieved: 75%</i> <i>Budget spent: 97%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Percentage of total water losses	$\leq 26\%$	29%
Number of new sewer connections meeting minimum standard	75	10
Percentage of wastewater samples compliant to water use licence conditions	$\geq 90\%$	55%
Number of Pumps replaced in Water and Sanitation Services	44	28
Kilometres of gravel roads upgraded to surfaced road (New tarred roads)	2,50	1,9
Number of projects completed as per approved project plan	13	9

Key service delivery indicator not achieved	Planned target	Reported achievement
Number of subsidised housing units completed	75	10
Number of reports on missing beneficiaries for Post 1994 completed houses	2	0
Date of signing donation agreement with Public Works on properties to be transferred to rightful beneficiaries	30 June 2024	Not signed

## Report on compliance with legislation

25. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.
26. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
27. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the [type of auditee], clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
28. I did not identify any material non-compliance with the selected legislative requirements.

## Other information in the annual report

29. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected key performance areas presented in the annual performance report that have been specifically reported on in this auditor's report.
30. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
31. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

32. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

33. I have nothing to report in this regard.

### Internal control deficiencies

34. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

35. I did not identify any significant deficiencies in internal control.

### Material irregularities

36. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

### Status of previously reported material irregularities

#### Overpayment for sports fitness centre

37. I identified non-compliance with section 78(1) (c) of the MFMA, which requires that each senior manager and each official exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that any unauthorised, irregular, or fruitless and wasteful expenditure and any other losses are prevented. In this regard, contracts for the development and construction of a fitness centre in Esikhaleni, Richards Bay, KwaZulu-Natal were awarded, and payments were made for goods and services not delivered. The overpayment was disclosed as irregular expenditure under assessment in note 48 to the 2022-23 financial statements. The overpayment is likely to result in a material financial loss if not recovered. The accounting officer was notified of the material irregularity on 29 March 2023.

38. The following actions were taken by the accounting officer:

- Disciplinary action against the officials that did not discharge their duties with due care as required by the MFMA and their agreed conditions of employment. These officials were suspended and their services later terminated in February 2023.
- The project management consultant and contractor's contracts have since been terminated on 10 May 2022 and 12 April 2022 respectively, and the process of financial recovery for the overpayment is underway through a legal process.
- Criminal cases against the suppliers have been lodged with the South African Police Service and the Directorate for Priority Crime Investigations in August 2022.



39. The current progress is that the criminal and civil recovery cases are ongoing.
40. Based on my evaluation of the information and evidence provided in the accounting officers's written submission and actions taken, this matter will not be pursued further as an MI and is therefore closed.

*Auditor-General*

Pietermaritzburg

29 November 2024



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

### Auditor-general's responsibility for the audit

#### Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected key performance area and on the municipality's compliance with selected requirements in key legislation.

#### Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



### **Communication with those charged with governance**

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	<p>Section 1 - paragraph (a), (b) &amp; (d) of the definition: irregular expenditure</p> <p>Section 1 - definition: service delivery and budget implementation plan</p> <p>Sections 11 (1), 13(2), 14(1), 14(2) (a), 14(2) (b), 15, 24(2) (c) (iv), 29(1).</p> <p>Sections 29(2) (b), 32(2), 32(2) (a), 32(2) (a) (i), 32(2) (a) (ii), 32(2) (b), 32(6) (a),</p> <p>Sections 32(7), 53(1) (c) (ii), 54(1) (c), 62(1)(d). 62(1) (f)(i), 62(1) (f)(ii),</p> <p>Sections 62(1) (f) (iii), 63(1) (a), 63(2) (a), 63(2)(c). 64(2) (b), 64(2) (c), 64(2) (e).</p> <p>Sections 64(2) (f), 64(2) (g), 65(2) (a), 65(2) (b), 65(2) (e), 72(1) (a) (ii), 112(1) (j),</p> <p>Sections 116(2) (b), 116(2) (c) (ii), 117, 122(1), 122(2), 126(1) (a), 126(1)(b),</p> <p>Sections 127(2), 127(5) (a) (i). 127(5) (a) (ii), 129(1), 129(3), 133(1)(a),</p> <p>Sections 133(1) (c) (i), 133(1) (c) (ii), 170, 171(4)(a), 171(4)(b)</p>
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulation 71 (1), 71 (2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1) (a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8) (a), 6(8) (b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	<p>Regulations 5, 12(1) (c), 12(3), 13(b), 13(c), 13(c) (i). 16(a), 17(1)(a), 17(1)(b),</p> <p>Regulations 17(1) (c). 19(a), 21 (b), 22(1) (b) (i), 22(2). 27(2) (a), 27(2) (e)</p> <p>Regulations 28(1) (a) (i), 28(1) (a) (ii). 29(1) (a) and (b), 29(5) (a) (ii), 29(5) (b) (ii),</p> <p>Regulations 32, 36(1), 36(1)(a), 38(1) (c), 38(1) (d) (ii). 38(1) (e). 38(1) (g) (i),</p> <p>Regulations 38(1)(g) (ii), 38(1)(g) (iii), 43, 44, 46(2)(e). 46(2) (f)</p>
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Sections 11(6) (b), 12(5), 16(1); 16(3)

Legislation	Sections or regulations
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1) (a), 2(1) (f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), Regulations 7(2), 7(3), 7(6), 7 (8), 8(2), 8(5), 9(1), 10(1), 10(2), 11 (1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 27(1), 29(1) (b) (ii), 29(2) (a), Sections 29(2) (c), 34(a), 34(b), 38(a), 41 (1) (a), 41(1) (b), 41 (1)(c) (ii), 42, Sections 43(2), 56(a), 57(2) (a), 57(4B), 57(6) (a). 66(1)(a), 66(1) (b). Sections 67(1) (d), 74(1), 93J(1), 96(b)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations 2(1) (e), 2(3) (a), 3(3), 3(4) (b), 3(5)(a). 7(1), 8, 9(1) (a), 10(a), Regulations 12(1), 15(1) (a) (i), 15(1) (a) (ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3) (a), 4(4) (b), 8(1), 8(2), 8(3)

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

		2024	2023 Restated*
	Note(s)		
<b>Assets</b>			
<b>Current Assets</b>			
Inventory	2	104 118 079	134 270 063
Statutory receivables	3	160 816 197	135 151 431
VAT receivable		2 329 453	15 881 482
Receivables from exchange transactions	4	568 390 117	522 574 879
Other receivables	5	34 351 519	41 819 186
Cash and cash equivalents	6	272 466 861	495 109 011
		<b>1 142 472 226</b>	<b>1 344 806 052</b>
<b>Non-Current Assets</b>			
Investment property	7	83 164 150	108 933 194
Property, plant and equipment	8	7 583 998 126	7 158 937 295
Intangible assets	9	162 980 861	201 853 396
Heritage assets	10	2 464 611	2 464 611
		<b>7 832 607 748</b>	<b>7 472 188 496</b>
<b>Total Assets</b>		<b>8 975 079 974</b>	<b>8 816 994 548</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Financial liabilities	11	177 074 886	167 192 011
Payables from exchange transactions	12	646 716 439	724 378 782
Consumer deposits	13	55 359 079	57 155 018
Employee benefit obligation	16	18 409 000	20 380 000
Unspent conditional grants and receipts	14	15 147 390	38 593 781
Provisions	15	23 905 402	26 678 881
		<b>936 612 196</b>	<b>1 034 378 473</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	11	1 486 622 133	1 244 834 580
Employee benefit obligation	16	267 936 000	263 422 000
		<b>1 754 558 133</b>	<b>1 508 256 580</b>
<b>Total Liabilities</b>		<b>2 691 170 329</b>	<b>2 542 635 053</b>
<b>Net Assets</b>		<b>6 283 909 645</b>	<b>6 274 359 495</b>
Accumulated surplus	17	6 283 909 645	6 274 359 495
<b>Total Net Assets</b>		<b>6 283 909 645</b>	<b>6 274 359 495</b>

\* See Note 47

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance for the year ended 30 June 2024

		2024	2023 Restated*
	Note(s)		
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	18	2 732 396 420	2 514 859 784
Construction contracts	19	128 188 034	125 288 898
Rental of facilities and equipment		19 192 790	11 244 526
Agency services	24	8 948 306	6 538 756
Licences and permits		3 740 895	3 492 315
Debt Impairment Reversal	20	-	204 116 989
Operational revenue	21	35 756 236	44 224 485
Interest received	22	33 924 989	26 846 335
Gain on disposal of assets and liabilities	42	15 307 260	-
<b>Total revenue from exchange transactions</b>		<b>2 977 454 930</b>	<b>2 936 612 088</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	23	675 918 336	615 807 639
Interest revenue - property rates	23	1 335 393	901 673
Surcharges and Taxes		10 041 597	7 667 511
Inventory water gains	2	557 688 723	581 557 584
<b>Transfer revenue</b>			
Transfers and subsidies	25	808 039 045	752 760 049
Public contributions and donations	26	4 995 120	1 386 692
Fines, Penalties and Forfeits	27	4 179 420	7 276 876
<b>Total revenue from non-exchange transactions</b>		<b>2 062 197 634</b>	<b>1 967 358 024</b>
<b>Total revenue</b>		<b>5 039 652 564</b>	<b>4 903 970 112</b>
<b>Expenditure</b>			
Employee related costs	28	1 104 903 774	1 064 048 199
Remuneration of councillors	29	30 596 809	32 723 590
Inventory Consumed	30	454 959 207	443 351 013
Depreciation and amortisation	31	323 476 536	301 929 662
Impairment loss	8&37	50 333 590	10 121 864
Finance costs	32	158 839 238	89 003 489
Debt Impairment	20	9 339 996	-
Bad debts written off	33	60 676 047	245 948 597
Bulk purchases	34	1 528 384 697	1 250 740 202
Contracted services	35	603 452 379	580 509 509
Transfers and Subsidies	36	8 927 436	8 772 298
Loss on disposal of assets and liabilities	42	-	44 346 166
Water losses	34	402 292 315	434 101 278
Operating expenses	38	293 920 392	305 776 075
<b>Total expenditure</b>		<b>5 030 102 416</b>	<b>4 811 371 942</b>
<b>Surplus for the year</b>		<b>9 550 148</b>	<b>92 598 170</b>

\* See Note 47



## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Statement of Changes in Net Assets for the year ended 30 June 2024

	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported - 30 June 2022	6 043 185 611	6 043 185 611
Adjustments:		
Prior year adjustments - see note 47	138 575 714	138 575 714
<b>Restated* Balance at 01 July 2022</b>	<b>6 181 761 325</b>	<b>6 181 761 325</b>
Changes in net assets		
Surplus for the year	92 598 170	92 598 170
Total changes	92 598 170	92 598 170
<b>Restated* Balance at 01 July 2023</b>	<b>6 274 359 497</b>	<b>6 274 359 497</b>
Changes in net assets		
Surplus for the year	9 550 148	9 550 148
Total changes	9 550 148	9 550 148
<b>Balance at 30 June 2024</b>	<b>6 283 909 645</b>	<b>6 283 909 645</b>

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\* See Note 47

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement for the year ended 30 June 2024

		2024	2023 Restated*
	Note(s)		
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		639 882 391	598 117 233
Sale of goods and services		2 629 260 990	2 299 907 049
Transfers and subsidies		786 237 695	781 337 884
Interest income		35 610 980	33 424 811
Other receipts		87 485 543	75 536 363
Construction contract		128 188 034	125 288 898
		<u>4 306 665 633</u>	<u>3 913 612 238</u>
<b>Payments</b>			
Employee related costs		(1 105 711 389)	(1 076 639 472)
Suppliers		(2 811 051 076)	(2 438 597 610)
Finance costs		(164 419 098)	(83 138 800)
Remuneration of councillors		(31 677 956)	(32 723 590)
Transfers and subsidies		(8 927 437)	(8 772 298)
		<u>(4 121 786 956)</u>	<u>(3 639 871 770)</u>
<b>Net cash flows from operating activities</b>	41	<u><b>184 878 677</b></u>	<u><b>273 740 468</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(747 902 360)	(950 662 963)
Proceeds from sale of assets	8	98 645 000	55 710 000
Purchase of investment property	7	(13 557 053)	(10 775 899)
Purchase of other intangible assets	9	(2 123 055)	(47 743 281)
<b>Net cash flows from investing activities</b>		<u><b>(664 937 468)</b></u>	<u><b>(953 472 143)</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from financial liabilities		410 000 000	600 000 000
Repayment of financial liabilities		(152 583 359)	(109 923 077)
<b>Net cash flows from financing activities</b>		<u><b>257 416 641</b></u>	<u><b>490 076 923</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(222 642 150)</b></u>	<u><b>(189 654 752)</b></u>
Cash and cash equivalents at the beginning of the year		<u>495 109 011</u>	<u>684 763 763</u>
<b>Cash and cash equivalents at the end of the year</b>	6	<u><b>272 466 861</b></u>	<u><b>495 109 011</b></u>

\* See Note 47

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison Budget and Actual Amounts for the year ended 30 June 2024

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance as % of final budget
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	2 973 769 100	136 986 600	<b>3 110 755 700</b>	2 732 396 420	<b>(378 359 280)</b>	<b>12,16 %</b>
Rental from fixed assets	16 923 400	45 000	<b>16 968 400</b>	19 192 790	<b>2 224 390</b>	<b>(13,11)%</b>
Agency services	6 364 800	2 000 000	<b>8 364 800</b>	8 948 306	<b>583 506</b>	<b>(6,98)%</b>
Operational revenue	20 990 400	84 921 000	<b>105 911 400</b>	179 251 530	<b>73 340 130</b>	<b>(69,25)%</b>
Interest	64 529 400	(23 630 000)	<b>40 899 400</b>	33 924 989	<b>(6 974 411)</b>	<b>17,05 %</b>
<b>Total revenue from exchange transactions</b>	<b>3 082 577 100</b>	<b>200 322 600</b>	<b>3 282 899 700</b>	<b>2 973 714 035</b>	<b>(309 185 665)</b>	<b>9</b>
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	736 829 200	(22 862 400)	<b>713 966 800</b>	677 253 729	<b>(36 713 071)</b>	<b>5,14 %</b>
Licences and Permits	3 631 700	-	<b>3 631 700</b>	3 740 895	<b>109 195</b>	<b>(3,01)%</b>
Surcharges and Taxes	6 332 000	-	<b>6 332 000</b>	10 041 597	<b>3 709 597</b>	<b>(58,58)%</b>
Other gains	534 500 400	40 000	<b>534 540 400</b>	557 688 723	<b>23 148 323</b>	<b>(4,33)%</b>
<b>Transfer revenue</b>						
Transfers & subsidies	770 663 000	16 840 000	<b>787 503 000</b>	813 034 165	<b>25 531 165</b>	<b>(3,24)%</b>
Fines, Penalties and Forfeits	15 753 500	(3 470 000)	<b>12 283 500</b>	4 179 420	<b>(8 104 080)</b>	<b>65,98 %</b>
<b>Total revenue from non-exchange transactions</b>	<b>2 067 709 800</b>	<b>(9 452 400)</b>	<b>2 058 257 400</b>	<b>2 065 938 529</b>	<b>7 681 129</b>	<b>0,4%</b>
<b>Total revenue</b>	<b>5 150 286 900</b>	<b>190 870 200</b>	<b>5 341 157 100</b>	<b>5 039 652 564</b>	<b>(301 504 536)</b>	<b>5,6%</b>
<b>Expenditure</b>						
Employee related costs	(1 212 559 100)	25 867 400	<b>(1 186 691 700)</b>	(1 104 903 774)	<b>81 787 926</b>	<b>6,89 %</b>
Remuneration of councillors	(35 509 700)	-	<b>(35 509 700)</b>	(30 596 809)	<b>4 912 891</b>	<b>13,84 %</b>
Inventory consumed	(460 979 000)	(33 738 400)	<b>(494 717 400)</b>	(454 959 207)	<b>39 758 193</b>	<b>8,04 %</b>
Depreciation and amortisation	(320 159 500)	-	<b>(320 159 500)</b>	(323 476 536)	<b>(3 317 036)</b>	<b>(1,04)%</b>
Impairment loss	-	-	-	(50 333 590)	<b>(50 333 590)</b>	<b>- %</b>
Interest	(130 490 500)	(28 187 500)	<b>(158 678 000)</b>	(158 839 238)	<b>(161 238)</b>	<b>(0,10)%</b>
Debt Impairment	(173 882 500)	(64 714 100)	<b>(238 596 600)</b>	(9 339 996)	<b>229 256 604</b>	<b>96,09 %</b>
Bad debts written off	-	-	-	(60 676 047)	<b>(60 676 047)</b>	<b>- %</b>
Bulk purchases	(1 492 128 200)	(135 506 000)	<b>(1 627 634 200)</b>	(1 528 384 697)	<b>99 249 503</b>	<b>6,09 %</b>
Contracted Services	(409 217 200)	(83 840 100)	<b>(493 057 300)</b>	(603 452 379)	<b>(110 395 079)</b>	<b>(22,39)%</b>
Transfers and Subsidies	(14 758 700)	4 799 400	<b>(9 959 300)</b>	(8 927 436)	<b>1 031 864</b>	<b>10,36 %</b>
Other losses	(343 609 600)	(54 600)	<b>(343 664 200)</b>	(402 292 315)	<b>(58 628 115)</b>	<b>(17,06)%</b>
Operational costs	(343 729 600)	(33 629 700)	<b>(377 359 300)</b>	(293 920 392)	<b>83 438 908</b>	<b>22,11 %</b>
<b>Total expenditure</b>	<b>(4 937 023 600)</b>	<b>(349 003 600)</b>	<b>(5 286 027 200)</b>	<b>(5 030 102 416)</b>	<b>255 924 784</b>	<b>4,83</b>
<b>Surplus before taxation</b>	<b>213 263 300</b>	<b>(158 133 400)</b>	<b>55 129 900</b>	<b>9 550 148</b>	<b>(45 579 752)</b>	<b>-</b>
<b>Surplus for the year</b>	<b>213 263 300</b>	<b>(158 133 400)</b>	<b>55 129 900</b>	<b>9 550 148</b>	<b>(45 579 752)</b>	<b>-</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison Budget and Actual Amounts for the year ended 30 June 2024

