



Mkhondo Local Municipality
(Registration number MP303)
Annual Financial Statements
for the year ended 30 June 2024

Auditor - General
South - Africa
12 Nel Street Docex 39
2025 -01- 28
PO Box 2684 Nelspruit 1200
Mpumalanga

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Operating as a Local Municipality
The following is included in the scope of operation	Mkhondo Local Municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government as per Municipal Demarcation Act , 1998.
Mayoral committee	
Executive Mayor	Cllr N.C Ndlovu
Speaker of Council	Cllr M.Z. Ngwenya
Chief Whip of Council	Cllr S.D. Thwala
MMC Technical	Cllr. D.M. Thwala
MMC Community Services	Cllr. W. Vilakazi
MMC Corporate Services	Cllr. M.T. Mkhabela
MMC Planning and Economic Development	Cllr. T.E. Khumalo
MMC Finance	Cllr. T.W. Manana
Councillors	Cllr. M.A. Simelane Cllr. M.J. Dlamini Cllr. S.P. Mkwanzazi Cllr.S.P. Sibiya Cllr. N. D. Sangweni Cllr. B. E. Mayisela Cllr. M.N. Mbatha Cllr. J.M Nkosi Cllr. S. Brossow Cllr. M.S. Ngwenya Cllr. M. Z. Thomo Cllr. N.G. Gwebu Cllr. M.R. Mhlangu Cllr. N.S. Mthethwa Cllr. S.M. Shoba Cllr. T.M. Qwabi Cllr. M.S. Lukhele Cllr. D.M. Ntshakala Cllr B.M. Khumalo Cllr. S.J. Methula Cllr. B.A. Dlamini Cllr. T.W. Tshandu Cllr. N.N. Zulu Cllr. V.S. Hlophe Cllr. L.L Ngubeni Cllr. D.W. Nkosi Cllr. E.F. Nkosi Cllr. J.R. Sibiya Cllr. T.H. Mtshali Cllr. H.W. Weber
Grading of local authority	4



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

General Information

Accounting Officer

Mr D.P. Msibi (Appointed 01 August 2024)
Mr.M.J. Mkhonza (Acting until 31 July 2024)

Chief Finance Officer (CFO)

Mr S Chavarika (Acting until 31 July 2024)
Mr FC Munzhelele Appointed 01 August 2024)

Registered office

Cnr Market & De Wet street
Piet Retief
2380

Auditors

Auditor General South Africa



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

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

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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

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

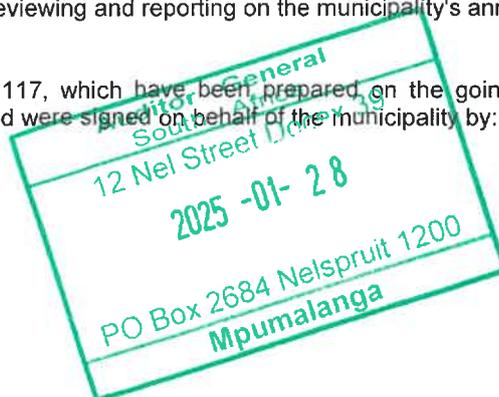
The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 5 to 117, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on behalf of the municipality by:

Mr D.P. Msibi
Acting Municipal Manager



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

The municipality is engaged in operating as a local municipality and operates principally in South Africa. The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment..

2. Going concern

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 accounting officer continues to procure funding for the ongoing operations for the municipality. Government through National Treasury has approved funding to the Municipality for the 2024-25 financial year.

3. Subsequent events

The accounting officer is aware of the subsequent events and circumstances that arose since the end of the financial year.

4. Accounting Officers' interest in contracts

The accounting officer has no interests in the contracts awarded during the period under review.

5. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Changes
Mr D.P. Msibi	Appointed Thursday, 01 August 2024
Mr M.J. Mkhonza	Appointed Acting Municipal Manager on 1 February 2024. Term ended on 31 July 2024.
Mr S. Nkosi	Appointed Acting Municipal Manager on 1 November 2023. Term ended on 31 January 2024,
Mr. M.S. Dlamini	Appointed Acting Municipal Manager on 1 February 2023. Term ended on 31 October 2023.

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The salient features of the municipality's adoption of the Code is outlined below:



Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

Corporate governance (continued)

Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Executive mayor and Municipal Manager

The roles of executive mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Executive mayor, councillors and section 54a, 56 and section 57 managers of the municipality, are determined by the Department of co-operative governance and traditional affairs.

Audit committee

Name	Position	Engagement date
Mr L.T. Gafane	Chairperson	1-Nov-23
Mr. A. Singh	Chairperson	25 August 2018 (Term expired 1 November 2023)
Mr. K.L. Mohlomi	Member	1-Nov-20
Mrs N.T. Maseko	Member	18 December 2020 (Term expired on 31 December 2023)
Mr. N.T. Baloyi	Member	1-Nov-23
Advocate J.C. Weapond	Member	1 May 2019 (Term expired and re-appointed as Risk Chairperson on 8 August 2022)

In terms of Section 166 of the Municipal Finance Management Act, the municipality, must appoint members of the Audit Committee.

Internal audit

The municipality has a functional internal audit unit. This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

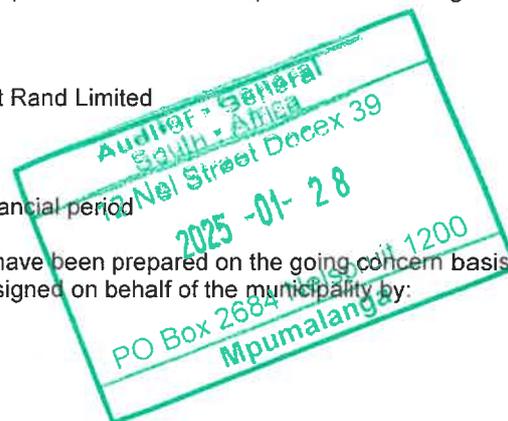
The municipality's banker is First National Bank, a division of First Rand Limited

9. Auditors

Auditor General South Africa will continue in office for the next financial period

The annual financial statements set out on page 5 to 117, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on behalf of the municipality by:

Acting Municipal Manager



Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023
Assets			
Current Assets			
Inventories	2	20 059 006	25 308 821
Other financial assets	3	53 982	50 936
Receivables from exchange	4	871 881	943 843
Receivables from non-exchange transactions	5	30 141 643	22 075 455
VAT receivable	6	43 483 543	24 237 921
Receivables from exchange transactions - consumer debtors	7	60 542 007	54 658 556
Cash and cash equivalents	8	8 890 394	10 992 832
		164 042 456	138 268 364
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	96 552 740	94 236 526
Investment property	10	132 226 482	132 722 601
Property, plant and equipment	11	1 778 132 356	1 772 648 112
Heritage assets	12	2 916 300	2 916 300
Other financial assets	3	559 444	528 292
		2 010 387 322	2 003 051 831
Total Assets		2 174 429 778	2 141 320 195
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	957 857 663	827 286 009
Consumer deposits	14	4 179 346	4 108 797
Employee benefit obligation	15	909 000	901 000
Unspent conditional grants and receipts	16	15 009 029	7 317 763
Provisions	17	2 053 000	787 000
		980 008 038	840 400 569
Non-Current Liabilities			
Employee benefit obligation	15	8 821 000	8 534 000
Provisions	17	40 636 875	42 155 422
		49 457 875	50 689 422
Total Liabilities		1 029 465 913	891 089 991
Net Assets		1 144 963 865	1 250 230 204
Accumulated surplus		1 144 963 874	1 250 230 213
Total Net Assets		1 144 963 874	1 250 230 213



Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023
Revenue			
Revenue from exchange transactions			
Service charges	18	218 856 156	202 821 684
Construction contracts	19	8 485 762	9 930 435
Rental of facilities and equipment	20	1 237 352	1 114 395
Licences and permits	21	135 391	190 575
Discount received		296 418	-
Other income	22	2 638 390	2 069 884
Interest received	23	48 453 067	37 130 763
Fair value adjustments		2 349 222	27 416 300
Actuarial gains		99 000	2 407 000
Total revenue from exchange transactions		282 550 758	283 081 036
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	82 803 693	80 030 574
Interest - Taxation revenue	26	14 560 174	11 746 198
Transfer revenue			
Government grants & subsidies	27	448 150 496	427 622 494
Public contributions and donations	28	1 611 808	2 624 293
Fines, Penalties and Forfeits	29	6 868 590	6 143 639
Debt Forgiveness	30	39 499 742	-
Total revenue from non-exchange transactions		593 494 503	528 167 198
Total revenue		876 045 261	811 248 234
Expenditure			
Employee related costs	31	(248 348 994)	(234 560 950)
Remuneration of councillors	32	(18 675 988)	(15 831 642)
Depreciation and amortisation	33	(77 209 699)	(86 097 109)
Impairment loss	42	-	(34 371 168)
Finance costs	34	(42 943 067)	(54 643 814)
Lease rentals on operating lease	35	(322 673)	(301 454)
Debt Impairment	36	(104 413 106)	(106 043 927)
Bad debts written off		(757 330)	(350 601)
Bulk purchases	37	(182 082 205)	(146 655 499)
Contracted services	38	(149 445 662)	(102 239 396)
Transfers and Subsidies	39	(10 645 365)	(9 612 340)
Loss on disposal of assets and liabilities		(4 782 216)	(7 555 742)
Inventories losses/write-downs		(4 443 597)	(6 393 884)
General Expenses	40	(137 241 697)	(115 238 810)
Total expenditure		(981 311 599)	(919 896 336)
(Deficit)/surplus for the year		(105 266 338)	(108 648 102)

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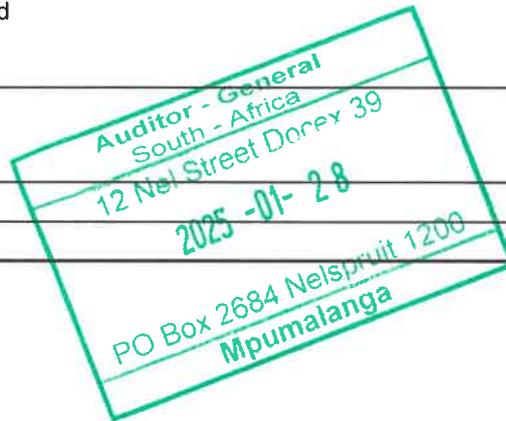
Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 238 447 636	1 238 447 636
Adjustments		
Prior year adjustments 51	120 430 679	120 430 679
Balance at 01 July 2022 as restated*	1 358 878 315	1 358 878 315
Changes in net assets		
Deficit for the year	(108 648 102)	(108 648 102)
Total changes	(108 648 102)	(108 648 102)
Opening balance as previously reported	1 128 730 087	1 128 730 087
Adjustments		
Prior year adjustments 51	121 500 125	121 500 125
Balance at 01 July 2023 as restated*	1 250 230 212	1 250 230 212
Changes in net assets (Deficit)/surplus for the year	(105 266 338)	(105 266 338)
Total changes	(105 266 338)	(105 266 338)
Balance at 30 June 2024	1 144 963 874	1 144 963 874