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance as % of final budget
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventory	130 987 721	3 267 742	<b>134 255 463</b>	104 118 079	<b>(30 137 384)</b>	<b>22,45 %</b>
Receivables from non-exchange	143 358 598	47 268 748	<b>190 627 346</b>	160 816 197	<b>(29 811 149)</b>	<b>15,64 %</b>
VAT	-	-	-	2 329 453	<b>2 329 453</b>	<b>94,24 %</b>
Trade and other receivables	574 792 951	329 637 296	<b>904 430 247</b>	568 390 117	<b>(336 040 130)</b>	<b>37,15 %</b>
Other receivables	30 749 982	19 459 012	<b>50 208 994</b>	34 351 519	<b>(15 857 475)</b>	<b>26,94 %</b>
Cash and cash equivalents	656 966 980	(346 818 610)	<b>310 148 370</b>	272 466 861	<b>(37 681 509)</b>	<b>12,15 %</b>
	<b>1 536 856 232</b>	<b>52 814 188</b>	<b>1 589 670 420</b>	<b>1 142 472 226</b>	<b>(447 198 194)</b>	<b>- %</b>
<b>Non-Current Assets</b>						
Investment property	117 768 382	4 092 013	<b>121 860 395</b>	83 164 150	<b>(38 696 245)</b>	<b>31,75 %</b>
Property, plant and equipment	7 519 125 188	(94 914 971)	<b>7 424 210 217</b>	7 583 998 126	<b>159 787 909</b>	<b>(2,15)%</b>
Intangible assets	159 650 905	13 405 591	<b>173 056 496</b>	162 980 861	<b>(10 075 635)</b>	<b>5,82 %</b>
Heritage assets	2 464 611	-	<b>2 464 611</b>	2 464 611	-	- %
	<b>7 799 009 086</b>	<b>(77 417 367)</b>	<b>7 721 591 719</b>	<b>7 832 607 748</b>	<b>111 016 029</b>	<b>- %</b>
<b>Total Assets</b>	<b>9 335 865 318</b>	<b>(24 603 179)</b>	<b>9 311 262 139</b>	<b>8 975 079 974</b>	<b>(336 182 165)</b>	<b>- %</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Financial liabilities	211 206 929	(4 234 518)	<b>206 972 411</b>	177 074 884	<b>(29 897 527)</b>	<b>14,45 %</b>
Payables from exchange transactions	778 116 655	2 055 400	<b>780 172 055</b>	646 716 441	<b>(133 455 614)</b>	<b>17,09 %</b>
Consumer deposits	60 941 965	(3 941 683)	<b>57 000 282</b>	55 359 079	<b>(1 641 203)</b>	<b>2,88 %</b>
Employee benefit obligation	-	-	-	18 409 000	<b>18 409 000</b>	- %
Unspent conditional grants and receipts	11 800 091	28 534 629	<b>40 334 720</b>	15 147 390	<b>(25 187 330)</b>	<b>62,45 %</b>
Provisions	25 205 994	12 719 886	<b>37 925 880</b>	23 905 402	<b>(14 020 478)</b>	<b>36,97 %</b>
	<b>1 087 271 634</b>	<b>35 133 714</b>	<b>1 122 405 348</b>	<b>936 612 196</b>	<b>(185 793 152)</b>	<b>16,54 %</b>
<b>Non-Current Liabilities</b>						
Financial liabilities	1 429 321 645	28 048 134	<b>1 457 369 779</b>	1 486 622 133	<b>29 252 354</b>	<b>(2,0)%</b>
Employee benefit obligation	269 577 900	(6 156 000)	<b>263 421 900</b>	267 936 000	<b>4 514 100</b>	<b>(1,7)%</b>
	<b>1 698 899 545</b>	<b>21 892 134</b>	<b>1 720 791 679</b>	<b>1 754 558 133</b>	<b>33 766 454,0</b>	<b>(2,0)%</b>
<b>Total Liabilities</b>	<b>2 786 171 179</b>	<b>57 025 848</b>	<b>2 843 197 027</b>	<b>2 691 170 329</b>	<b>(152 026 698)</b>	<b>5,34 %</b>
<b>Net Assets</b>	<b>6 549 694 139</b>	<b>(81 629 027)</b>	<b>6 468 065 112</b>	<b>6 283 909 645</b>	<b>(184 155 467)</b>	<b>2,85 %</b>
<b>Net Assets</b>						
<b>Reserves</b>						
Capital replacement reserve	190 890 773	(2 345 479)	<b>188 545 294</b>	-	<b>(188 545 294)</b>	- %
Accumulated surplus	6 358 803 366	(79 283 548)	<b>6 279 519 818</b>	6 283 909 645	<b>4 389 827</b>	<b>(0,07)%</b>
<b>Total Net Assets</b>	<b>6 549 694 139</b>	<b>(81 629 027)</b>	<b>6 468 065 112</b>	<b>6 283 909 645</b>	<b>(184 155 467)</b>	<b>2,85 %</b>

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Statement of Comparison Budget and Actual Amounts for the year ended 30 June 2024

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance as % of final budget
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates	705 891 172	(14 762 511)	<b>691 128 661</b>	639 882 391	<b>(51 246 270)</b>	<b>9,05 %</b>
Sale of goods and services	3 265 019 120	72 666 208	<b>3 337 685 328</b>	2 629 260 990	<b>(708 424 338)</b>	<b>22,78 %</b>
Transfers and subsidies	770 663 000	16 840 000	<b>787 503 000</b>	786 237 695	<b>(1 265 305)</b>	<b>0,18 %</b>
Interest income	64 514 700	(24 487 270)	<b>40 027 430</b>	35 610 980	<b>(4 416 450)</b>	<b>17,57 %</b>
Other receipts	91 560 985	(26 351 320)	<b>65 209 665</b>	87 485 543	<b>22 275 878</b>	<b>(8,73)%</b>
Construction contract	-	-	-	128 188 034	<b>128 188 034</b>	<b>- %</b>
	<b>4 897 648 977</b>	<b>23 905 107</b>	<b>4 921 554 084</b>	<b>4 306 665 633</b>	<b>(614 888 451)</b>	<b>14,17 %</b>
<b>Payments</b>						
Employee related costs	(2 753 244 420)	(317 067 131)	<b>(3 070 311 551)</b>	(1 137 389 345)	<b>1 932 922 206</b>	<b>64,19 %</b>
Suppliers	(1 212 559 100)	25 867 400	<b>(1 186 691 700)</b>	(2 811 051 076)	<b>(1 624 359 376)</b>	<b>(127,64)%</b>
Finance costs	(130 490 500)	(28 187 500)	<b>(158 678 000)</b>	(164 419 099)	<b>(5 741 099)</b>	<b>(3,62)%</b>
Transfers and subsidies	(14 758 700)	4 799 400	<b>(9 959 300)</b>	(8 927 437)	<b>1 031 863</b>	<b>10,36 %</b>
	<b>(4 111 052 720)</b>	<b>(314 587 831)</b>	<b>(4 425 640 551)</b>	<b>(4 121 786 957)</b>	<b>303 853 594</b>	<b>9,51 %</b>
<b>Net cash flows from operating activities</b>	<b>786 596 257</b>	<b>(290 682 724)</b>	<b>495 913 533</b>	<b>184 878 676</b>	<b>(311 034 857)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(923 382 265)	(16 635 210)	<b>(940 017 475)</b>	(747 902 360)	<b>192 115 115</b>	<b>16,79 %</b>
Proceeds from sale of property, plant and equipment	-	-	-	98 645 000	<b>98 645 000</b>	<b>- %</b>
Purchase of investment property	-	-	-	(13 557 053)	<b>(13 557 053)</b>	<b>- %</b>
Purchase of other intangible assets	-	-	-	(2 123 055)	<b>(2 123 055)</b>	<b>- %</b>
<b>Net cash flows from investing activities</b>	<b>(923 382 265)</b>	<b>(16 635 210)</b>	<b>(940 017 475)</b>	<b>(664 937 468)</b>	<b>275 080 007</b>	<b>25,62 %</b>
<b>Cash flows from financing activities</b>						
Repayment of financial liabilities	(148 932 500)	(1 924 200)	<b>(150 856 700)</b>	(152 583 358)	<b>(1 726 658)</b>	
Proceeds from financial liabilities	406 569 000	3 431 000	<b>410 000 000</b>	410 000 000	-	
<b>Net cash flows from financing activities</b>	<b>257 636 500</b>	<b>1 506 800</b>	<b>259 143 300</b>	<b>257 416 642</b>	<b>(1 726 658)</b>	
Net increase/(decrease) in cash and cash equivalents	120 850 492	(305 811 134)	<b>(184 960 642)</b>	(222 642 150)	<b>(37 681 508)</b>	<b>(20,37)%</b>
Cash and cash equivalents at the beginning of the year	536 116 587	(41 007 576)	<b>495 109 011</b>	495 109 011	-	<b>- %</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>656 967 079</b>	<b>(346 818 710)</b>	<b>310 148 369</b>	<b>272 466 861</b>	<b>(37 681 508)</b>	<b>12,15 %</b>



## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Statement of Comparison Budget and Actual Amounts for the year ended 30 June 2024

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance as % of final budget
<b>Capital expenditure</b>						
Finance and Administration	68 652 500	(40 970 100)	<b>27 682 400</b>	19 440 141	<b>(8 242 259)</b>	<b>29,77 %</b>
Community and Social Services	71 073 500	(23 130 900)	<b>47 942 600</b>	47 177 565	<b>(765 035)</b>	<b>1,60 %</b>
Energy Sources	125 955 000	(29 033 600)	<b>96 921 400</b>	95 975 537	<b>(945 863)</b>	<b>0,98 %</b>
Executive and Council	118 000	(21 100)	<b>96 900</b>	82 292	<b>(14 608)</b>	<b>15,08 %</b>
Environmental protection	117 000	3 304 500	<b>3 421 500</b>	3 413 780	<b>(7 720)</b>	<b>0,23 %</b>
Planning and Development	22 127 000	(13 040 000)	<b>9 087 000</b>	8 967 279	<b>(119 721)</b>	<b>1,32 %</b>
Public Safety	1 785 000	(537 200)	<b>1 247 800</b>	997 837	<b>(249 963)</b>	<b>20,03 %</b>
Sport and Recreation	34 619 900	40 902 000	<b>75 521 900</b>	74 245 822	<b>(1 276 078)</b>	<b>1,69 %</b>
Waste Management	12 230 000	(10 070 900)	<b>2 159 100</b>	2 159 062	<b>(38)</b>	<b>- %</b>
Waste Water Management	125 265 800	(29 625 700)	<b>95 640 100</b>	95 513 659	<b>(126 441)</b>	<b>0,13 %</b>
Water	203 613 400	142 795 100	<b>346 408 500</b>	325 155 395	<b>(15 275 148)</b>	<b>6,14 %</b>
Road Transport	131 940 000	(20 148 400)	<b>111 791 600</b>	110 983 448	<b>(9 740 952)</b>	<b>0,72 %</b>
Other	5 444 000	10 100 000	<b>15 544 000</b>	13 753 495	<b>(1 790 505)</b>	<b>11,52 %</b>
<b>Total expenditure</b>	<b>802 941 100</b>	<b>30 523 700</b>	<b>833 464 800</b>	<b>797 865 312</b>	<b>35 599 488</b>	<b>4,3%</b>

Explanation of variances above 20% is provided on note 54.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

2024

2023

### 1. Presentation of Annual Financial Statements

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

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

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

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

- GRAP 1 Presentation of Financial Statement
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Error
- GRAP 5 Borrowing Costs
- GRAP 9 Revenue from Exchange Transactions
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events after the Reporting Date
- GRAP 16 Investment property
- GRAP 17 Property, Plant and Equipment
- GRAP 18 Segment Reporting
- GRAP 19 Provisions, Contingent Liabilities and Contingent Asset
- GRAP 20 Related Party
- GRAP 21 Impairment of non-cash generating asset
- GRAP 23 Revenue from Non-exchange transactions
- GRAP 24 Presentation of budget information
- GRAP 25 Employee benefits
- GRAP 31 Intangible Assets
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents

The following Amendment to GRAP standards have been issued but not yet effective and have not been adopted by the Municipality:

- GRAP 104 Financial Instruments - effective on 1 April 2025

GRAP 104 has revised the way in which financial instruments are classified, how amortised cost is determined and how and when financial assets are assessed for impairment. Management has considered the abovementioned amendment to GRAP standard and anticipates the possible main impact to be on the impairment of financial assets on the assessment of change in credit risk if 30 days past due as opposed to the current practice of assessing change in credit risk if 90 days past due.

The following GRAP standards have been issued and effective but are not applicable to the Municipality

- GRAP 4 The effect of changes in foreign exchange rates
- GRAP 6 Consolidated and separate financial statements
- GRAP 7 Investments in associate
- GRAP 8 Interest in joint venture
- GRAP 10 Financial reporting in hyperinflationary economics
- GRAP 27 Agriculture
- GRAP 32 Standards of GRAP on service concession arrangements: grantor
- GRAP 34 Separate financial statements
- GRAP 35 Consolidated financial statements
- GRAP 36 Investments in associates and joint ventures

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

- GRAP 37 Joint arrangements
- GRAP 38 Disclosures of interests in other entities
- GRAP 105 Transfers of functions between entities under common control
- GRAP 106 Transfers of functions between entities not under common control
- GRAP 107 Mergers

### 1.1 Presentation currency

These annual financial statements are presented in South African Rand. The figures are rounded off to the nearest rand.

### 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.

Management considers key financial metrics and approved medium-term budgets, MFMA Section 71 reports together with the municipality's dependency on grants from national and provincial government, to conclude that the going concern assumption used in the compiling of its annual financial statements, is appropriate.

### 1.3 Materiality

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

Materiality has been considered in determining whether information is required to be recognised, measured, presented and disclosed in accordance with the requirements in the Standards of GRAP as well as assessing the effect of omissions, misstatements and errors on the financial statements.

### Budget information

Variances between budget and actual amounts are regarded as material when there is a variance of:

-20% or greater in the statement of financial position, the statement of financial performance and the cash flow statement. Budget information accounting policy is detailed on policy note 1.23

### 1.4 Offsetting

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

### 1.5 Significant judgements and sources of estimation uncertainty

The preparation of the Municipality's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### Judgements

In the process of applying the Municipality's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

#### Operating lease – Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

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

#### Depreciation and impairment

The Municipality depreciates its assets over their estimated useful lives taking into account residual values, where appropriate. The appropriateness of its assets' estimated useful lives, residual values and their depreciation methods are re-assessed on an annual basis. The actual lives of these assets and their respective residual values may vary depending on a variety of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Management used their judgement in applying the internal and external impairment indicators to its assets.

#### Consumer receivables

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates.

#### 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 15 - 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 every 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 16.

### 1.6 Comparative figures

#### Prior year Comparative

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

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

#### Current year Comparative

Budgeted amounts have been included in the annual financial statements for the current financial year only.

### 1.7 Property, plant and equipment

#### Initially recognition

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

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

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

Infrastructure assets in particular are those that are part of a system or network, specialised in nature and do not have alternative uses, immovable and maybe subject to constraints on disposal.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

#### Subsequent measurement

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

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

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

#### Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. 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 on each asset.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the estimated useful lives of items of property, plant and equipment.

The Municipality assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and 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. The change(s) are accounted for in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Depreciation only commences when the asset is available for use.

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.



# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

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

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 for the year ended 30 June 2024.

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 that are work in progress, in the notes to the financial statements (see note 8).

The table below shows the depreciation methods and average useful lives.

Buildings	Straight line	30 years
Roads and paving	Straight line	15-65 years
Watercraft	Straight line	15 years
Furniture and fixtures	Straight line	7 years
Motor vehicles	Straight line	3-7 years
Computer equipment	Straight line	3-5 years
Computer software, applications and rights	Straight line	3-7 years
Pedestrian bridges	Straight line	30 years
Electricity infrastructure	Straight line	20-30 years
Community	Straight line	5-30 years
Water infrastructure	Straight line	15-65 years
Sewerage infrastructure	Straight line	15-30 years
Housing	Straight line	30 years
Specialised plant and equipment	Straight line	10-15 years
Bins and containers	Straight line	5-10 years
Other property, plant and equipment	Straight line	2-5 years
Specialised vehicles	Straight line	10 years

### Derecognition

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

### 1.8 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.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

### 1.8 Leases (continued)

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

#### Operating leases - lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Leased assets are classified as investment property measured at cost model and depreciation on leased assets has been calculated in accordance with GRAP 16 Investment Properties.