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Cash Flow Statement

Figures in Rand	Note(s)	2024	2023
Cash flows from operating activities			
Receipts			
Revenue from taxation and fines		68 921 243	64 843 422
Sale of goods and services		179 394 010	165 325 660
Grants		455 841 762	427 886 270
Interest income		2 758 026	1 261 526
Other receipts		2 638 390	2 069 884
		709 553 431	661 386 762
Payments			
Employee costs		(245 884 003)	(248 526 356)
Suppliers		(341 545 888)	(264 969 344)
Finance costs		(34 397 658)	(44 563 712)
		(621 827 549)	(558 059 412)
Net cash flows from operating activities	44	87 725 882	103 327 350
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(91 311 934)	(97 707 825)
Proceeds from sale of property, plant and equipment	11	1 484 801	1 188 284
Proceeds from sale of financial assets		(1 190)	(1 120)
Net cash flows from investing activities		(89 828 323)	(96 520 661)
Net increase/(decrease) in cash and cash equivalents		(2 102 441)	6 806 689
Cash and cash equivalents at the beginning of the year		10 992 832	4 186 141
Cash and cash equivalents at the end of the year	8	8 890 391	10 992 830

The accounting policies on pages 16 to 44 and the notes on pages 45 to 116 form an integral part of the annual financial statements.

Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	265 431 181	35 838 860	301 270 041	218 856 156	(82 413 885)	1
Construction contracts	-	-	-	8 485 762	8 485 762	
Rental of facilities and equipment	1 421 966	23 012	1 444 978	1 237 352	(207 626)	2
Licences and permits	144 175	82 868	227 043	135 391	(91 652)	3
Discount received	-	-	-	296 418	296 418	
Other income - (rollup)	3 232 356	1 059 125	4 291 481	2 638 390	(1 653 091)	4
Interest received - investment	38 928 313	13 905 653	52 833 966	48 453 067	(4 380 899)	5
Total revenue from exchange transactions	309 157 991	50 909 518	360 067 509	280 102 536	(79 964 973)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	93 860 377	(11 215 285)	82 645 092	82 803 693	158 601	
Interest - taxation revenue	11 417 401	16 007 742	27 425 143	14 500 174	(12 864 969)	

Transfer revenue

Government grants & subsidies	436 264 050	34 679 830	470 943 880	448 150 496	(22 793 384)	
Public contributions and donations	-	-	-	1 611 808	1 611 808	
Fines, Penalties and Forfeits	5 792 444	3 600	5 796 044	6 868 590	1 072 546	6
Debt forgiveness	-	-	-	39 499 742	39 499 742	

Total revenue from non-exchange transactions	547 334 272	39 475 887	586 810 159	593 494 503	6 684 344	
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Total revenue	856 492 263	90 385 405	946 877 668	873 597 039	(73 280 629)	
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Expenditure

Employee related costs	(257 712 399)	(6)	(257 712 405)	(248 348 994)	9 363 411	
Remuneration of councillors	(17 125 076)	(997 375)	(18 122 451)	(18 675 988)	(553 537)	
Depreciation and amortisation	(63 039 609)	(38 292 839)	(101 332 448)	(77 209 699)	24 122 749	7
Finance costs	(12 502 788)	(10 217 487)	(22 720 275)	(42 943 067)	(20 222 792)	8
Lease rentals on operating lease	-	(324 000)	(324 000)	(322 673)	1 327	
Debt Impairment	(96 000 000)	(37 679 130)	(133 679 130)	(104 413 106)	29 266 024	9
Bad debts written off	(556 438)	(701 392)	(1 257 830)	(757 330)	500 500	10
Bulk purchases	(200 731 529)	32 000 000	(168 731 529)	(182 082 205)	(13 350 676)	
Contracted Services	(45 090 924)	(51 087 672)	(96 178 596)	(149 445 662)	(53 267 066)	11
Transfers and Subsidies	-	-	-	(10 645 365)	(10 645 365)	
Sale of goods/Inventory	-	(7 999)	(7 999)	-	7 999	
General Expenses	(81 970 598)	(6 596 648)	(88 567 246)	(137 241 697)	(48 674 451)	12

Total expenditure	(774 729 361)	(113 904 548)	(888 633 909)	(972 085 786)	(83 451 877)	
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Operating deficit	81 762 902	(23 519 143)	58 243 759	(98 488 747)	(156 732 506)	
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Loss on disposal of assets and liabilities	-	(200 000)	(200 000)	(4 782 216)	(4 582 216)	
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Fair value adjustments	-	-	-	2 349 222	2 349 222	
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Mkhondo Local Municipality

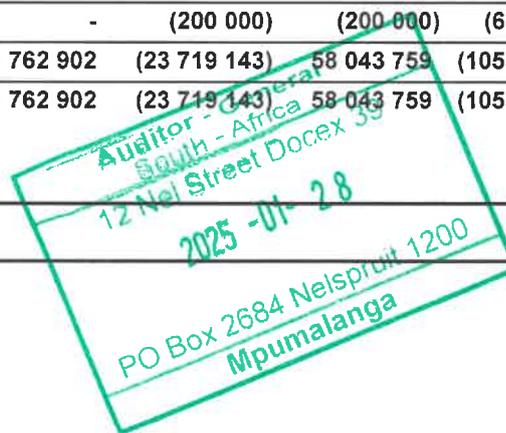
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Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actuarial gains/losses	-	-	-	99 000	99 000	
Inventories losses/write-downs	-	-	-	(4 443 597)	(4 443 597)	
	-	(200 000)	(200 000)	(6 777 591)	(6 577 591)	
Deficit before taxation	81 762 902	(23 719 143)	58 043 759	(105 266 338)	(163 310 097)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	81 762 902	(23 719 143)	58 043 759	(105 266 338)	(163 310 097)	
Reconciliation						



Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	24 052 664	35 625 238	59 688 902	20 059 006	(39 629 896)	1
Other financial assets	411 568	(360 632)	50 936	53 982	3 046	2
Receivables from exchange	7 449 525	(50 505 508)	(43 055 978)	871 882	43 927 860	3
Receivables from non-exchange transactions	148 839 983	(125 139 239)	23 700 744	30 141 643	6 440 899	4
VAT receivable	4 695 111	30 996 967	35 692 078	43 483 543	7 791 465	5
Consumer debtors	70 580 569	24 081 595	94 662 164	60 542 007	(34 120 157)	6
Cash and cash equivalents	30 388 355	(11 747 379)	18 640 976	8 890 394	(9 750 582)	7
	286 417 775	(97 037 953)	189 379 822	164 042 457	(25 337 365)	
Non-Current Assets						
Biological assets that form part of an agricultural activity	66 854 927	27 381 599	94 236 526	96 552 740	2 316 214	8
Investment property	12 821 777	201 492	13 023 269	132 226 482	119 203 213	9
Property, plant and equipment	1 823 083 753	(44 918 432)	1 778 165 321	1 778 132 355	(32 966)	10
Heritage assets	2 916 300	-	2 916 300	2 916 300	-	11
Other financial assets	513 617	14 675	528 292	559 444	31 152	12
	1 906 190 374	(17 320 666)	1 888 869 708	2 010 387 321	121 517 613	
Total Assets	2 192 608 149	(114 358 619)	2 078 249 530	2 174 429 778	96 180 248	
Liabilities						
Current Liabilities						
Payables from exchange transactions	699 176 311	160 094 796	859 271 107	957 857 663	98 586 556	14
Consumer deposits	4 429 646	(149 386)	4 280 260	4 179 346	(100 914)	16
Employee benefit obligation	-	-	-	909 000	909 000	17
Unspent conditional grants and receipts	-	4 000 000	4 000 000	15 009 029	11 009 029	18
Provisions	1 217 700	(1 217 700)	-	2 053 000	2 053 000	19
	704 823 657	162 727 710	867 551 367	980 008 038	112 456 671	
Non-Current Liabilities						
Employee benefit obligation	9 975 000	(1 441 000)	8 534 000	8 821 000	287 000	20
Provisions	40 907 907	2 833 641	43 741 548	40 636 875	(3 104 673)	21
	50 882 907	1 392 641	52 275 548	49 457 875	(2 817 673)	
Total Liabilities	755 706 564	164 120 351	919 826 915	1 029 465 913	109 638 998	
Net Assets	1 436 901 585	(278 478 970)	1 158 422 615	1 144 963 865	(13 458 750)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 436 901 585	(278 478 970)	1 158 422 615	1 144 963 874	(13 458 741)	

Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

FINANCIAL PERFORMANCE

1. Service Charges:

The variance was caused by the following services:

Electricity due to load shedding from Eskom and also the internal load reduction conducted by the Municipality to control electricity load on a daily basis and also loss of electricity through illegal connections has led to this service not performing to the satisfactory level.

Water losses due to theft of brass meters from consumers which left the municipality unable to bill and account for the water used by some households.

2. **Rental of facilities:** The variance is due to some of the facilities that were not occupied for rental purpose for a period of time which then led to less rental collected
3. **Licences and permits:** There variance was due to some businesses closing down which then led to low collection when it comes to business permit and licences.
4. **Other income:** The variance was due to less activities during the year on this category.
5. **Interest received - taxation revenue:**
6. **Fines penalties and forfeits:** The variance was due to the introduction of traffic system which helped in collecting the overdue traffic fines due to the municipality.
7. **Depreciation and amortisation:** The variance was due to the fact that most of the municipality assets still has long life span.
8. **Finance cost:** this variance caused by the interest charged from the late payment to the service provider such as Eskom and MUNSOF.
9. **Debt impairment:** The impairment was over budgeted for the year under review.
10. **Bad debt written off:** There were less discount processed during the year.
11. **Contracted services:** the variance was due to unplanned maintenance of some municipal infrastructure and also the need to increase security around municipality properties to prevent vandalism.
12. **General expenses:** an increase was caused by some maintenance that the municipality conducted on water and road infrastructure.

STATEMENT OF FINANCIAL POSITION

1. **Inventory:** The variance was due to municipality reducing a risk of having too much stock on hand at year end.
2. **Receivables from exchange transaction:** This variance increase is due to the non performing debt book of the municipality which resulted in low collection of revenue.
3. **Receivables from non-exchange transactions:** introduction of traffic system to collect overdue traffic fines from motorist has assisted in
4. **VAT receivables:** The municipality processed number of payments during the year which as a results increased the VAT output.