#### Operating leases - lessee

Operating leases are those leases that do not fall within the scope of the finance lease. Operating lease expenses are recognised on a straight-line basis over the lease term.

### 1.9 Impairment of non-cash-generating assets

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

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

The municipality currently has only non-cash-generating assets as all of its assets are purely used for service delivery.

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 after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed 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 service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. The value in use is measured as the depreciated replacement cost.

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.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

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

#### Reversal of an impairment loss

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

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

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

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

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

#### External sources of information

- Cessation or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the entity that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

#### Internal sources of information

- Evidence of physical damage of an asset;
- Increased expenditure on repairs and maintenance on the asset.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable service amount.

The recoverable service amount is the higher of the assets fair value less cost to sell, or its value in use.

The value in use is the present value of the asset's remaining service potential expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

### 1.10 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs.

An asset is identifiable when it:

- 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, assets or liability, or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the Municipality or from other rights and obligations.

#### Initial recognition

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or the service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

- the Municipality intends to complete the intangible asset for use or sale,
- the Municipality has the ability to use or sell the asset,
- the Municipality can reliably measure expenditure during development,
- it is technically feasible to complete the intangible asset,
- the Municipality has the resources to complete the project, and,
- it is probable that the Municipality will receive future economic benefits or service potential.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

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

#### Amortisation and impairment

The cost of an intangible asset is amortised over the useful life of 3 - 7 years.

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

An intangible asset with an indefinite useful life is not amortised.

#### Subsequent measurement

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

#### Derecognition

An intangible asset is derecognised when it is permanently withdrawn from use and no future economic benefit or service potential is derived from it. The gain or loss arising from the disposal of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in surplus or deficit when the intangible asset is derecognised.

#### Assets Under Construction

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

### 1.11 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:

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

### 1.11 Investment property (continued)

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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.

#### Initial recognition

Investment property is recognised as an asset, only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

Investment properties have been initially measured at cost (Transaction costs shall be included in this initial measurement). Transaction costs are costs which are directly attributable to the expenditure, for example professional fees for legal services, conveyancing fees, property transfer taxes and other transaction costs shall be included in this initial measurement.

If payment for investment property is deferred, its cost is the cash price equivalent.

The difference between this amount and the total payments is recognised as interest expense over the period of credit.

#### Subsequent measures

Subsequently investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on cost, using the straight-line method over the useful life of the property. Buildings held under Investment property are depreciated on an average useful life of 30 years. Vacant land held under investment properties is not depreciated.

#### Derecognition

An investment property is derecognised upon disposal, or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included in surplus or deficit in the period of the retirement or disposal.

### 1.12 Inventory

Consumables are used by the municipality and not sold. Thus, the consumables are subsequently measured at lower of cost and current replacement cost, not at net realisable value.

Water for distribution is measured using weighted average method. Additions to water for distribution is accounted in two ways, namely bulk purchases and own production. Bulk purchases are capitalized in inventory based on actual costs from the service provider. Own productions are capitalised based on all the costs associated with producing water. Capitalised production costs are accounted for as inventory water gains in the Statement of Financial Performance and inventory water in the Statement of Financial Position.

In general, the basis of determining cost is not the first-in, first-out method. The FIFO is only used for consumables.

Land is initially recognised at cost, which is the fair value at recognition date.

Redundant and slow-moving inventories are not all written down to current replacement cost. Only consumables can be. Water and land must be written down to net realisable value.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

### 1.13 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.

#### Interest, royalties and dividends

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards is deferred and recognised as revenue on the consumption basis, commencing on date of purchase.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied.

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time apportionment basis.

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

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

Revenue from the sale of goods is recognised when the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts allowed by the Municipality.

### 1.14 Revenue from non-exchange transactions

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

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

Fines constitute both spot fines and summons. Revenue from spot fines and summons is recognised when it is accrued. Spot fines are usually not given directly to the offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect to summons, the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. Furthermore revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.

Where public contributions have been received by the municipality has not met the related conditions, a deferred income ( liability) is recognised.

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

The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### 1.15 Provisions and contingencies

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Contingent Liabilities and Assets are not recognized but disclosed.

A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

### 1.16 Housing development fund

Housing selling schemes both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. All proceeds from housing developments, which include rental income and sales of houses, is paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area. Any transfers to and from the fund are recognized in the statement of changes in net assets. Interest received on housing development funds is transferred to the fund.

### 1.17 Retirement benefits

The Municipality provides post-retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

The Expected costs of these benefits are accrued of the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of financial performance for the reporting period. The defined benefit obligations are valued every year by independent qualified actuaries.



# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

### 1.18 Borrowing costs

Borrowing costs incurred are recognised as an expense in the Statement of Financial Performance in the period in which they are incurred in accordance with GRAP 5.

### 1.19 Financial instruments

#### Classification

The Municipality has types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

#### Subsequent measurement of financial assets and financial liabilities

Financial assets are categorised according to their nature as financial assets at amortised costs and financial liabilities are categorized as financial liabilities carried at amortised cost in accordance with GRAP 104.

#### Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

#### Receivables from exchange transactions and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the effective interest rate at the reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (90 days and above) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

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

Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: loans and receivables. The closing balance on the bank account is representative of its fair value of the monies held.

#### Financial liabilities

#### Payables from exchange transactions and Consumer deposits

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The fair value of creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### Other financial liabilities

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

### 1.19 Financial instruments (continued)

Borrowings are recognised initially at fair value, net transaction costs incurred. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long-term borrowings are utilised. Other financial liabilities are carried at amortised cost.

The interbank rate or prime lending rate is not the risk-free interest rate, however it has been used as a benchmark for determining the market related rate of interest which is not significantly different to the current rates on long-term loans, hence the fair value of these loans equates their amortised cost.

### 1.20 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations. A heritage asset shall be recognised as an asset if, and only if,

- (a) It is probable that the economic benefit or service potential will flow to the Municipality,
- (b) The cost or the fair value will be measured reliably.

#### Initial measurement

A heritage asset that qualifies for recognition as an asset shall be measured at its cost (Cash price equivalent at the recognition date). Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

#### Subsequent measurement

Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

After recognition as an asset, heritage assets shall be carried at its cost less any accumulated impairment losses. The Municipality assesses at each reporting date whether there are any indicators of impairment of Heritage assets.

Where there is an indication of impairment the assets are recorded at their recoverable amount or their recoverable service amount.

#### Derecognition

A Heritage asset is de-recognised when it is disposed or where there is no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition, is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognized.

### 1.21 Short term benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### 1.22 Grants in aid

The Municipality donates money, goods or services to individuals, organisations and other sectors of government from time to time. When making these donations, the Municipality does not:

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

These transfers are recognized in the statement of financial performance as expenses in the period during which events giving rise to the transfer occurred.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

### 1.23 Budget information

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

The budget is prepared on an accrual basis. The budget amounts are scheduled as a separate additional financial statement called the statement of comparison of budget and actual amounts.

Explanatory comments are provided in the notes to the annual financial statements, first stating reasons for changes from approved to final budget and secondly reasons for overspending or underspending on line items.

### 1.24 Unauthorised expenditure

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

### 1.25 Irregular expenditure

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

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

### 1.26 Fruitless and wasteful expenditure

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

### 1.27 Value-added Tax

#### VAT

The Municipality accounts for Value Added Tax on payments basis. This means that VAT is declared to the South African Revenue Service as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1. Output VAT that relates to debt that has been impaired is accounted for as VAT impairment and disclosed under Other receivables.

### 1.28 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. The municipality currently has property rates and fines classified in this category.

Carrying amount is the amount at which an asset is recognised in the .

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 purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

### 1.28 Statutory receivables (continued)

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Accrued interest

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

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

#### Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

In estimating the future cash flows, a 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.

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.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

### 1.28 Statutory receivables (continued)

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.

### 1.29 Construction contracts and receivables

The Municipality has a level two accreditation in terms of its participation on the National Housing Programme. It is a project developer in terms of the arrangement to construct and transfer houses to the beneficiaries of the Programme.

Funds received to implement the National Housing Programme are recognised as contract revenue.

Contract revenue comprises:

- (a) the initial amount of revenue agreed in the contract; and
- (b) variations in contract work, claims and incentive payment to the extent that:
  - (i) it is probable that they will result in revenue; and
  - (ii) they are capable of being reliably measured.

Contract revenue is measured at the fair value of the consideration received or receivable.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised as revenue by reference to the stage of completion of the contract activity at the reporting date.

Cost incurred to implement the National Housing Programme are expensed as contract cost.

Contract costs comprise:

- (a) costs that relate directly to the specific contract;
- (b) costs that are attributable to contract activity in general and can be allocated to the on a systematic and rational basis; and
- (c) other costs are specifically chargeable to the customer under the terms of the contract.

Contract costs include the costs attributable to a contract for the period from the date of securing the contract to the final completion of the contract. Costs that cannot be attributed to contract activity or cannot be allocated to a contract are excluded from the costs of a construction contract.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

### 1.29 Construction contracts and receivables (continued)

Any unused funds advanced to the municipality is recognised as a liability.

### 1.30 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 made in respect of capital commitments for all contracts that are ongoing and not yet completed.

- 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.

### 1.31 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).

The municipality acts on behalf of the Department of Transport to issue licences to, and collect money from motorists, i.e. there are three parties to the arrangement, Principal ( Department of Transport), Agent ( uMhlathuze Municipality ) and Third party ( The Motorist)

#### 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 an 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.

#### Recognition

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.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

### 1.32 Internal reserves

#### Capital replacement reserve (CRR)

This reserve is ring-fenced through the accumulated surplus. In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The following guidelines are set for the creation and utilisation of the CRR:

- 1) The cash funds that back up the CRR are invested until utilised.
- 2) The CRR may only be utilised for purchasing items of property, plant and equipment, and not their maintenance, unless otherwise directed by Council.
- 3) Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from CRR and accumulated surplus is credited by a corresponding amount.

#### Self insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that arises from municipal fleet that is not insured externally. The balance of the Self-Insurance Reserve is determined based on the insurance risk carried by the municipality and past claims history. The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

This reserve is ring-fenced through the accumulated surplus.

### 1.33 Segment information

A segment is an activity of an entity:

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

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

#### Measurement

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

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

The municipality report on segments in terms of the main revenue generating streams. These segments also represent the funding sources that fund the municipal operations as per mSCOA. Management also uses these segments for determining strategic objectives particularly on the financial viability of each service.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies for the year ended 30 June 2024

### 1.34 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 considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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.

### 1.35 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.



# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

2024

2023

### 2. Inventory

Consumable stores	28 004 190	36 179 515
Water for distribution	2 516 471	4 783 747
Land	73 597 418	93 306 801
	<b>104 118 079</b>	<b>134 270 063</b>

### Inventory pledged as security

During the year no Inventory was pledged as security.

### Water for distribution

Opening balance	4 783 747	3 382 594
Bulk purchases	173 500 723	162 362 936
Own production ( Inventory gain )	557 688 723	581 557 585
Water losses/ Non revenue water	(402 292 315)	(434 101 278)
Inventory consumed ( Authorised consumption )	(331 164 407)	(308 418 090)
<b>Closing balance</b>	<b>2 516 471</b>	<b>4 783 747</b>

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements for the year ended 30 June 2024

2024

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#### 3. Statutory receivables

Fines	45 067 120	41 036 340
Property rates	159 125 149	127 540 998
Impairment - Rates	(28 600 000)	(22 600 000)
Impairment - Fines	(14 776 072)	(10 825 907)
	<b>160 816 197</b>	<b>135 151 431</b>

#### Statutory receivables general information

##### Transaction(s) arising from statute

##### Property Rates

Property rates are levied in terms of the Local Government: Municipal Property Rates Act No 6 of 2004, hence this is therefore recognised as a Statutory receivable. The receivable is calculated by the Council Approved rates randages against the valuation of the individual properties within the Municipality's jurisdiction. Council Approved rebates and exemptions are further applied to reduce the receivables.

##### Fines

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a Statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law.

##### Interest or other charges levied/charged

The Municipality charges interest on all outstanding debtor balances older than 30 days in respect of the property rates account using the nominal rate.

##### Basis used to assess and test whether a statutory receivable is impaired

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.

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. When the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced. The amount of loss is recognised in the surplus or deficit.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 3. Statutory receivables (continued)

#### Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2024, 11 354 132 (2023: 7 872 549) were past due but not impaired.

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

1 month past due	6 299 420	3 404 487
2 months past due	5 054 712	4 468 062
<b>Rates</b>		
Current ( 0-30 days )	62 890 338	59 490 364
31-60 days	6 135 280	3 827 737
61-90 days	4 639 062	3 580 412
91-120 days	8 002 152	2 356 392
121-365 days	27 066 049	23 645 554
>365 days	50 392 268	34 640 540
	<b>159 125 149</b>	<b>127 540 999</b>

#### Fines

Current ( 0-30 days )	64 250	19 050
31-60 days	164 140	(423 250)
61-90 days	415 650	887 650
91-120 days	521 950	1 352 950
121-365 days	2 864 790	4 322 450
>365 days	41 036 340	34 877 490
	<b>45 067 120</b>	<b>41 036 340</b>

#### Reconciliation of provision for impairment for statutory receivables

Opening balance	(33 425 906)	(81 332 422)
Contribution	(9 950 166)	47 906 516
	<b>(43 376 072)</b>	<b>(33 425 906)</b>

### 4. Receivables from exchange transactions

#### Gross balances

Electricity	239 697 307	168 790 940
Water	320 142 970	301 175 457
Sewerage	30 059 929	31 833 181
Refuse	24 120 834	22 443 645
Sundry Debtors	34 891 027	89 192 430
Housing rental	38 778 050	29 139 226
	<b>687 690 117</b>	<b>642 574 879</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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2023

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

#### Less: Allowance for impairment

Electricity	(41 700 000)	(31 600 000)
Water	(55 600 000)	(58 400 000)
Sewerage	(5 200 000)	(3 900 000)
Refuse	(4 200 000)	(5 800 000)
Sundry Debtors	(5 500 000)	(15 600 000)
Housing rental	(7 100 000)	(4 700 000)
	<b>(119 300 000)</b>	<b>(120 000 000)</b>

#### Net balance

Electricity	197 997 307	137 190 940
Water	264 542 970	242 775 457
Sewerage	24 859 929	27 933 181
Refuse	19 920 834	16 643 645
Sundry Debtors	29 391 027	73 592 430
Housing rental	31 678 050	24 439 226
	<b>568 390 117</b>	<b>522 574 879</b>

#### Electricity

Current (0 -30 days)	221 721 204	221 319 661
31 - 60 days	3 094 039	555 527
61 - 90 days	3 407 062	(3 687 198)
91 - 120 days	2 111 248	(49 478 189)
121 - 365 days	7 838 745	(3 828 885)
> 365 days	1 525 009	3 910 024
Less: Allowance for impairment	(41 700 000)	(31 600 000)
	<b>197 997 307</b>	<b>137 190 940</b>

#### Water

Current (0 -30 days)	125 972 761	52 354 166
31 - 60 days	9 988 432	10 413 963
61 - 90 days	6 397 067	14 762 581
91 - 120 days	5 715 459	19 169 139
121 - 365 days	50 246 206	97 643 610
> 365 days	121 823 045	106 831 998
Less: Allowance for impairment	(55 600 000)	(58 400 000)
	<b>264 542 970</b>	<b>242 775 457</b>

#### Sewerage

Current (0 -30 days)	12 336 895	16 515 821
31 - 60 days	912 965	691 465
61 - 90 days	1 365 351	970 330
91 - 120 days	928 303	834 635
121 - 365 days	5 815 532	5 230 694
> 365 days	8 700 883	7 590 236
Less: Allowance for impairment	(5 200 000)	(3 900 000)
	<b>24 859 929</b>	<b>27 933 181</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

2024

2023

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

#### Refuse

Current (0 -30 days)	11 379 236	10 574 007
31 - 60 days	649 117	623 807
61 - 90 days	1 422 208	836 679
91 - 120 days	651 671	856 814
121 - 365 days	4 058 992	4 254 325
> 365 days	5 959 610	5 298 013
Less: Allowance for impairment	(4 200 000)	(5 800 000)
	<b>19 920 834</b>	<b>16 643 645</b>

#### Sundry debtors

Current (0 -30 days)	3 235 101	61 481 462
31 - 60 days	459 783	247 419
61 - 90 days	1 373 862	507 298
91 - 120 days	265 340	192 365
121 - 365 days	3 343 805	1 219 107
> 365 days	26 213 136	25 544 779
Less: Allowance for impairment	(5 500 000)	(15 600 000)
	<b>29 391 027</b>	<b>73 592 430</b>

#### Housing rental

Current (0 -30 days)	4 121 431	3 289 567
31 - 60 days	794 760	1 523 085
61 - 90 days	3 411 824	901 474
91 - 120 days	871 309	1 088 929
121 - 365 days	7 693 565	6 437 046
> 365 days	21 885 161	15 899 125
Less: Allowance for impairment	(7 100 000)	(4 700 000)
	<b>31 678 050</b>	<b>24 439 226</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

2024

2023

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

#### Summary of debtors by customer classification

##### Residential

Current (0 -30 days)	37 009 766	24 162 579
31 - 60 days	3 654 593	2 192 330
61 - 90 days	6 415 728	4 511 612
91 - 120 days	6 170 414	5 472 723
121 - 365 days	40 464 913	36 258 469
> 365 days	93 577 510	109 020 267
	<u>187 292 924</u>	<u>181 617 980</u>
Less: Allowance for impairment	(34 248 567)	(36 004 366)
	<b><u>153 044 357</u></b>	<b><u>145 613 614</u></b>

##### Industrial/ commercial

Current (0 -30 days)	179 621 279	201 934 836
31 - 60 days	4 988 295	3 461 463
61 - 90 days	7 230 679	(1 740 587)
91 - 120 days	2 864 212	(48 122 818)
121 - 365 days	14 346 716	13 950 659
> 365 days	62 670 976	51 291 092
	<u>271 722 157</u>	<u>220 774 645</u>
Less: Allowance for impairment	(44 511 022)	(38 777 002)
	<b><u>227 211 135</u></b>	<b><u>181 997 643</u></b>

##### National and provincial government

Current (0 -30 days)	162 135 583	139 436 108
31 - 60 days	7 256 207	8 401 474
61 - 90 days	3 730 968	11 520 140
91 - 120 days	1 508 705	15 313 785
121 - 365 days	24 185 214	60 746 769
> 365 days	29 858 359	4 763 979
	<u>228 675 036</u>	<u>240 182 255</u>
Less: Allowance for impairment	(40 540 411)	(45 218 633)
	<b><u>188 134 625</u></b>	<b><u>194 963 622</u></b>

##### Total

Current (0 -30 days)	378 766 629	365 534 685
31 - 60 days	15 899 094	14 055 267
61 - 90 days	17 377 374	14 291 165
91 - 120 days	10 543 330	(27 336 310)
121 - 365 days	78 996 844	110 955 898
> 365 days	186 106 846	165 074 174
	<u>687 690 117</u>	<u>642 574 879</u>
Less: Allowance for impairment	(119 300 000)	(120 000 000)
	<b><u>568 390 117</u></b>	<b><u>522 574 879</u></b>

##### Less: Allowance for impairment

> 365 days	<u>(119 300 000)</u>	<u>(120 000 000)</u>
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# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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

#### Reconciliation of allowance for impairment

Balance at beginning of the year	(120 000 000)	(276 210 000)
Contributions to allowance	700 000	156 210 000
	<b>(119 300 000)</b>	<b>(120 000 000)</b>

#### Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R 33 276 469 (2023: R 28 346 432) were past due but not impaired.

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

1 month past due	15 899 095	14 055 267
2 months past due	17 377 374	14 291 165

### 5. Other receivables

Accrued Interest	3 082 312	4 768 303
Prepayment and advances	13 617 449	16 690 143
VAT Output : Impairment	15 560 869	15 652 174
Other	2 090 889	4 708 566
	<b>34 351 519</b>	<b>41 819 186</b>

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	19 943	41 432
Cash book balances	152 446 918	135 067 579
Short-term deposits	120 000 000	360 000 000
	<b>272 466 861</b>	<b>495 109 011</b>

#### Short-term deposits

As at the end of the financial year, the Municipality had the following call and fixed deposits:

Standard bank ( Fixed deposit )	-	90 000 000
Nedbank ( Fixed deposit )	-	180 000 000
ABSA ( Fixed deposit )	90 000 000	90 000 000
ABSA ( Call )	30 000 000	-
	<b>120 000 000</b>	<b>360 000 000</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 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 - Cheque -2150000028	283 472	269 483	17 375 255	(174 488 727)	281 088	18 217 065
FNB - Cheque - 63039446851	31 265 156	-	-	207 280 203	-	-
Absa Bank - Deposit - 2150000095	2 191 856	7 683 668	11 370 583	2 155 341	12 181 961	14 412 144
FNB - Deposit - 63039446843	52 841 371	-	-	57 836 146	-	-
Absa - Deposit - 9123615121	-	520 016	491 939	50	520 016	491 969
FNB - Deposit - 63059571464	126 258	-	-	126 258	-	-
Absa - Cheque - 9171373496	-	3 025 217	2 861 878	50	3 025 217	2 861 908
FNB - Cheque -63059568627	110 832	-	-	110 832	-	-
Absa - Deposit - 9092247889	-	7 294 650	6 911 286	-	7 294 650	6 919 811
FNB - Deposit - 63059569112	7 928 446	-	-	7 928 446	-	-
Absa - Deposit - 9171373917	-	6 215 643	5 880 045	50	6 215 643	5 880 074
FNB - Deposit - 63059572719	47 005 050	-	-	47 005 050	-	-
Absa - Deposit - 9233674990	-	755 491	30 634 614	50	755 491	30 517 770
FNB - Deposit - 6305959667	1 122 076	-	-	1 122 076	-	-
Absa - Deposit - 9272068005	-	1 838 071	1 739 493	-	1 838 071	1 751 732
FNB - Deposit - 63059570333	2 054 546	-	-	2 054 546	-	-
Absa - Deposit - 4079286548	166 034	50 192	56 495	-	-	3 710
Absa - Deposit - 9283221999	-	1 652 174	1 565 059	50	1 652 174	1 722 358
FNB - Deposit - 63059570060	84 259	-	-	84 259	-	-
Absa - Deposit - 9082916767	-	1 077 502	1 063 378	50	1 077 502	1 161 139
FNB - Deposit - 63059570937	1 111 728	-	-	1 111 728	-	-
Absa - Deposit - 63059642611	120 459	100 225 766	50 371 266	120 459	100 225 766	50 371 266
<b>Total</b>	<b>146 411 543</b>	<b>130 607 873</b>	<b>130 321 291</b>	<b>152 446 917</b>	<b>135 067 579</b>	<b>134 310 946</b>



## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

#### 7. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	92 218 749	(9 054 599)	83 164 150	117 394 757	(8 461 563)	108 933 194

#### Reconciliation of investment property - 2024

	Opening balance	Additions	Disposals	Reclassification	Work in Progress	Depreciation	Total
Investment property	108 933 194	9 619 406	(56 037 078)	17 303 678	3 937 647	(592 697)	83 164 150

#### Reconciliation of investment property - 2023

	Opening balance	Work in Progress	Depreciation	Total
Investment property	98 620 081	10 775 899	(462 786)	108 933 194

#### Pledged as security

During the year there was no Investment Property pledged as security.

#### Reconciliation of Work-In-Progress

Opening balance	10 775 899	-
Additions	9 619 405	10 775 899
Transferred to completed	(14 296 873)	-
	<b>6 098 431</b>	<b>10 775 899</b>

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.

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements for the year ended 30 June 2024

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#### 7. Investment property (continued)

##### Maintenance of investment property

The following maintenance costs were incurred:

##### Preventative Maintenance incurred on

Revenue generating investment property

241 645

244 396

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

#### 8. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 182 770 394	(48 446 134)	1 134 324 260	1 187 561 577	-	1 187 561 577
Operational Buildings	374 022 199	(201 973 922)	172 048 277	363 156 459	(193 616 336)	169 540 123
Plant and machinery	451 665 309	(251 075 245)	200 590 064	448 337 597	(237 458 780)	210 878 817
Transport assets	117 463 325	(83 866 608)	33 596 717	120 438 806	(81 815 671)	38 623 135
Infrastructure	13 467 954 550	(8 165 716 825)	5 302 237 725	12 887 708 948	(7 992 045 014)	4 895 663 934
Community	922 438 376	(309 767 330)	612 671 046	804 050 727	(287 423 733)	516 626 994
Other property, plant and equipment	86 764 895	(68 641 791)	18 123 104	84 324 650	(64 479 782)	19 844 868
Housing	180 241 729	(69 834 796)	110 406 933	182 886 221	(62 688 374)	120 197 847
<b>Total</b>	<b>16 783 320 777</b>	<b>(9 199 322 651)</b>	<b>7 583 998 126</b>	<b>16 078 464 985</b>	<b>(8 919 527 690)</b>	<b>7 158 937 295</b>

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

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

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

	Opening balance	Additions	Work-In-Progress	Disposals	Reclassification	Depreciation	Impairment loss	Total
Land	1 187 561 577	-	-	(8 176 888)	3 385 705	-	(48 446 134)	1 134 324 260
Operational Buildings	169 540 123	7 450 013	10 031 652	(665 573)	(3 898 085)	(10 334 146)	(75 707)	172 048 277
Plant and machinery	210 878 817	19 626 576	-	(4 500 896)	-	(25 414 433)	-	200 590 064
Transport Assets	38 623 135	3 902 370	-	(907 947)	-	(8 020 841)	-	33 596 717
Infrastructure	4 895 663 934	214 223 978	405 199 703	(10 588 678)	3 133 869	(203 814 031)	(1 581 050)	5 302 237 725
Community	516 626 994	21 358 667	97 588 164	(137 276)	(215 787)	(22 319 017)	(230 699)	612 671 046
Other property, plant and equipment	19 844 868	2 804 088	-	(72 539)	-	(4 453 313)	-	18 123 104
Housing	120 197 847	-	-	(2 258 446)	-	(7 532 468)	-	110 406 933
	<b>7 158 937 295</b>	<b>269 365 692</b>	<b>512 819 519</b>	<b>(27 308 243)</b>	<b>2 405 702</b>	<b>(281 888 249)</b>	<b>(50 333 590)</b>	<b>7 583 998 126</b>

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements for the year ended 30 June 2024

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

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

	Opening balance	Additions	Work-In-Progress	Disposals	Reclassification	Restatement	Depreciation	Impairment loss	Total
Land	1 052 714 469	-	-	(1 939 892)	-	136 787 000	-	-	1 187 561 577
Operational Buildings	149 105 287	7 135 768	24 008 138	(440 557)	-	-	(10 268 513)	-	169 540 123
Plant and machinery	187 046 425	52 693 056	-	(1 779 940)	31 234	(1 035)	(27 110 923)	-	210 878 817
Transport Assets	41 266 423	11 912 937	-	(3 829 848)	188 710	395	(10 915 482)	-	38 623 135
Infrastructure	4 406 005 731	184 649 184	482 515 414	(93 080 433)	-	111 057 411	(185 385 758)	(10 097 615)	4 895 663 934
Community	353 041 949	2 928 979	181 373 677	(26 107)	-	-	(20 667 256)	(24 248)	516 626 994
Other property, plant and equipment	20 068 406	4 685 811	-	(199 389)	(219 944)	-	(4 490 016)	-	19 844 868
Housing	128 308 785	-	-	-	-	-	(8 110 938)	-	120 197 847
	<b>6 337 557 475</b>	<b>264 005 735</b>	<b>687 897 229</b>	<b>(101 296 166)</b>	<b>-</b>	<b>247 843 771</b>	<b>(266 948 886)</b>	<b>(10 121 863)</b>	<b>7 158 937 295</b>

##### Pledged as security

No assets were pledged as security.

##### Compensation received for losses on property, plant and equipment – included in operating surplus.

Infrastructure	3 917 377	-
Community	166 008	-
	<b>4 083 385</b>	<b>-</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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

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

#### Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Other Assets	-	173 684
At a design stage		
Infrastructure	4 659 626	3 695 317
Roads: Project are still at planning phase and has not yet commenced due to limited budget.		
Water: Delays due to portion of land not yet transferred for PPE wastewater re-use project.		
	<b>4 659 626</b>	<b>3 869 001</b>

#### Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Operational Buildings	Total
Opening balance	961 845 949	250 933 449	40 319 791	1 253 099 189
Additions/capital expenditure	405 199 703	97 588 164	10 031 652	512 819 519
Transferred to completed items	(329 116 132)	(63 718 523)	(37 815 279)	(430 649 934)
	<b>1 037 929 520</b>	<b>284 803 090</b>	<b>12 536 164</b>	<b>1 335 268 774</b>

#### Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Operational Buildings	Total
Opening balance	561 596 430	69 583 272	16 311 653	647 491 355
Additions/capital expenditure	482 515 414	181 373 677	24 008 138	687 897 229
Prior year error	(1 773 383)	-	-	(1 773 383)
Transferred to completed items	(80 492 512)	(23 500)	-	(80 516 012)
	<b>961 845 949</b>	<b>250 933 449</b>	<b>40 319 791</b>	<b>1 253 099 189</b>

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

Employee related costs	95 054 228	239 690 783
Contracted services	121 941 582	141 959 780
Material	89 855 316	98 722 639
Transport	6 608 722	12 130 523
	<b>313 459 848</b>	<b>492 503 725</b>

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.

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

#### 9. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value
Patents, trademarks and other rights	9 576 953	(570 681)	9 006 272	9 576 953	(331 258)	9 245 695
Computer software, other	280 231 595	(129 809 464)	150 422 131	278 108 541	(89 053 298)	189 055 243
Servitudes	3 552 458	-	3 552 458	3 552 458	-	3 552 458
<b>Total</b>	<b>293 361 006</b>	<b>(130 380 145)</b>	<b>162 980 861</b>	<b>291 237 952</b>	<b>(89 384 556)</b>	<b>201 853 396</b>

#### Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Patents, trademarks and other rights	9 245 695	-	(239 423)	9 006 272
Computer software, other	189 055 243	2 123 055	(40 756 167)	150 422 131
Servitudes	3 552 458	-	-	3 552 458
	<b>201 853 396</b>	<b>2 123 055</b>	<b>(40 995 590)</b>	<b>162 980 861</b>

#### Reconciliation of intangible assets - 2023

	Opening balance	Work in Progress	Amortisation	Total
Patents, trademarks and other rights	9 485 119	-	(239 424)	9 245 695
Computer software, other	175 590 528	47 743 281	(34 278 566)	189 055 243
Servitudes	3 552 458	-	-	3 552 458
	<b>188 628 105</b>	<b>47 743 281</b>	<b>(34 517 990)</b>	<b>201 853 396</b>

#### Pledged as security

There are no Intangible assets pledged as security.

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements for the year ended 30 June 2024

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#### 9. Intangible assets (continued)

##### Reconciliation of Work-In-Progress

Opening balance	54 061 204	6 317 923
Additions	-	47 743 281
Transferred to completed	(54 061 204)	-
	<u>-</u>	<u>54 061 204</u>

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.

##### Other information

Intangible assets with indefinite lives:

Servitudes	3 552 458	3 552 458
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The useful life of servitudes is considered indefinite as it relates to land and is not bound by any expiry period .



## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

#### 10. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	524 313	-	524 313	524 313	-	524 313
Historical buildings	1 940 298	-	1 940 298	1 940 298	-	1 940 298
<b>Total</b>	<b>2 464 611</b>	<b>-</b>	<b>2 464 611</b>	<b>2 464 611</b>	<b>-</b>	<b>2 464 611</b>

#### Reconciliation of heritage assets 2024

	Opening balance	Total
Art Collections, antiquities and exhibits	524 313	524 313
Historical buildings	1 940 298	1 940 298
	<b>2 464 611</b>	<b>2 464 611</b>

#### Reconciliation of heritage assets 2023

	Opening balance	Total
Art Collections, antiquities and exhibits	524 313	524 313
Historical buildings	1 940 298	1 940 298
	<b>2 464 611</b>	<b>2 464 611</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 11. Other financial liabilities

#### At amortised cost

DBSA loan	563 990 278	398 452 552
Nedbank loan	400 355 806	436 709 759
First National Bank	203 773 203	-
Standard Bank loan	495 577 732	576 864 280

**1 663 697 019**

**1 412 026 591**

#### Total other financial liabilities

**1 663 697 019**

**1 412 026 591**

Refer to Appendix A for interest rates per loan and the full redemption dates.

#### Non-current liabilities

At amortised cost	1 486 622 133	1 244 834 580
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#### Current liabilities

At amortised cost	177 074 886	167 192 011
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### 12. Payables from exchange transactions

Trade payables	268 395 201	247 478 001
Payments received in advanced	84 065 424	69 157 365
Retentions	108 826 228	76 736 983
Other payables	60 688 576	48 429 865
Accrued leave pay	23 214 611	23 890 391
Accrued VAT	46 423 087	52 840 723
Accruals	53 860 777	118 080 809
Housing Contracts	1 242 535	87 764 645
	<b>646 716 439</b>	<b>724 378 782</b>

### 13. Consumer deposits

Electricity	48 460 801	49 618 184
Water	6 709 119	7 277 311
Regional services levies	189 159	259 523
	<b>55 359 079</b>	<b>57 155 018</b>

Bank Guarantees in favour of the Municipality for consumer deposits amounts R 58 863 442 ( 2024 ) and R 59 055 410 (2023 )

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Provincial Housing Grant	1 182 315	2 729 676
Provincial Local Government Grants	6 101 433	8 452 959
Provincial Libraries Grant	761 704	651 436
King Cetshwayo District Municipality	169 372	169 372
Municipal Disaster Relief Grant	6 932 566	26 590 338
	<b>15 147 390</b>	<b>38 593 781</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 25 for reconciliation of grants from National/Provincial Government.