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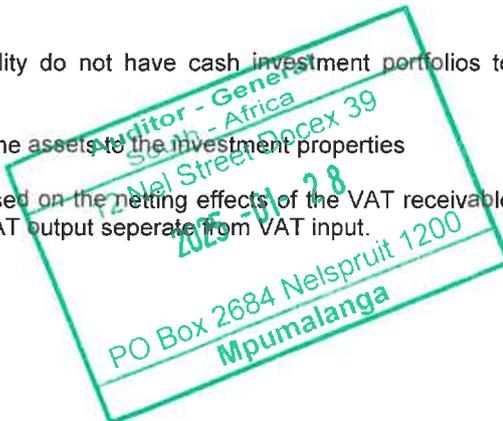
Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

- Consumer debtors:** This variance was due to the non performing debt book of the municipality which resulted in low collection of revenue.
- Cash and cash equivalent:** The municipality do not have cash investment portfolios to boost the municipality cash reserves.
- Investment property:** Reclassification of some assets to the investment properties
- VAT payable:** The budget provision was based on the netting effects of the VAT receivable and VAT payable and hence the huge variances as a result of reporting VAT output separate from VAT input.



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Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Significant accounting policies

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

1.1 Basis of preparations

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

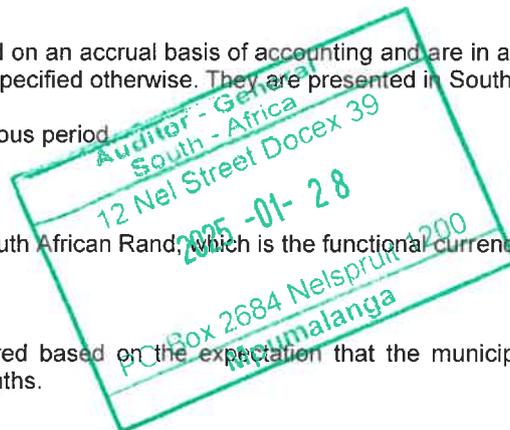
In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates.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

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.



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Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the municipality would suffer an additional deficit in its 2024 annual financial statements, being a reclassification adjustment of the fair value adjustments previously recognised in other comprehensive income and accumulated in equity on the impaired available-for-sale financial assets to surplus or deficit.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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 17 - Provisions.

Post-retirement benefits

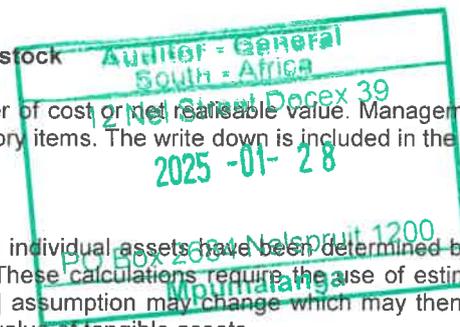
The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

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



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Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied in accordance to GRAP 109.

Additional information is disclosed in Note 63.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and recognises impairment loss. The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the 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 municipality 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 are 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.

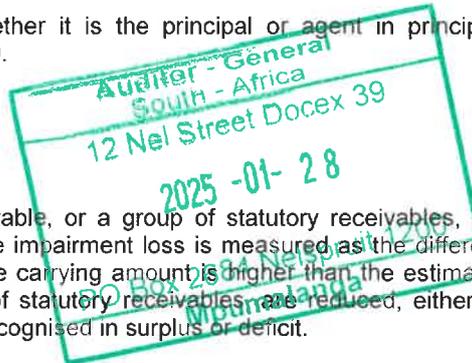
Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
 - Developing accounting policies
 - Deciding what information to disclose
 - Deciding how to present information
 - Assessing omissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.



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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.6 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of the vine / pine plantations is based on the combined fair value of the land and trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the trees.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to biological assets that form part of an agricultural activity measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets that form part of an agricultural activity where fair value cannot be determined, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Item	Useful life
Trees in timber plantation - Consumable	Indefinite

1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

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

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

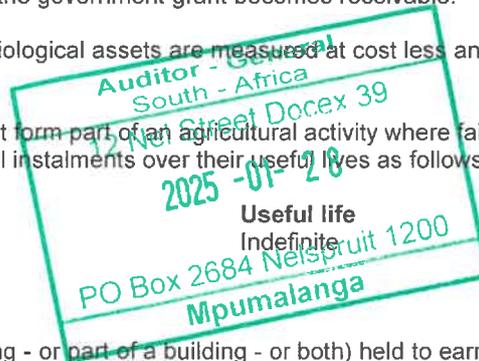
Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

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

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

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

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



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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Investment property (continued)

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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

1.8 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

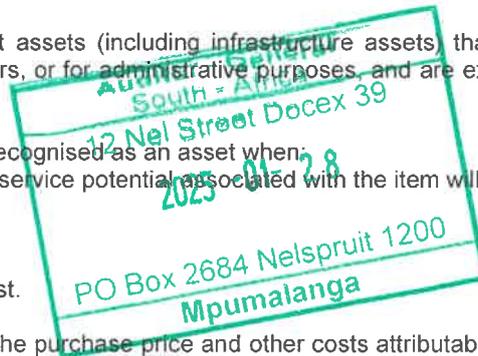
The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset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