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

### 15. Provisions

#### Reconciliation of provisions - 2024

	Opening Balance	Reduction	Total
Pro rata bonus	26 678 881	(2 773 479)	23 905 402

#### Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Pro rata bonus	25 205 994	1 472 887	26 678 881

The bonus accrues on an annual basis based on their anniversary month. The provision is an estimate of the amount payable to staff for the following year on a pro-rata basis. The timing of the amount is uncertain with regards to payment of pro-rata bonus when staff members resign.

### 16. Employee benefit obligations

#### Post-employment medical benefits

The Municipality operates on 5 accredited medical aid schemes, namely: Bonitas, Hosmed, Keyhealth, LA Health and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ARCH Actuarial Consulting, carried out a statutory valuation for the year ended 30 June 2024 with projected liabilities for year ending 2025 and 2026. The present value of the obligation is R210 309 000 (2023 - R211 651 000). There are no plan assets.

#### Long-service awards

The municipal employees are entitled to long service awards which can be encashed as per the Bargaining Council agreement. This benefit accrues to employees after 5 years of completed service. The independent valuers, ARCH Actuarial Consulting, carried out a statutory valuation for the year ended 30 June 2024 with projected liabilities for year ending 2025 and 2026. The present value of the obligation is R76 036 000 (2023 - R72 151 000).

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 16. Employee benefit obligations (continued)

The amounts recognised in the are as follows:

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(283 802 000)	(269 578 000)
Service costs	(14 407 000)	(14 026 000)
Net interest expense	(33 773 000)	(30 497 000)
Remeasurements	45 637 000	30 299 000
	<b>(286 345 000)</b>	<b>(283 802 000)</b>
Non-current liabilities	(267 936 000)	(263 422 000)
Current liabilities	(18 409 000)	(20 380 000)
	<b>(286 345 000)</b>	<b>(283 802 000)</b>

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

Opening balance	283 802 000	269 578 000
Net amount recognised in the statement of financial performance	2 543 000	14 224 000
	<b>286 345 000</b>	<b>283 802 000</b>

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

Service costs	14 407 000	14 026 000
Net interest expense	33 773 000	30 497 000
Remeasurements - Actuarial (gains) losses	(24 811 000)	(12 591 273)
Remeasurements - Benefits Paid	(20 826 000)	(17 707 727)
	<b>2 543 000</b>	<b>14 224 000</b>

#### Key assumptions used

Key assumptions used	Medical Aid	Long service leave
Discount rate	12,28%	11,36
Average Retirement Age	62 years	62 years
CPI inflation rate	6,26	5,48
Medical aid contribution inflation rate	7,76	
Net discount rate	6,48	4,58
Maximum subsidy inflation rate	5,82	

### 17. Accumulated surplus

#### Ring-fenced internal funds and reserves within accumulated surplus - 2024

	Capital replacement reserve	Accumulated Surplus	Insurance reserve	Housing development fund	Total
Opening balance	180 000 000	6 085 814 205	5 000 000	3 545 290	6 274 359 495
Transfer from capital replacement reserve	(165 000 000)	165 000 000	-	-	-
Transfer from housing reserve	-	3 434 458	-	(3 434 458)	-
Surplus for the year	-	9 550 148	-	-	9 550 148
	<b>15 000 000</b>	<b>6 263 798 811</b>	<b>5 000 000</b>	<b>110 832</b>	<b>6 283 909 643</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 17. Accumulated surplus (continued)

#### Ring-fenced internal funds and reserves within accumulated surplus - 2023

	Capital replacement reserve	Accumulated Surplus	Insurance reserve	Housing development fund	Total
Opening balance	303 744 526	5 869 751 628	5 000 000	3 265 173	6 181 761 327
Transfer from capital replacement reserve	(123 744 526)	123 744 526	-	-	-
Surplus for the year	-	92 598 170	-	-	92 598 170
Transfer from housing reserve	-	(280 120)	-	280 120	-
	<b>180 000 000</b>	<b>6 085 814 204</b>	<b>5 000 000</b>	<b>3 545 293</b>	<b>6 274 359 497</b>

### 18. Service charges

Sale of electricity	1 933 188 421	1 754 012 208
Sale of water	560 372 735	545 863 434
Sewerage and sanitation charges	121 497 290	107 728 401
Refuse removal	117 337 974	107 255 741
	<b>2 732 396 420</b>	<b>2 514 859 784</b>

An amount of (2024: R 14 413 684.27 ) (2023: R 12 791 172.44) received in respect of prepaid electricity sales has been deferred and transferred to amounts received in advance.

An amount of R 363 374.16 for 2024 received in respect of prepaid water sales has been deferred and transferred to amounts received in advance.

### 19. Construction Contracts

Revenue	128 188 034	125 288 898
Expenditure - Included under Contracted Services	(128 188 034)	(125 288 898)
	<b>-</b>	<b>-</b>

The construction contracts relate to the agreements entered into between the Municipality and the KwaZulu-Natal Department of Housing in respect of housing projects where the Municipality is a project developer in this arrangement. This arrangement is accounted for in line with the accounting policy for Construction Contract - Housing Projects.

The construction contracts expenses consist mainly of contracted services wherein the Municipality procures the services of building contractors and other consultants in the construction of the houses on its behalf.

The construction contracts revenue is recognised on a stage of completion based on the costs incurred. There are no contracts accounted for as work in progress in line with the agreement.

The amounts received in advance for work to be done is recognised as a liability and disclosed on Note 12: Payables from exchange transactions.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 20. Debt impairment /(reversal)

Contributions to debt impairment provision	9 339 996	(204 116 989)
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Debt impairment/ (reversal) is broken down into services as follows:

#### Debt Impairment / Reversal

Electricity	8 782 609	(34 150 000)
Fines	3 950 164	(30 826 516)
Housing rentals	2 086 957	(1 890 000)
Rates	6 000 000	(17 080 000)
Sundry debtors	(8 784 082)	1 570 000
Refuse	(1 391 304)	(1 650 000)
Sewerage	1 130 435	(4 500 000)
Water	(2 434 783)	(115 590 473)
	<b>9 339 996</b>	<b>(204 116 989)</b>

### 21. Operational Revenue

Building Plans	270 547	433 984
Extension Fees	-	2 253 879
Forfeited Deposits	4 197 691	8 160 357
Insurance claims refund	4 096 371	1 524 515
Sundries	8 815 970	20 896 054
Advertisement	2 646 802	2 450 827
Discount Received	575 197	644 900
Collection charges	6 351 976	4 869 342
Legal fees recovered	998 478	1 023 499
Fire services	1 660 729	38 366
Skills development levy	1 535 821	843 601
Airport landing fees	3 449 906	288 847
Entrance fees	1 156 748	796 314
	<b>35 756 236</b>	<b>44 224 485</b>

### 22. Investment received

#### Interest revenue

Bank	33 924 989	26 846 335
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# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023
<b>23. Property rates</b>		
<b>Rates received</b>		
Residential	230 639 024	211 871 782
Commercial	196 944 349	176 208 991
State	9 789 057	9 048 956
Municipal	40 983 133	38 673 315
Small holdings and farms	333 875	295 145
Industrial	171 763 926	155 302 306
Mining	939 692	863 794
Public service infrastructure	39 106 972	36 314 667
Less: Income forgone	(14 581 692)	(12 771 317)
	<b>675 918 336</b>	<b>615 807 639</b>
Property rates - penalties imposed	1 335 393	901 673
	<b>677 253 729</b>	<b>616 709 312</b>
<b>Valuations</b>		
Residential	22 297 010 500	22 251 506 000
Commercial	9 945 487 500	8 664 047 000
State	2 668 722 000	3 706 040 000
Vacant land	3 189 217 000	3 281 475 000
Public benefit organisation	63 496 000	116 108 000
Agriculture	1 130 254 000	1 134 519 000
Industrial	6 933 583 000	6 939 317 000
Mining	36 142 000	36 142 000
Public service infrastructure	205 382 000	209 880 000
	<b>46 469 294 000</b>	<b>46 339 034 000</b>

The first valuation in terms of the Property Rates Act No.6 of 2004 came into effect on 01 July 2008. Valuations were performed on land and buildings together. Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2020. One supplementary valuation roll and objection roll in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

	Rates Randage	Ratio to Residential Tariff
Residential	0,0113	1 : 1,00
Business/Commercial	0,0237	1 : 2,10
Industrial	0,0249	1 : 2,20
Agricultural	0,0028	1 : 0,25
Public Service Purposes ( State owned )	0,0130	1 : 1,10
Public Services Infrastructure	0,0028	1 : 0,25
PBO's	0,0028	1 : 0,25
Mining	0,0260	1 : 2,30
Vacant Land	0,0237	1 : 2,10

Subject to the provisions contained in the Rates Policy and upon application, the following rebates were applied:

Agricultural Properties - 5%

Non-profit Organisations - 20%

Pensioners - R250 000 Valuation Reduction on primary developed property

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 23. Property rates (continued)

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R145 000 of the valuation on all developed residential properties with >R480 000 was made.

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis is 30 September of each year, and 30 June for monthly ratepayers. Interest of prime plus 1% is levied on outstanding rates.

### 24. Agency services

Vehicle Registrations	8 948 306	6 538 756
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### 25. Transfers and subsidies

#### Operating grants

Equitable share	520 860 000	471 939 000
Finance Management Grant	2 500 000	2 500 000
Expanded Public Works Integrated Grant	2 916 000	3 213 000
Energy Efficiency and demand side management grant	481 154	133 775
Provincial Housing Grant	4 855 015	4 662 506
Provincial Libraries/Museums Grant	12 411 251	11 529 331
Municipal Disaster Relief Grant	5 230 365	7 426 195
Provincial local government grant	2 351 527	1 109 994
Integrated Urban Development Grant	326 400	-
	<b>551 931 712</b>	<b>502 513 801</b>

#### Capital grants

Integrated Urban Development Grant	171 252 600	209 302 000
Integrated National Electrical Program Grant (INEP)	13 840 000	-
Water Service Infrastructure Grant	52 001 000	37 000 000
Municipal Disaster Relief Grant	14 427 407	949 467
Provincial Libraries/Museums Grant	67 480	1 128 556
Energy Efficiency and demand side management grant	4 518 846	1 866 225
	<b>256 107 333</b>	<b>250 246 248</b>
	<b>808 039 045</b>	<b>752 760 049</b>

#### Equitable Share

#### Equitable Share

Current-year receipts	520 860 000	471 939 000
Conditions met - transferred to revenue	(520 860 000)	(471 939 000)
	<b>-</b>	<b>-</b>

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



# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 25. Transfers and subsidies (continued)

#### Water services infrastructure grant

Current-year receipts	52 001 000	37 000 000
Conditions met - transferred to revenue	(52 001 000)	(37 000 000)
	<u>-</u>	<u>-</u>

National Conditional Grants are allocated in terms of the Division of Revenue Act. The purpose of this grant is to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities; provide basic and intermittent water and sanitation supply that ensures provision of services to identified and prioritised communities; support municipalities in implementing water conservation and water demand management projects; support drought relief projects in affected municipalities.

#### Provincial Housing Grant

Balance unspent at beginning of year	2 729 676	2 584 298
Current-year receipts	4 788 080	4 662 506
Conditions met - transferred to revenue	(4 854 964)	(4 662 506)
Interest received	164 564	145 378
Grant withheld	(1 645 041)	-
<b>Conditions still to be met - remain liabilities (see note 14)</b>	<b><u>1 182 315</u></b>	<b><u>2 729 676</u></b>

Provincial Housing grants were allocated to assist in the refurbishment of various hostels. The grants are spent in accordance with a business plan approved by the Provincial Government. Funds were provided for the housing operating account. Funds were also provided for the Municipality to implement the Enhanced Extended Discount Benefit Scheme.

#### Financial management grant

Current-year receipts	2 500 000	2 500 000
Conditions met - transferred to revenue	(2 500 000)	(2 500 000)
	<u>-</u>	<u>-</u>

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). No funds have been withheld.

#### Integrated National Electrical Program Grant

Current-year receipts	13 840 000	-
Conditions met - transferred to revenue	(13 840 000)	-
	<u>-</u>	<u>-</u>

National Conditional Grants are allocated in terms of the Division of Revenue Act. To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to increase access to electricity, existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 25. Transfers and subsidies (continued)

#### Provincial Local Government Grant

Balance unspent at beginning of year	8 452 959	5 812 954
Current-year receipts	-	3 750 000
Conditions met - transferred to revenue	(2 351 526)	(1 109 995)
<b>Conditions still to be met - remain liabilities (see note 14)</b>	<b>6 101 433</b>	<b>8 452 959</b>

Provincial Local Government grants are used to implement administrative and financial framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

#### Provincial Libraries/Museums

Balance unspent at beginning of year	651 436	1 449 322
Current-year receipts	12 589 000	11 860 000
Conditions met - transferred to revenue	(12 478 732)	(12 657 886)
<b>Conditions still to be met - remain liabilities (see note 14)</b>	<b>761 704</b>	<b>651 436</b>

Funding was received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with a business plan approved by the Provincial Government. A subsidy was also received for the operations of the museums. Certain assets were also donated for the libraries. Funding received as a contribution towards the new Mpembeni Modular Library. No funds have been withheld.

#### Expanded Public Works Integrated grant

Current-year receipts	2 916 000	3 213 000
Conditions met - transferred to revenue	(2 916 000)	(3 213 000)
	-	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in compliance with EPWP Guidelines. No funds have been withheld.

#### Energy Efficiency and Demand Side Management grant

Current-year receipts	5 000 000	2 000 000
Conditions met - transferred to revenue	(5 000 000)	(2 000 000)
	-	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The purpose of the grant is to provide subsidies to municipalities to implement energy efficiency and demand side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

#### King Cetshwayo District Municipality

Balance unspent at beginning of year	169 372	169 372
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King Cetshwayo allocated funds for the beach protection project at Alkandstrand beach Richards Bay.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 25. Transfers and subsidies (continued)

#### Integrated Urban Development Grant ( IUDG )

Current-year receipts	171 579 000	209 302 000
Conditions met - transferred to revenue	(171 579 000)	(209 302 000)
	<u>-</u>	<u>-</u>

National Conditional Grant are allocated in terms of the Division of Revenue Act. The purpose of the grant is to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for public investment in economic infrastructure; to ensure that public investments are spatially aligned and to promote the sound management of the assets delivered. No funds have been withheld.

#### Municipal Disaster Recovery Grant

Balance unspent at beginning of year	26 590 338	-
Current-year receipts	-	34 966 000
Conditions met - transferred to revenue	(19 657 772)	(8 375 662)
	<u>6 932 566</u>	<u>26 590 338</u>

National Conditional Grants are allocated in terms of the Division of Revenue Act. The purpose of the grant is to rehabilitate and reconstruct municipal infrastructure damaged by a disaster.

### 26. Public contributions and donations

Other public contributions and donations	<u>4 995 120</u>	<u>1 386 692</u>
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Public contributions and donations were received from various organisations for skills development.

### 27. Fines, Penalties and Forfeits

Law Enforcement Fines	4 170 007	7 275 111
Overdue Books Fines	9 413	1 765
	<u>4 179 420</u>	<u>7 276 876</u>

### 28. Employee related costs

Basic	632 525 236	595 612 058
Bonus	49 152 946	48 493 256
Medical aid - company contributions	53 982 014	49 887 038
UIF	4 582 580	4 546 987
Leave pay provision charge	27 581 579	27 337 814
Standby and night shift allowance	29 712 737	26 891 165
Medical aid - pensioners	9 578 623	8 686 727
Travel, motor car, accommodation, subsistence and other allowances	67 778 935	62 008 479
Overtime payments	89 129 830	98 244 724
Long-service awards	510 909	575 941
Housing benefits and allowances	3 279 037	3 454 497
Cell phone allowance	5 681 776	5 245 586
Pension and group life	128 864 572	118 839 927
Employee benefit obligation	2 543 000	14 224 000
	<u>1 104 903 774</u>	<u>1 064 048 199</u>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 28. Employee related costs (continued)

#### 2024 : Remuneration of Senior Managers & Managers

	City Manager	Chief Operations Officer	Dep City Manager: Infra & Technical Services	Dep City manager: Elect and Energy Services
Annual Remuneration	2 025 557	1 304 287	1 575 886	1 305 499
Annual Bonus	-	106 304	128 816	105 385
Contribution to UIF, Medical & Pension Fund	41 801	272 646	41 801	347 048
Travel Allowance	142 553	322 575	259 188	246 983
	<b>2 209 911</b>	<b>2 005 812</b>	<b>2 005 691</b>	<b>2 004 915</b>

#### 2023 : Remuneration of Senior Managers and Managers

	City Manager	Chief Operations Officer	Dep City Manager: Infra & Technical Services	Dep City manager: Elect and Energy Services
Annual Remuneration	1 957 830	1 260 945	1 605 823	1 324 985
Annual Bonus	1 783	104 319	124 760	111 492
Contribution to UIF, Medical & Pension Fund	147 158	309 965	72 000	678 431
Travel Allowance	138 620	313 080	252 485	161 782
	<b>2 245 391</b>	<b>1 988 309</b>	<b>2 055 068</b>	<b>2 276 690</b>

#### 2024 : Remuneration of Senior Managers and Managers

	Dep City Manager: City Development	Dep City Manager: Community Services	Chief Financial officer	Dep Manager: Corporate Services	Head: Engineering Services
Annual Remuneration	1 568 889	1 397 720	1 626 275	994 877	985 644
Annual Bonus	124 678	-	129 329	-	-
Contribution to UIF, Medical & Pension Fund	146 629	342 358	41 801	266 187	-
Travel Allowance	162 070	261 647	204 600	332 302	397 250
Acting Allowance	-	-	-	50 295	249 700
	<b>2 002 266</b>	<b>2 001 725</b>	<b>2 002 005</b>	<b>1 643 661</b>	<b>1 632 594</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 28. Employee related costs (continued)

<b>2023 : Remuneration of Senior Managers and Managers</b>	Dep City Manager: City Development	Dep City Manager: Community Services	Chief Financial officer	Dep Manager: Corporate Services	Head: Engineering Services
Annual Remuneration	1 519 972	1 398 261	1 572 078	3 325 458	521 844
Annual Bonus	121 506	119 237	125 772	6 598	-
Performance Bonus	91 296	107 936	398 735	-	-
Travel Allowance	161 498	254 866	204 600	225 021	213 504
Contribution to UIF, Medical & Pension Fund	180 321	336 823	80 633	227 479	281 372
Housing Subsidy	-	-	-	-	7 082
	<b>2 074 593</b>	<b>2 217 123</b>	<b>2 381 818</b>	<b>3 784 556</b>	<b>1 023 802</b>
<b>2024 : Remuneration of Senior Managers and Managers</b>	Head: Financial Service Exp	Head: Financial Service Revenue	Head: Financial Service Revenue	Head Transport & Roads	Head: Management Services
Annual Remuneration	942 897	942 897	942 897	942 897	942 897
Annual Bonus	78 575	78 575	78 575	78 575	78 575
Housing Subsidy	12 797	12 797	12 797	-	-
Travel Allowance	384 061	384 061	384 061	384 061	384 061
Contribution to UIF, Medical & Pension Fund	436 035	360 301	360 301	243 727	224 878
	<b>1 854 365</b>	<b>1 778 631</b>	<b>1 778 631</b>	<b>1 649 260</b>	<b>1 630 411</b>
<b>2023 : Remuneration of Senior Managers and Managers</b>	Head: Financial Service Exp	Head: Financial Service Revenue	Head Transport & Roads	Head: Water and Sanitation	Head: Management Services
Annual Remuneration	894 589	298 196	894 589	525 436	429 331
Annual Bonus	74 549	-	74 549	74 753	-
Housing Subsidy	12 141	4 047	-	-	4 047
Travel Allowance	365 582	386 144	365 582	214 965	196 208
Contribution to UIF, Medical & Pension Fund	301 835	102 112	234 949	302 443	120 234
Acting Allowance	-	-	-	-	64 841
	<b>1 648 696</b>	<b>790 499</b>	<b>1 569 669</b>	<b>1 117 597</b>	<b>814 661</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 28. Employee related costs (continued)

<b>2024 : Remuneration of Senior Managers and Managers</b>	Head:Public Health & Emergency Services	Head: Electrical Services	Head: Transport Facilities and Operations	Head: Corporate Services	Head: SCM
Annual Remuneration	942 897	942 897	942 987	707 173	942 897
Annual Bonus	78 575	78 575	78 575	-	78 575
Housing Subsidy	12 797	-	-	-	-
Travel Allowance	384 061	384 061	384 061	292 986	384 061
Contribution to UIF, Medical & Pension Fund	283 880	277 788	327 641	212 888	225 014
Acting Allowance	-	-	-	14 956	-
	<b>1 702 210</b>	<b>1 683 321</b>	<b>1 733 264</b>	<b>1 228 003</b>	<b>1 630 547</b>

<b>2023 : Remuneration of Senior Managers and Managers</b>	Head:Public Health & Emergency Services	Head: Electrical Services	Head: Transport Facilities and Operations	Head: Corporate Services	Head: SCM
Annual Remuneration	894 589	447 294	894 589	670 942	727 527
Annual Bonus	74 549	30 841	74 549	74 549	74 549
Housing Subsidy	12 141	4 047	-	3 035	8 094
Travel Allowance	365 582	182 324	365 582	274 878	297 364
Contribution to UIF, Medical & Pension Fund	269 408	136 261	250 683	404 255	270 900
	<b>1 616 269</b>	<b>800 767</b>	<b>1 585 403</b>	<b>1 427 659</b>	<b>1 378 434</b>

### 29. Remuneration of councillors

Mayor	1 168 994	1 167 263
Deputy Mayor	881 257	549 212
Executive Committee Members	823 895	5 372 583
Speaker	945 114	929 485
Councillors	25 064 922	22 955 630
Chief Whip	848 106	886 939
Section 79 committee chairperson	864 521	862 478
	<b>30 596 809</b>	<b>32 723 590</b>

### In-kind benefits

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

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

### 30. Inventory Consumed

Inventory Consumed	454 959 207	443 351 013
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# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 30. Inventory Consumed (continued)

#### Inventory Consumed

Consumables	1 860 255	881 948
Finished Goods	445 704	682 313
Materials and Supplies	121 488 841	133 363 554
Water Inventory	331 164 407	308 418 090
	<b>454 959 207</b>	<b>443 345 905</b>

### 31. Depreciation and amortisation

Property, plant and equipment	281 888 249	266 948 886
Investment property	592 697	462 786
Intangible assets	40 995 590	34 517 990
	<b>323 476 536</b>	<b>301 929 662</b>

### 32. Finance costs

Other financial liabilities	158 672 883	89 003 489
Interest on overdue accounts	166 355	-
	<b>158 839 238</b>	<b>89 003 489</b>

### 33. Bad debt written off

Electricity	1 867 927	448 998
Fines	-	36 800 600
Sewerage	2 176 369	1 952 016
Rates	4 451 794	6 999 904
Refuse	1 497 615	1 575 718
Water	48 154 627	198 171 361
Sundry	2 527 715	-
	<b>60 676 047</b>	<b>245 948 597</b>

### 34. Bulk purchases

Electricity	<b>1 528 384 697</b>	<b>1 250 740 202</b>
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# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 34. Bulk purchases (continued)

#### Electricity losses

Units purchased ( KW )	927 720 041	965 039 240
Units sold ( KW )	(857 873 652)	(887 263 972)
<b>Total loss</b>	<b>69 846 389</b>	<b>77 775 268</b>
Unit cost / KW	1,65	1,30
Percentage Loss	7,5 %	8 %

Electricity losses are attributable to the following reasons:

**Non-Technical reasons:** Theft .

**Technical reasons:** Electricity resistivity in the network. Ageing of network without sufficient replacement, refurbishment and maintenance. Incorrect meter calibration and monitoring.

#### Water losses/Non-Revenue water

Apparent losses: Unauthorised consumption	20 276 851	19 731 708
Apparent losses: Customer meter inaccuracies	36 539 801	39 069 115
Real losses: Leakage on transmission and distribution mains	215 000 557	234 549 017
Real losses: Leakage and overflows at storage tanks/ reservoirs	16 444 062	17 364 051
Real losses: Leakage on service connections up to the point of customer meter	93 731 155	99 932 845
Real losses: During repairs and maintenance	20 299 889	23 454 542
<b>Total losses (Rand value)</b>	<b>402 292 315</b>	<b>434 101 278</b>
Units purchased and produced ( KL )	60 111 529	61 038 748
Authorised consumption ( KL )	(27 286 473)	(26 493 403)
<b>Total loss (units)</b>	<b>32 825 056</b>	<b>34 545 345</b>
Percentage Loss	55 %	57 %

In accordance with the Water Inventory Balance model Water Losses are attributed to two primary categories of Apparent Losses and Real Losses. Apparent Losses are further broken down into two subcategories - Unauthorized Consumption (Theft, illegal connections) and Meter Inaccuracies. Real Losses are the losses that occur in the inefficiencies of the water transmission and distribution and storage systems



# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 35. Contracted services

#### Outsourced Services

Other Contractors	29 366 393	30 663 247
Project Management: ICT	162 917 060	129 122 173
Internal Audit	7 963 280	12 151 954
Legal Services	4 961 647	6 946 694
Credit Control Services	9 648 574	5 983 633
Cleaning Services	8 901 689	7 966 663
Meter Management	20 120 256	10 897 731
Security Services	79 670 716	84 063 094
Sewerage Services	25 019 695	16 280 911
Social Housing Contractors	128 188 034	125 288 898
Maintenance Contractors	126 695 035	151 144 511

**603 452 379**

**580 509 509**

### 36. Transfer and subsidies

#### Other subsidies

Subsidies Paid	8 927 436	8 772 298
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# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 36. Transfer and subsidies (continued)

#### Details of Grants and Subsidies paid

SPCA	465 800	465 800
Bursaries Employees Children	467 038	456 450
Funeral Councillors - In Kind	-	41 000
Funeral Councillors	96 950	254 610
University Registrations	516 000	570 000
Disaster Management Awareness Campaigns and Relief Assist	480 822	512 565
Richards Bay Football Club	-	1 060 000
Mandela Day Celebration	404 980	168 429
uMhlathuze Community Tourism Association	300 000	300 000
Youth Manager - Strategic Partnership	-	137 052
Dolofees	100 000	200 000
uMhlathuze International Jazz Festival	-	200 000
uMhlathuze Hindu Development Community	-	50 000
Zwide 24 Entertainment - King Cetshwayo Festival	-	200 000
uMhlathuze Rise Youth Festival	-	100 000
Isigqi Lifestyle and Development Foundation: Artists Talent	-	100 000
NYE Abajabule Abantu - Afrotainment	-	500 000
Winzaar - Ubuntombi Bami	-	477 500
God's Power Gospel Celebration	-	150 000
BF Entertainment - The Social Experiment	-	100 000
Downstream Aluminium Centre for Technology	-	220 000
SAFA King Cetshwayo Football Association	-	60 000
Sundries	-	138 584
NRB Harriers: uMhlathuze 32km Challenge	-	200 000
Primere Skool Arboretum	-	80 000
Mhlongo ME	100 000	200 000
Boys to men	94 500	122 860
Girl to Woman	87 000	122 860
Youth Development: Community Youth Month Celebration	1 257 490	370 194
Executive Mayor Campaigns	-	782 065
Ingoma Festival	-	121 888
Agricultural Projects	134 000	263 941
Chieta Funding Training and Development	25 000	46 500
Christmas Party for Senior Citizens	749 758	-
State of the City	434 782	-
Richards Bay Diwali and Culture Committee	100 000	-
Ingezo Yamabhinca NPC	215 000	-
Mpanza KK	177 500	-
Indabuko Yethu Arts Foundation	100 000	-
Manzini Empire Caterers Pty Ltd	400 000	-
Jabulani Shandu Ematshane Production	50 000	-
Employment Incentive Initiative	1 786 416	-
Skills Transfer - Bricklaying	126 720	-
Skills Transfer - Plumbing	149 600	-
Economic Development Assistance - Poultry	108 080	-
	<b>8 927 436</b>	<b>8 772 298</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 37. Impairment loss

#### Impairments

Property, plant and equipment	50 333 590	10 121 864
Included under impairment loss is a material amount of R48 446 134 which relates to impairment of land owned by the Municipality that is invaded by illegal occupants. This has rendered the land not to be used for its intended purpose by the Municipality. There are still processes in place including legal actions to attend to the matter. The recoverable amount of the asset was based on its value in use. The value in use is the depreciated replacement cost of the asset. The land assets are included under the reportable segment "Other" in the segment report note.		

### 38. Operating expenses

Personnel recruitment fees	-	1 715 395
Advertising	3 054 800	3 585 967
Auditors' remuneration	7 042 591	6 115 190
Bank charges	6 917 829	9 813 387
Cleaning	60 575	43 951
Commission paid	4 720 451	6 948 481
Entertainment	188 395	220 431
Insurance	17 474 218	15 930 405
Community development and training	8 540 414	7 579 296
Conferences and seminars	336 241	488 199
Employee awards	160 326	59 101
Human settlements refund	3 524 809	-
Skills development levies	9 174 354	8 774 180
Motor vehicle expenses	3 017 472	1 699 866
Packaging	395 307	308 971
Fuel and oil	54 746 940	65 939 146
Postage and courier	1 908 727	1 754 721
Printing and stationery	88 786	120 121
Workmen's Compensation Fund	5 612 586	5 061 203
Software expenses	32 519 046	35 275 088
Subscriptions and membership fees	13 142 646	11 973 988
Telephone and fax	8 736 084	8 064 224
Refuse site fees	5 688 129	14 435 173
Municipal Electricity services	21 247 370	13 817 702
Uniforms	10 456 772	6 343 568
Bursaries	566 833	516 497
Electricity Consumption - Indigent Support	5 650	19 106
Licences	4 505 898	4 087 241
Travel and Subsidies	2 583 293	3 244 331
Rental of Property, Plant and Equipment	18 231 505	24 954 436
Signage	416 944	518 506
Water abstraction levies	47 111 769	44 580 569
Inventory Loss	1 743 632	1 787 635
	<b>293 920 392</b>	<b>305 776 075</b>

### 39. Auditors' remuneration - fees

Fees	7 042 591	6 115 190
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# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 40. Operating lease

The municipality as a lessee.

At the reporting date, the municipality has an outstanding commitment under operating leases which fall due as follows:

#### IT Equipment

Within 1 year	4 584 386	2 838 255
In the second to the fifth year inclusive	6 891 162	3 518 250
	<b>11 475 548</b>	<b>6 356 505</b>

Operating lease payment represents rental of printers and the telephone system.

### 41. Net cash flows from operating activities

Surplus	9 550 148	92 598 170
<b>Adjustments for:</b>		
Depreciation and amortisation	323 476 536	301 929 662
(Gain)/loss on sale of assets and liabilities	(15 307 260)	44 346 166
Interest income	(33 924 989)	(26 846 335)
Finance costs	158 839 238	89 003 489
Impairment loss	50 333 590	10 121 864
Debt impairment	9 339 996	(204 116 989)
Bad debts written off	60 676 047	245 948 597
Non-cash item - employee benefit obligations	3 864 074	14 224 000
Inventory water gains	(557 688 723)	(581 557 584)
Water losses	402 292 315	434 101 278
Inventory loss	1 338 333	1 787 635
<b>Changes in working capital:</b>		
Inventory	30 151 984	157 421 572
Receivables from exchange transactions	(101 339 491)	(221 013 492)
Statutory receivables	(40 066 725)	(25 849 255)
Other receivables	7 558 972	(2 074 762)
Payables from exchange transactions	(112 525 067)	(70 991 323)
VAT	13 552 029	(9 844 328)
Unspent conditional grants and receipts	(23 446 391)	28 577 835
Consumer deposits	(1 795 939)	(4 025 732)
	<b>184 878 677</b>	<b>273 740 468</b>

### 42. Gain/(Loss) on disposal of assets and liabilities

The Municipality disposed the following assets due to scrapping of replaced components and sale of land.

	<b>2024</b>	<b>2023</b>
Proceeds on disposal	98 645 000	55 710 000
Carrying value of property, plant and equipment	(27 300 662)	(100 056 166)
Carrying value of investment property	(56 037 078)	-
	<b>15 307 260</b>	<b>(44 346 166)</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 43. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	336 271 362	716 707 402
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##### Total capital commitments

Already contracted for but not provided for	336 271 362	716 707 402
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This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

### 44. Contingencies

#### Contingent Liability

**Panda Petroleums:** Tender 8/2/1/983 was awarded to Panda Petroleums CC. There is a term letter that was addressed to the lessee on 30 June 2017 advising them of the various breaches committed in terms of the agreement and urged him to remedy the breaches within a specific time frame, which was not adhered to. A termination letter was subsequently sent to Panda. The meeting held between that was held between the two parties was unable to bring forth a consensus and therefore the matter was taken to court. The judgement was handed down and the applicant's application was dismissed with cost on an attorney and client scale. The fees incurred by council to date are R 451 232.34.

**African national Congress:** Council was served with an urgent Notice of Motion by the ANC on 12 January 2022. The court ruled against the applicant and a cost order was awarded in Council's favour on a party and party scale. The fees incurred by council to date are R 435 306.48.

**Electoral Commission:** A notice of Motion was served on Council by the electoral Commission of South Africa and Chief Electoral Officer in terms of which it is alleged that during the election on 23 November 2021, the appointments of the 8th, 9th and 10th respondents as members of the King Cetshwayo District Municipal Council was unlawful, unconstitutional and invalid Judgement was handed down in favour of the Electoral Commission of South Africa and Chief Electoral Officer. Council filed its Notice to appeal. The fees incurred by council to date are R 2 401 711.03.

**Nompumelelo Hadebe Incorporated:** The plaintiff has served the municipality with summons which started the action process of suing the municipality for money for work allegedly done. The fees incurred by council to date are R 65 667.30.

**Security Matters:** The Municipality received summons from various security companies regarding services rendered that were not paid for. The fees incurred by council to date are R 351 056.35.

**Kershan Moodley:** Summons was served in November 2021 in which an amount of R 9 430 is claimed for tire damages as a result of a pothole. The fees has been incurred by council to date.