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

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

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

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



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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Land and buildings - Community Facilities	Straight-line	15-100 years
Land and buildings - Servitudes	Straight-line	0
Land and Buildings - Fire/Ambulance stations	Straight-line	5-100 years
Land and buildings - Municipal offices	Straight-line	5-100 years
Land and buildings - Workshops/depots/yards	Straight-line	5 -100 years
Land and buildings - Outdoor sport facilities	Straight-line	15 -50 years
Land and buildings - Staff housing	Straight-line	15 - 100 years
Water Supply network - Storm water network	Straight-line	20-50 years
Water Supply network- Bulk mains	Straight-line	40- 80 years
Water Supply network - Dams and Weirs	Straight-line	15 - 50 years
Water supply network - DistributionCommunity	Straight-line	80 years
Water supply network - Distribution points	Straight-line	15-20 years
Water Supply network - Pumpstations	Straight-line	5-100 years
Water Supply network - Reservoirs and towers	Straight-line	7-100 years
Water supply networks- Water Treatment works	Straight-line	5-100 years
Electricity Networks- LV Network (<1000V)	Straight-line	20 years
Electricity networks- MV Network (<=33 kv)	Straight-line	45 years
Work in progress	Straight-line	not depreciated
Road networks - Roads	Straight-line	5 - 100 years
Road Networks - Roadside assets	Straight-line	10-50 years
Sanitation Networks - Boreholes	Straight-line	15-50 years
Sanitation networks - Outfall sewers	Straight-line	80 years
Sanitation network - Reservoirs & towers	Straight-line	15 - 50 years
Sanitation network - Reticulation	Straight-line	80 years
Sanitation network - Sewer Pump stations	Straight-line	10- 100 years
Sanitation network - Waste Water Treatment Works (WWTW)	Straight-line	5 - 100 years
Road bridges	Straight-line	50 years
Plant and machinery	Straight-line	2-15 years
Furniture and fixtures	Straight-line	2-15 years
Office equipment	Straight-line	2-15 years
Transport assets	Straight-line	3-15 years
Computer equipment	Straight-line	3 years
Landfill site Assets	Straight-line	4 years

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

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

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

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

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

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Recognition

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

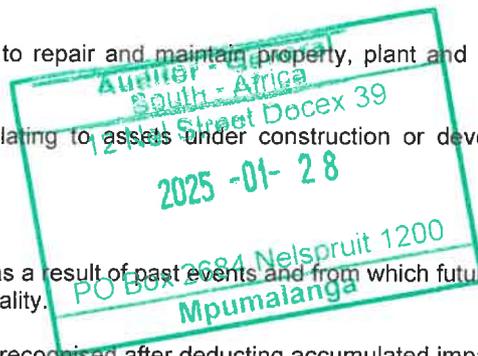
Impairment

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

Derecognition

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

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



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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Financial instruments

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

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

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

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

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

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

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

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

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

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

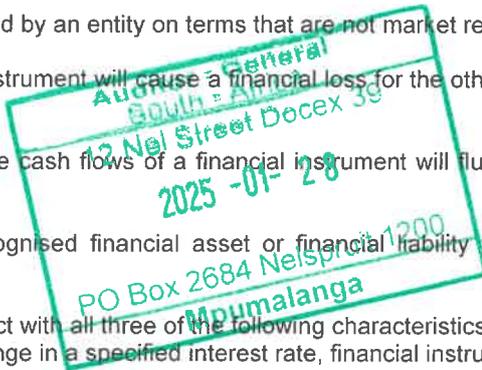
A financial asset is:

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

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

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

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



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Accounting Policies

1.10 Financial instruments (continued)

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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1.10 Financial instruments (continued)

Classification

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

Class	Category
Investments	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

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

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

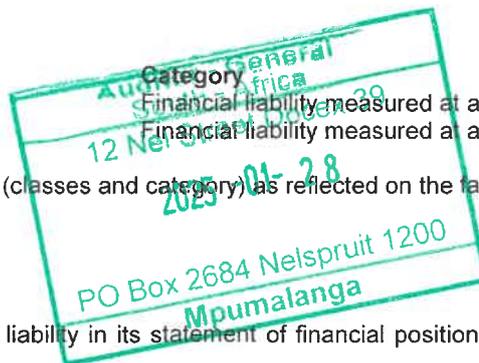
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.



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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset 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 asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.



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Accounting Policies

1.10 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

- 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

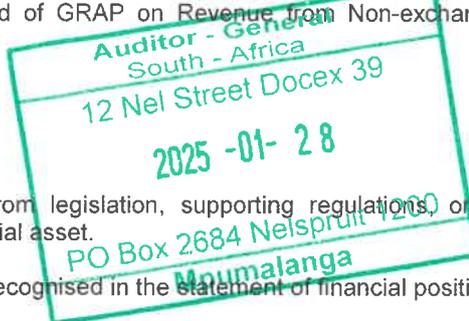
The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

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

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.



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Accounting Policies

1.11 Statutory receivables (continued)

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

1.12 Inventories

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

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

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

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

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

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

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

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

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

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

1.13 Construction contracts and receivables

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

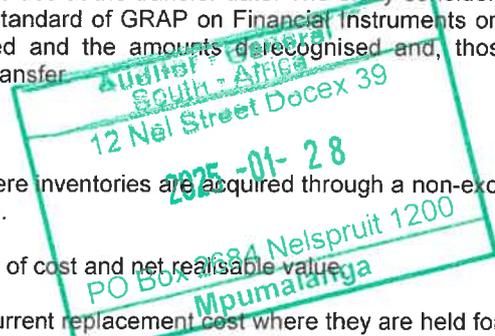
Contractor is an entity that performs construction work pursuant to a construction contract.