**DMV Consultants:** A letter from attorneys representing DMV consultants have been received by the municipality claiming consultancy fees owed to them for various water and sanitation projects. The municipality is disputing the claim and the matter will be legally challenged. The fees incurred by Council are R 27 516.78

#### Contingent assets

**uMhlathuze Municipality/ Niphile Consulting Engineers and Amagwaba Construction CC:** The service providers in this matter were appointed to construct the eSikhaleni Fitness Centre and they failed to deliver on time as progress was very slow on site. A draft Summon is in progress. Fees incurred by council to date are R 11 770.30

**uMhlathuze Municipality/ MTV Property:** The Attorneys were instructed to obtain a court order prohibiting the illegal truckstop. The matter went to court and was adjourned for the opponents to file their answering affidavit. Fees incurred by council to date are R 36 143.21.

**uMhlathuze Municipality / Various Contravenors:** The matter is relating to companies relating illegal stockpiling. Fees incurred by council to date are R 2 309 934.94

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

#### 45. Related parties

##### Key management information

##### Remuneration of management

2024

Name	Basic salary	Cellphone/Data Allowance	Travel Allowance	Medical Aid	Pension	Total
Ngwezi X - Mayor	878 131	49 608	-	109 536	131 720	1 168 995
Both CM - Deputy Mayor	593 831	41 950	50 553	63 149	91 496	840 979
Ngubane N - Deputy Mayor (Previous year )	-	1 512	-	-	-	1 512
Gumede TS- Speaker	749 280	49 608	-	33 834	112 392	945 114
Donda NG - Chief Whip	694 346	49 608	-	41 041	104 152	889 147
Both CM - Executive Committee ( 01/07/23-09/08/23)	56 055	7 658	30 252	5 527	6 123	105 615
Zulu SH - Executive Committee ( 01/07/23-30/06/23)	730 034	49 608	-	-	109 505	889 147
	<b>3 701 677</b>	<b>249 552</b>	<b>80 805</b>	<b>253 087</b>	<b>555 388</b>	<b>4 840 509</b>

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

#### 45. Related parties (continued)

##### 2023

Name	Basic salary	Cellphone/Data Allowance	Travel Allowance	Medical Aid	Pension	Back pay	Total
Ngwezi X - Mayor	848 241	46 413	-	102 930	127 236	40 979	1 165 799
Donda NG - Mayor	-	1 200	-	-	-	-	1 200
Ngwezi X - Mayor	-	264	-	-	-	-	264
Ngubane NN - Deputy Mayor	435 295	28 041	-	-	65 642	19 034	548 012
Sibiya KD - Deputy Mayor	-	1 200	-	-	-	-	1 200
Gumede TS- Speaker	708 617	46 580	-	31 944	108 363	32 781	928 285
Mkhize G- Speaker	-	1 200	-	-	-	-	1 200
Donda NG - Chief Whip	703 308	46 200	-	-	105 496	30 735	885 739
Lourens M - Chief Whip	-	1 200	-	-	-	-	1 200
Both CM - Executive Committee	471 363	47 780	202 201	64 536	70 704	30 735	887 319
Mthembu BC - Executive Committee	312 335	33 123	136 431	50 842	46 117	20 738	599 586
Zikhali RM - Executive Committee	327 120	33 123	136 431	33 840	48 334	20 738	599 586
Mkhize ZH - Executive Committee	452 529	32 138	-	26 296	66 901	20 738	598 602
Grobelaar Z - Executive Committee	457 130	32 138	-	21 004	67 591	20 738	598 601
Zulu SH - Executive Committee	703 308	46 580	-	-	105 496	30 735	886 119
Mhlongo MG - Executive Committee	439 134	31 923	-	41 700	64 892	20 738	598 387
Sibiya KD - Executive Committee	327 120	31 923	136 431	33 840	48 334	20 738	598 386
Gumede TS - Executive Committee ( Back-pay after termination )	-	1 200	-	-	-	-	1 200
Mthethwa KN - Executive Committee ( Back-pay after termination )	-	1 200	-	-	-	-	1 200
Sookroo M - Executive Committee ( Back-pay after termination )	-	1 200	-	-	-	-	1 200
Ndimande DJ - Executive Committee ( Back-pay after termination )	-	1 200	-	-	-	-	1 200
Phahla TM - Executive Committee ( Back-pay after termination )	-	1 200	-	-	-	-	1 200
	<b>6 185 500</b>	<b>467 026</b>	<b>611 494</b>	<b>406 932</b>	<b>925 106</b>	<b>309 427</b>	<b>8 905 485</b>

#### Management class: Councillors

##### 2024

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

#### 45. Related parties (continued)

	Basic salary	Cellphone/Data Allowance	Travel Allowance	Medical Aid	Pension	Total
<b>Name</b>						
Executive committee members	3 701 677	249 552	80 805	253 087	555 388	4 840 509
Other Councillors	17 627 233	2 973 375	1 267 833	596 550	2 426 789	24 891 780
Section 79 Chairperson	531 465	49 608	203 728	-	79 719	864 520
	<b>21 860 375</b>	<b>3 272 535</b>	<b>1 552 366</b>	<b>849 637</b>	<b>3 061 896</b>	<b>30 596 809</b>

#### 2023

	Basic salary	Cellphone/Data Allowance	Travel Allowance	Medical Aid	Pension	Back pay	Total
<b>Name</b>							
Executive committee members	6 185 500	467 026	611 494	406 932	925 106	309 427	8 905 485
Other Councillors	16 087 884	2 676 126	868 853	377 600	2 203 279	741 887	22 955 629
Section 79	512 009	47 565	196 270	-	76 801	29 831	862 476
	<b>22 785 393</b>	<b>3 190 717</b>	<b>1 676 617</b>	<b>784 532</b>	<b>3 205 186</b>	<b>1 081 145</b>	<b>32 723 590</b>

#### 46. Change in estimate

##### Property, plant and equipment

The municipality in the current financial year changed the estimate useful lives of certain Property, Plant and Equipment that were reaching their initial estimated useful lives. The effect of this revision has reduced the depreciation charges for the current and future periods by R11 136 068.

##### Investment property

The municipality in the current financial year changed the estimate useful lives of certain Intangible assets that were reaching their initial estimated useful lives. The effect of this revision has reduced the amortisation charges for the current and future periods by R258 603.

##### Intangible assets

The municipality in the current financial year changed the estimate useful lives of certain Intangible assets that were reaching their initial estimated useful lives. The effect of this revision has reduced the amortisation charges for the current and future periods by R428 429.



# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 47. Prior-year adjustments

The Municipality restated prior year receivables from exchange and non exchange transactions due to previous year-end accruals that were not reversed. There were also billing transactions that were adjusted in the prior year.

Internal and link services assets constructed in terms of Empangeni Housing Development agreement were recognised in the prior year.

Housing construction payable was restated to correct an error in the prior year opening balance identified during reconciliations with Human Settlements.

The Municipality brought in land that was not recognised in the prior years which however appears in the valuation roll and Deeds Office as belonging to the Municipality.

An output VAT amount that relates to receivables from exchange transactions which are impaired was recognised in the prior year. The municipality was previously not recognising the implication on debt impairment.

An amount relating to actuarial gains that was previously disclosed separately in the statement of financial performance has been reclassified to employee related costs.

An amount relating to municipal electricity services was incorrectly classified as internal billing under service charges. This amount has been reclassified to operating expenses. There was also an internal billing amount that was incorrectly classified as operating expenses that has been correctly classified to service charges.

### Statement of financial position

#### 2023

	Note	As previously reported	Restatement	Restated
Statutory receivables	3	207 117 880	(71 966 449)	135 151 431
Receivables from exchange transactions	4	847 490 379	(324 915 500)	522 574 879
Payables from exchange transactions	12	719 189 072	5 189 710	724 378 782
Other receivables	5	26 167 012	15 652 174	41 819 186
Property, Plant and Equipment	8	6 911 093 524	247 843 770	7 158 937 295
Accumulated Surplus	17	6 412 935 211	(138 575 714)	6 274 359 497
		<b>15 123 993 078</b>	<b>(266 772 009)</b>	<b>14 857 221 070</b>

### Statement of financial performance

#### 2023

	Note	As previously reported	Re-classification	Restated
Employee related costs	28	1 076 639 472	(12 591 273)	1 064 048 199
Actuarial gains		(12 591 273)	12 591 273	-
Service charges	18	2 520 919 377	6 059 593	2 514 859 784
Operating expenses	38	311 835 669	(6 059 593)	305 776 075
		<b>3 896 803 245</b>	<b>-</b>	<b>3 884 684 058</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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### 48. Risk management

#### Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	177 881 868	193 420 458	485 379 403	807 015 289
Trade and other payables	646 716 439	-	-	-
Consumer deposits	55 359 079	-	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	142 122 147	151 758 070	419 840 640	698 305 734
Trade and other payables	724 378 782	-	-	-
Consumer deposits	57 155 018	-	-	-

#### 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 counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

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

Financial instrument	2024	2023
Investments	120 000 000	360 000 000
Cash and cash equivalents	152 466 861	135 109 011
Receivables from exchange transactions	568 390 117	522 574 879
Other receivables	34 351 519	41 819 186

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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2023

### 48. Risk management (continued)

#### Market risk

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

### 49. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 6 283 909 645 and that the municipality's total assets exceed its liabilities by R 6 283 909 645.

The statement of financial performance shows a surplus of R9 550 148 for the year ending 30 June 2024 however when capital revenue is excluded the result is an operating deficit of R 282 126 989. The cash and cash equivalents have reduced which indicate that the municipality will have to improve its working capital management particularly collection of receivables as most cash is locked up in that line item. However, 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 accounting officer continue to monitor closely the cash flow position and the expenditure patterns for the ongoing operations of the municipality.

### 50. Events after the reporting date

There were no events that took place after the reporting date.

### 51. Irregular expenditure

Opening balance as previously reported	4 761 038	4 355 981
Add: Irregular expenditure - current	-	405 057
<b>Closing balance</b>	<b>4 761 038</b>	<b>4 761 038</b>

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

#### Contributions to organised local government

Current year subscription / fee	13 142 646	11 973 988
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#### Audit fees

Current year subscription / fee	7 042 591	6 115 190
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#### PAYE and UIF

Current year subscription / fee	188 896 187	182 516 333
Amount paid - current year	(188 896 187)	(182 516 333)
	-	-

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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

#### Pension and Medical Aid Deductions

Opening balance	(15 066)	(31 547)
Current year subscription / fee	261 152 089	241 770 403
Amount paid - current year	(261 171 678)	(241 753 922)
Amount paid - previous years	34 655	15 066
	<u>-</u>	<u>-</u>

#### VAT

VAT receivable/(Payable)	<u>2 329 453</u>	<u>15 881 482</u>
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All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Zibani T	177	9 799	9 976
Zulu SH	-	8 481	8 481
Sabela LS	-	1 949	1 949
Zwane IN	-	926	926
Mathaba FB	-	223	223
	<u>177</u>	<u>21 378</u>	<u>21 555</u>

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Zulu SH	-	8 401	8 401
Zibani T	7	8 669	8 676
Sabela LS	348	3 249	3 597
Mtshali KC	-	299	299
Mathaba FB	-	440	440
Zwane IN	124	296	420
Khuzwayo PH	637	-	637
Nzuza JL	497	-	497
	<u>1 613</u>	<u>21 354</u>	<u>22 967</u>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

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

#### Supply chain management regulations

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

#### Incident

Emergency	10 903 169	26 290 754
Sole provider	6 346 634	1 199 220
Exceptional case where it is impossible to follow the SCM process	28 489 184	4 319 878
	<b>45 738 987</b>	<b>31 809 852</b>

### 53. Segment information

#### General information

#### Identification of segments

The segments were organised around the type of services delivered by the municipality which are also the main revenue generating streams. These segments also represent the funding sources that fund the municipal operations as per mSCOA. Management uses the same segments for determining strategic objectives particularly on the financial viability of each service. Different services funded by rates and general were aggregated to the other segment 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.

The reporting of information per geographical area is currently impractical.

#### Types of goods and/or services by segment

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

#### Reportable segment

Electricity Management  
Waste Management  
Wastewater Management  
Water Management  
Other

#### Goods and/or services

Energy Services  
Refuse Services  
Sewerage Services  
Water Services  
Community Services, Sports and Recreation, Roads, Public Safety, Finance and Admin, Housing and etc.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

### 53. Segment information (continued)

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

2024

	Electricity Management	Waste Management Services	Wastewater management	Water Management	Other	Total
<b>Revenue</b>						
External revenue from non-exchange transactions	78 855 598	101 336 881	146 370 216	746 464 171	989 170 768	2 062 197 634
External revenue from exchange transactions	1 883 574 107	112 262 493	114 510 971	526 988 114	214 275 715	2 851 611 400
Inter-segment revenue	70 386 704	2 539 276	2 664 178	16 328 383	-	91 918 541
Interest revenue	-	-	-	-	33 924 989	33 924 989
<b>Total segment revenue</b>	<b>2 032 816 409</b>	<b>216 138 650</b>	<b>263 545 365</b>	<b>1 289 780 668</b>	<b>1 237 371 472</b>	<b>5 039 652 564</b>
<b>Entity's revenue</b>						<b>5 039 652 564</b>
<b>Expenditure</b>						
Salaries and wages	92 106 595	100 712 929	71 623 614	101 827 133	738 633 503	1 104 903 774
Interest	50 702 198	286 577	7 083 646	72 128 016	28 638 801	158 839 238
Depreciation	25 211 097	1 518 846	59 246 882	61 096 586	176 403 125	323 476 536
Other Expenditure	1 689 743 091	81 176 569	181 387 389	1 011 972 757	478 603 062	3 442 882 868
<b>Total segment expenditure</b>	<b>1 857 762 981</b>	<b>183 694 921</b>	<b>319 341 531</b>	<b>1 247 024 492</b>	<b>1 422 278 491</b>	<b>5 030 102 416</b>
<b>Total segmental surplus/(deficit)</b>						<b>9 550 148</b>
<b>Assets</b>						
Segment assets	4 113 424 520	542 897 609	1 202 764 061	2 247 690 093	868 303 688	8 975 079 971
<b>Total assets as per Statement of financial Position</b>						<b>8 975 079 971</b>
<b>Liabilities</b>						
Segment liabilities	998 433 583	79 396 803	261 161 762	560 584 784	791 593 397	2 691 170 329
<b>Total liabilities as per Statement of financial Position</b>						<b>2 691 170 329</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

### 53. Segment information (continued)

2023

	Electricity	Waste Management Services	Wastewater management	Water	Other	Total
<b>Revenue</b>						
Revenue from non-exchange transactions	30 636 771	96 354 038	240 706 123	884 901 888	714 759 204	1 967 358 024
Revenue from exchange transactions	1 736 914 595	104 980 844	108 218 607	459 383 885	420 728 336	2 830 226 267
Inter-segment revenue	75 487 579	2 627 615	3 131 502	16 943 657	-	98 190 353
Interest income	-	-	-	-	26 846 335	26 846 335
<b>Total segment revenue</b>	<b>1 843 038 945</b>	<b>203 962 497</b>	<b>352 056 232</b>	<b>1 361 229 430</b>	<b>1 162 333 875</b>	<b>4 922 620 979</b>
<b>Entity's revenue</b>						<b>4 922 620 979</b>
<b>Expenditure</b>						
Salaries and wages	120 356 139	132 844 758	99 902 472	122 163 043	601 373 058	1 076 639 470
Interest	27 188 695	159 929	3 953 005	37 445 666	20 256 193	89 003 488
Depreciation	23 950 526	1 627 419	52 083 004	58 479 801	165 788 913	301 929 663
Other Expenditure	1 565 801 531	68 500 691	150 264 448	1 279 950 252	297 933 266	3 362 450 188
<b>Total segment expenditure</b>	<b>1 737 296 891</b>	<b>203 132 797</b>	<b>306 202 929</b>	<b>1 498 038 762</b>	<b>1 085 351 430</b>	<b>4 830 022 809</b>
<b>Total segmental surplus/(deficit)</b>						<b>92 598 170</b>
<b>Assets</b>						
Segment assets	4 015 747 985	400 781 988	1 549 317 369	2 555 651 321	166 352 552	8 687 851 215
<b>Total assets as per Statement of financial Position</b>						<b>8 687 851 215</b>
<b>Liabilities</b>						
Segment liabilities	328 263 588	53 519 246	180 864 111	334 094 494	1 645 893 614	2 542 635 053
<b>Total liabilities as per Statement of financial Position</b>						<b>2 542 635 053</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

2024

2023

### 54. Budget differences

#### Explanation of variances between approved and final budget amounts

The variance between approved and final budget is as a result of an adjustment budget that was approved by Council on 22 February 2024 (RPT177381)

Explanation of variances greater than 20% between the final budget and actual amounts

#### Statement of financial performance:

##### Revenue

##### Service charges

The variance is due to electricity revenue as a result of a drop in commercial and industrial consumption due to the transition taken by large manufacturers and commercial businesses to alternative sources of energy.

##### Operational income

The variance is mainly due to higher revenue received on airport landing fees and collection charges than anticipated at budget stage.

##### Surcharges and taxes

The variance is due to accelerated volumes that are billed surcharges which were higher than budgeted.

##### Fines and penalties

The variance is due expiry of the traffic fines management contract and therefore less revenue is generated by the Traffic Department. The variance is mainly due to the delay in the operation of the airport therefore rental revenue could not be realised.