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

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

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

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



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Accounting Policies

1.13 Construction contracts and receivables (continued)

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

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

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

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

1.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

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

1.15 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.

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

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

A cash-generating unit is the smallest identifiable group of assets 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.

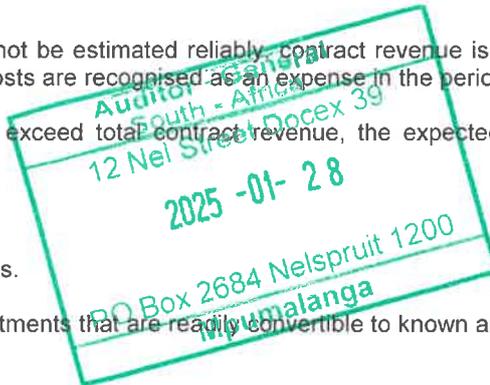
Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

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.



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Accounting Policies

1.16 Employee benefits

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

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

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

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

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Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits

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

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

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

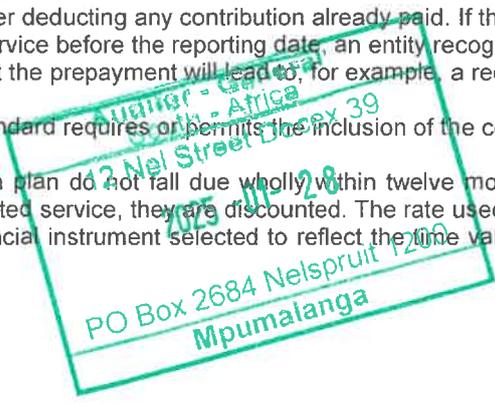
Post-employment benefits: Defined contribution plans

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

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

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

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



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Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

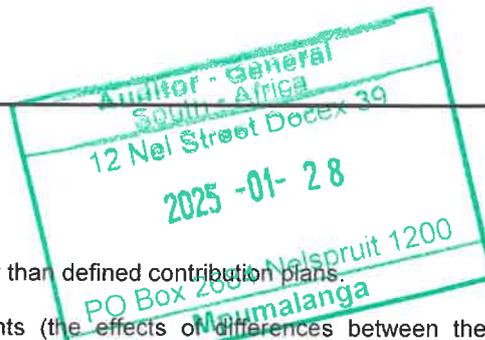
The amount recognised as a defined benefit liability is the net total of the following amounts:

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

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

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

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



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Accounting Policies

1.16 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

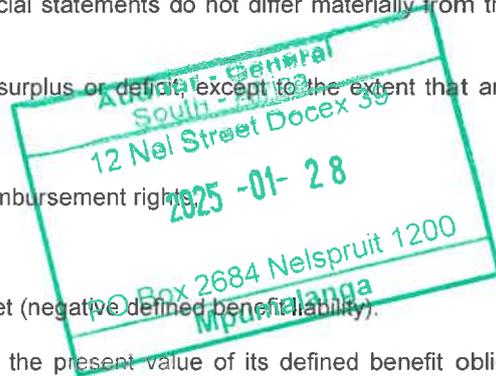
The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus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

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

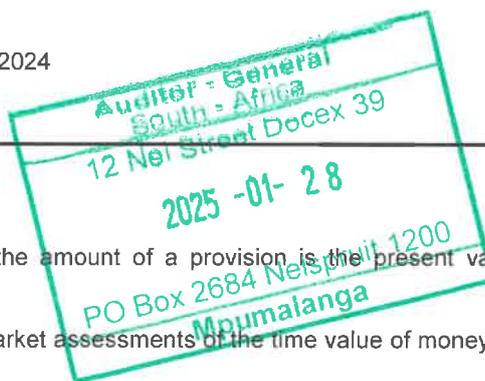


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Accounting Policies



1.17 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

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Accounting Policies

1.17 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.15.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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



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Accounting Policies

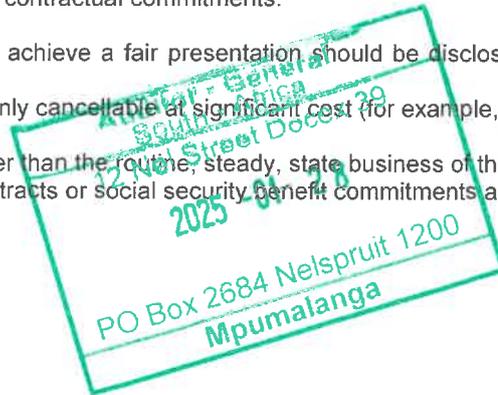
1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.



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Accounting Policies

1.19 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.