##### Expenditure

##### Debt impairment

The variance is due to bad debts written off during the year which had reduced the balance of accounts that are considered to be impaired.

##### Contracted services

The variance is due to housing contract expenditure and also SAP project management.

#### Statement of financial position

##### Receivables from exchange transactions

The variance is mainly due to prior year adjustment of debtors which not anticipated at budget stage.

##### Other receivables

The variance is mainly due to providing for vat output impairment which is linked to receivables that have been impaired.

##### Investment property

The variance is due disposals of certain assets under investment property during the year.

##### Unspent conditional grants

The variance is due to increased spending of grants received in the current year and also balances from previous years.

##### VAT receivable

The variance is due to less input vat claimed during the year as a result of not spending the full budget on capital projects.

#### Cash Flow Statement

##### Net cash from investing activities

The variance is due to proceeds from sale of property, plant and equipment which were not included at budget stage. Receivables from exchange



# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements for the year ended 30 June 2024

2024

2023

### 54. Budget differences (continued)

#### Receivables from exchange transactions

The variance is mainly due to prior year adjustment of debtors which not anticipated at budget stage.

#### Other receivables

The variance is mainly due to providing for vat output impairment which is linked to receivables that have been impaired.

#### Investment property

The variance is due disposals of certain assets under investment property during the year.

#### Unspent conditional grants

The variance is due to increased spending of grants received in the current year and also balances from previous years.

### 55. Accounting by principals and agents

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

#### Details of the arrangement is as follows:

Department of Transport

The municipality acts on behalf of the Department of Transport to issue licences to, and collect money from motorists, i.e. there are three parties to the arrangement, Principal ( Department of Transport), Agent ( uMhlathuze Municipality ) and Third party ( The Motorist)

As the Department of Transport is responsible for issuing the licence, the transaction is however between the Department of Transport and the motorist, i.e. the municipality is not a party to the transaction with the third parties. The municipality facilitates the issuing of these licences and the collection of the prescribed fees.

The municipality receives a fee of 8.55% of the transaction amount and there were no changes that occurred during the reporting period.

#### Entity as agent

#### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R 8 948 306 (2023: R6 538 756).

### 56. Operating surplus reconciliation

Included in operating surplus reflected in the Statement of Financial Performance are capital revenue items, namely capital grants revenue and land sales revenue. The net operating surplus/(deficit) excluding capital revenue is reconciled below:

Surplus for the year	9 550 148	92 598 170
Less: Capital grant revenue	(256 107 333)	(250 741 248)
Less: Gain on disposal of land	(35 569 804)	(55 710 000)
<b>Operating surplus/(deficit) for the year</b>	<b>(282 126 989)</b>	<b>(213 853 078)</b>

**City of uMhlathuze**  
**Appendix A (Unaudited)**  
June 2024

**Schedule of external loans as at 30 June 2023**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at Friday, 30 June 2023</b>	<b>Received during the period</b>	<b>Redeemed written off during the period / Interest accrued</b>	<b>Balance at Sunday, 30 June 2024</b>	<b>Carrying Value of Property, Plant &amp; Equip</b>	<b>Other Costs in accordance with the MFMA</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>Development Bank of South Africa</b>							
DBSA ( 9,70% )	61007577	2029/06/29	218 334 610	-	28 472 904	189 861 706	-
DBSA ( 11,96% )		2043/06/30	180 117 942	-	2 558 480	177 559 462	-
DBSA ( 11,34% )			-	200 000 000	3 430 891	196 569 109	-
			<b>398 452 552</b>	<b>200 000 000</b>	<b>34 462 275</b>	<b>563 990 277</b>	<b>-</b>
<b>Other loans</b>							
First National Bank		2035/12/31	-	210 000 000	6 226 797	203 773 203	-
Standard Bank (5,82%)	665381	2030/06/30	75 884 613	-	7 670 082	68 214 531	-
Nedbank ( 10,23% )	1003878/3	2022/06/17	426 709 759	-	26 353 952	400 355 807	-
Nedbank ( 10,13% )	1003878/4	2024/06/28	10 000 000	-	10 000 000	-	-
Standard Bank (10,24%)	407554	2026/06/30	152 139 195	-	45 730 659	106 408 536	-
Standard Bank ( 7,81% )	727054	2032/06/30	348 840 475	-	27 885 810	320 954 665	-
			<b>013 574 042</b>	<b>210 000 000</b>	<b>123 867 300</b>	<b>099 706 742</b>	<b>-</b>
<b>Total external loans</b>							
Development Bank of South Africa			398 452 552	200 000 000	34 462 275	563 990 277	-
Other loans			013 574 042	210 000 000	123 867 300	099 706 742	-
			<b>412 026 594</b>	<b>410 000 000</b>	<b>158 329 575</b>	<b>663 697 019</b>	<b>-</b>

## Appendix B (Unaudited)

June 2024

### Analysis of property, plant and equipment as at 30 June 2024

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Acc Depr Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Acquisitions Rand	Disposals Rand	Reclassificati on Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	1 187 561 577	-	-	-	-	-	1 187 561 577	-	(8 176 888)	3 385 705	-	(48 446 134)	(53 237 317)	1 134 324 260
	<b>1 187 561 577</b>	-	-	-	-	-	<b>1 187 561 577</b>	-	<b>(8 176 888)</b>	<b>3 385 705</b>	-	<b>(48 446 134)</b>	<b>(53 237 317)</b>	<b>1 134 324 260</b>
<b>Infrastructure</b>														
Roads Infrastructure	973 895 954	-	-	-	-	-	973 895 954	101 104 884	(166 779)	(122 183 166)	(57 355 408)	-	(78 600 469)	895 295 485
Storm water Infrastructure	323 695 910	-	-	-	-	-	323 695 910	11 165 504	(38 275)	31 921 725	(18 133 768)	25 069	24 940 255	348 636 165
Coastal Infrastructure	18 436 248	-	-	-	-	-	18 436 248	1 336 746	-	(844 377)	(465 200)	-	27 169	18 463 417
Information and Communication	81 413 449	-	-	-	-	-	81 413 449	2 013 034	-	-	(2 274 829)	-	(261 795)	81 151 654
Electrical Infrastructure	708 812 181	-	-	-	-	-	708 812 181	93 554 193	(5 827 595)	85 125 173	(24 947 809)	(1 221 143)	146 682 819	855 495 000
Rail Infrastructure	1 320 055	-	-	-	-	-	1 320 055	-	-	-	(80 158)	-	(80 158)	1 239 897
Sanitation Infrastructure	727 337 920	-	-	-	-	-	727 337 920	38 783 852	(1 544 219)	47 112 292	(39 018 756)	(202 345)	45 130 824	772 468 744
Solid Waste Infrastructure	8 677 868	-	-	-	-	-	8 677 868	1 936 068	-	-	(644 223)	-	1 291 845	9 969 713
Water Supply Infrastructure	2 052 074 349	-	-	-	-	-	2 052 074 349	369 529 401	(3 011 810)	(37 997 779)	(60 893 880)	(182 631)	267 443 301	2 319 517 650
	<b>4 895 663 934</b>	-	-	-	-	-	<b>4 895 663 934</b>	<b>619 423 682</b>	<b>(10 588 678)</b>	<b>3 133 868</b>	<b>(203 814 031)</b>	<b>(1 581 050)</b>	<b>406 573 791</b>	<b>5 302 237 725</b>
<b>Community Assets</b>														
Community Facilities	191 887 858	-	-	-	-	-	191 887 858	45 771 681	(137 232)	10 349 707	(10 810 547)	(33 487)	45 140 122	237 027 980
Recreational Facilities	324 739 137	-	-	-	-	-	324 739 137	73 175 148	(44)	(10 565 490)	(11 508 470)	(197 212)	50 903 932	375 643 069
	<b>516 626 995</b>	-	-	-	-	-	<b>516 626 995</b>	<b>118 946 829</b>	<b>(137 276)</b>	<b>(215 783)</b>	<b>(22 319 017)</b>	<b>(230 699)</b>	<b>96 044 054</b>	<b>612 671 049</b>

## Appendix B (Unaudited)

June 2024

### Analysis of property, plant and equipment as at 30 June 2024

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Acc Depr Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Acquisitions Rand	Disposals Rand	Reclassification on Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Heritage assets

Buildings	1 940 298	-	-	-	-	-	1 940 298	-	-	-	-	-	1 940 298
Other	524 313	-	-	-	-	-	524 313	-	-	-	-	-	524 313
	<b>2 464 611</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 464 611</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 464 611</b>

#### Specialised vehicles

##### Other assets

Transport Assets	38 623 135	-	-	-	-	-	38 623 135	3 902 370	(907 947)	-	(8 020 842)	-	(5 026 419)	33 596 716
Plant & equipment	210 878 817	-	-	-	-	-	210 878 817	19 626 577	(4 500 896)	-	(25 414 433)	-	(10 288 752)	200 590 065
Computer Equipment	14 137 011	-	-	-	-	-	14 137 011	2 060 773	(56 045)	-	(3 288 649)	-	(1 283 921)	12 853 090
Furniture & Fittings	5 707 856	-	-	-	-	-	5 707 856	743 315	(16 494)	-	(1 164 663)	-	(437 842)	5 270 014
Other buildings	169 540 123	-	-	-	-	-	169 540 123	17 481 662	(665 573)	(3 898 085)	(10 334 143)	(75 707)	2 508 154	172 048 277
Housing	120 197 847	-	-	-	-	-	120 197 847	-	(2 258 446)	-	(7 532 468)	-	(9 790 914)	110 406 933
	<b>559 084 789</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>559 084 789</b>	<b>43 814 697</b>	<b>(8 405 401)</b>	<b>(3 898 085)</b>	<b>(55 755 198)</b>	<b>(75 707)</b>	<b>(24 319 694)</b>	<b>534 765 095</b>

## June 2024

Analysis of property, plant and equipment as at 30 June 2024	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Acc Depr Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Acquisitions Rand	Disposals Rand	Reclassificati on Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	1 187 561 577	-	-	-	-	-	1 187 561 577	-	(8 176 888)	3 385 705	-	(48 446 134)	(53 237 317)	1 134 324 260
Infrastructure	4 895 663 934	-	-	-	-	-	4 895 663 934	619 423 682	(10 588 678)	3 133 868	(203 814 031)	(1 581 050)	406 573 791	5 302 237 725
Community Assets	516 626 995	-	-	-	-	-	516 626 995	118 946 829	(137 276)	(215 783)	(22 319 017)	(230 699)	96 044 054	612 671 049
Heritage assets	2 464 611	-	-	-	-	-	2 464 611	-	-	-	-	-	-	2 464 611
Other assets	559 084 789	-	-	-	-	-	559 084 789	43 814 697	(8 405 401)	(3 898 085)	(55 755 198)	(75 707)	(24 319 694)	534 765 095
	7 161 401 906	-	-	-	-	-	7 161 401 906	782 185 208	(27 308 243)	2 405 705	(281 888 246)	(50 333 590)	425 060 834	7 586 462 740
<b>Agricultural/Biological assets</b>														
<b>Intangible assets</b>														
Computers - software & programming	189 055 242	-	-	-	-	-	189 055 242	2 123 055	-	-	(40 756 166)	-	(38 633 111)	150 422 131
Water Rights	9 245 695	-	-	-	-	-	9 245 695	-	-	-	(239 424)	-	(239 424)	9 006 271
Servitudes	3 552 458	-	-	-	-	-	3 552 458	-	-	-	-	-	-	3 552 458
	201 853 395	-	-	-	-	-	201 853 395	2 123 055	-	-	(40 995 590)	-	(38 872 535)	162 980 860
<b>Investment properties</b>														
Investment property	108 933 194	-	-	-	-	-	108 933 194	13 557 053	(56 037 078)	17 303 678	(592 697)	-	(25 769 044)	83 164 150
	108 933 194	-	-	-	-	-	108 933 194	13 557 053	(56 037 078)	17 303 678	(592 697)	-	(25 769 044)	83 164 150
<b>Total</b>														
Land and buildings	1 187 561 577	-	-	-	-	-	1 187 561 577	-	(8 176 888)	3 385 705	-	(48 446 134)	(53 237 317)	1 134 324 260
Infrastructure	4 895 663 934	-	-	-	-	-	4 895 663 934	619 423 682	(10 588 678)	3 133 868	(203 814 031)	(1 581 050)	406 573 791	5 302 237 725
Community Assets	516 626 995	-	-	-	-	-	516 626 995	118 946 829	(137 276)	(215 783)	(22 319 017)	(230 699)	96 044 054	612 671 049
Heritage assets	2 464 611	-	-	-	-	-	2 464 611	-	-	-	-	-	-	2 464 611
Other assets	559 084 789	-	-	-	-	-	559 084 789	43 814 697	(8 405 401)	(3 898 085)	(55 755 198)	(75 707)	(24 319 694)	534 765 095
Intangible assets	201 853 395	-	-	-	-	-	201 853 395	2 123 055	-	-	(40 995 590)	-	(38 872 535)	162 980 860
Investment properties	108 933 194	-	-	-	-	-	108 933 194	13 557 053	(56 037 078)	17 303 678	(592 697)	-	(25 769 044)	83 164 150
	7 472 188 495	-	-	-	-	-	7 472 188 495	797 865 316	(83 345 321)	19 709 383	(323 476 533)	(50 333 590)	360 419 255	7 832 607 750


Appendix B (Unaudited)

June 2024

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
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Appendix B (Unaudited)

June 2024

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
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**Appendix F (Unaudited)**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**  
 June 2024

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies del	
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Esikhawini Hostel Refurbishment	KZN - Dept of Housing	37 964	15 277	20 248	3 637	-	-	-	-	-	1 645 041
Museum Subsidy	KZN - Dept of Edu & Culture	-	249 000	-	-	1 010 442	962 279	982 657	1 133 681	-	-
Housing operationa acc	KZN - Dept of Housing	4 231 346	497 328	59 407	-	5 488 267	5 640 136	5 417 992	5 513 312	-	-
IUDG	National Treasury	62 000 000	30 000 000	79 579 000	-	59 145 784	54 091 829	30 064 996	28 276 392	-	-
Financial Management Grant	National Treasury	2 500 000	-	-	-	405 936	339 581	201 259	1 553 225	-	-
Equitable share	National Treasury	217 025 000	173 620 000	130 215 000	-	-	-	-	-	-	-
EPWP		772 000	1 390 000	754 000	-	825 311	695 468	799 570	595 651	-	-
Energy effecient and demand mngt	National Treasury	-	-	-	-	-	-	-	-	-	-
Mpembeni Modular Library	KZN- Dept of Library Services	-	714 200	-	-	-	45 357	70 278	141 949	-	-
Water services Infrastructure	National Treasury	22 000 000	-	30 001 000	-	13 845 327	9 589 652	13 079 111	15 486 910	-	-
Recycling project	KZN- Agriculture	-	-	-	-	-	-	-	6 064	-	-
eSikhawini hostel refurbishmen t	KZN - Dept of Hosing	-	-	-	-	-	-	-	-	-	-

INEP	National treasury	2 000 000	2 000 000	1 000 000	-	336 770	104 649	2 038 141	2 520 440	-	-
Beach Protection	KCDM	-	-	-	-	-	-	-	-	-	-
Implementation of the enhanced discount benefit scheme	KZN - Dept of Housing	21 818	21 840	21 689	22 091	66 934	-	-	-	-	-
Libraries - Internet Access	KZN - Dept of library services	-	2 032 800	-	-	699 498	770 714	562 588	-	-	-
Library Subsidy	KZN - Dept of library services	-	9 593 000	-	-	9 308 089	10 146 260	8 775 306	10 677 963	30 292 572	8 615 045
Career Expo	Dept of public works	-	-	-	-	-	-	-	-	-	-
Municipal Excellence Awards	KZN - COGTA	-	-	-	-	-	-	-	5 000	-	-
Municipal Employment Initiative	KZN - COGTA	-	-	-	-	-	-	-	1 786 416	-	-
Airport Feasibility	KZN - Economic Development & Tourism	-	-	-	-	-	-	418 108	-	-	-
Arbor Month	KZN - Dept of forestry, Fisheries and Environment	-	-	-	-	-	-	-	-	-	-
Donated land	Department of human settlemnt	-	-	-	-	-	-	-	-	-	-
Tourism Development	KZN - COGTA	-	-	-	-	-	-	-	-	-	-
Municipal Disaster Recovery	National Treasury	-	-	-	-	6 436 725	5 996 843	2 134 841	5 089 363	-	-
Implement of the enhanced discount benefit	KZN - Housing	-	-	-	-	-	-	-	-	-	-
Comm Dev Programme	KZN - COGTA	-	-	-	-	-	-	-	-	-	-
GIS	KZN - COGTA	-	-	-	-	-	-	-	-	-	-
Sport & Rec	Dept of Sport	-	-	-	-	-	-	-	-	-	-
Cleanest town	Water Affairs	-	-	-	-	-	-	-	81 360	-	-
Intergrated urban development grant	National Treasury	4 000 000	-	9 840 000	-	-	1 678 006	4 986 467	7 175 528	-	-
		314 588 128	220 133 445	251 490 344	25 728	97 569 083	90 060 774	69 531 314	80 043 254	30 292 572	10 260 086

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.