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

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

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

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

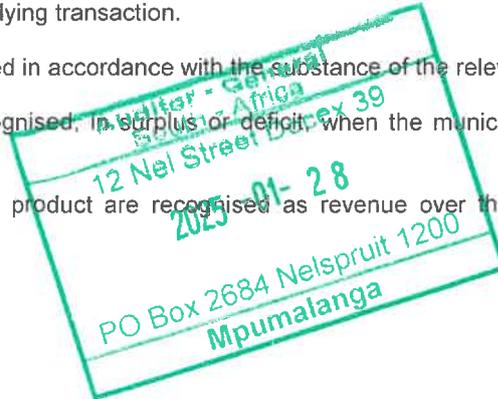
1.19 Revenue from exchange transactions (continued)

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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



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Accounting Policies

1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

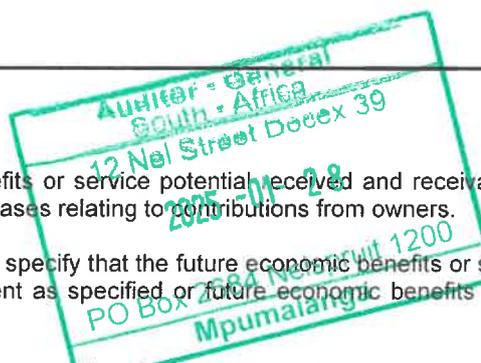
Recognition

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

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

Measurement

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

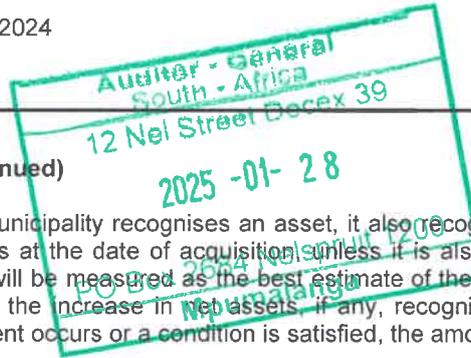


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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies



1.20 Revenue from non-exchange transactions (continued)

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

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

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

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Taxation revenue are not grossed up for the amount of tax expenditures.

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

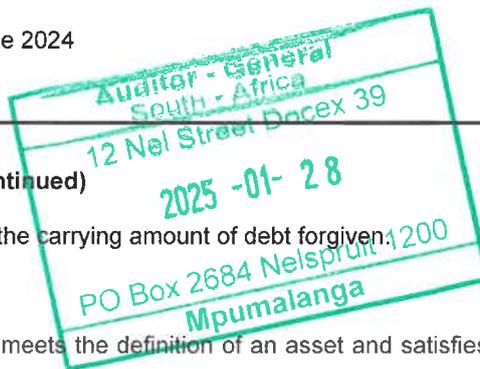
The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

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1.20 Revenue from non-exchange transactions (continued)

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.21 Borrowing costs

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

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

1.22 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Recognition

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

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Accounting Policies

1.22 Accounting by principals and agents (continued)

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

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

1.23 Comparative figures

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

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.25 Fruitless and wasteful expenditure

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

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

1.26 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.

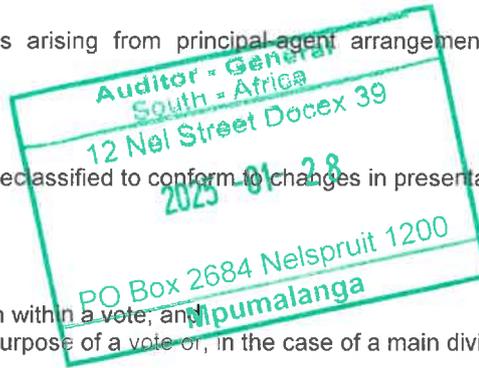
Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.27 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.

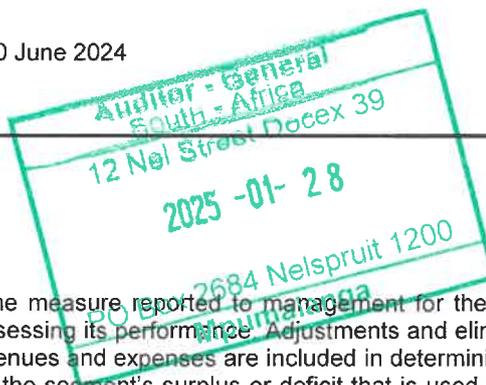


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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies



1.27 Segment information (continued)

Measurement

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

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

1.28 Related parties

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

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

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

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

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

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

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

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

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

1.29 Events after reporting date

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

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

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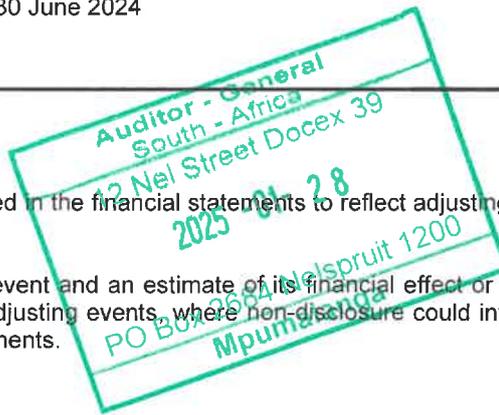
Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.29 Events after reporting date (continued)

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.



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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024 2023

2. Inventories

Consumable stores	19 842 312	25 095 879
Water for distribution	216 694	212 942
	20 059 006	25 308 821
Inventories recognised as an expense during the year	75 114 386	59 863 786
Inventory pledged as security		
There was no inventory pledged as security		
Water for distribution		
Opening balance	212 942	684 060
System input volume	14 526 606	16 705 248
Authorised consumption	(9 587 414)	(10 578 624)
Water losses	(4 461 703)	(6 411 833)
Non-revenue water	37 (473 737)	(185 909)
Closing balance	216 694	212 942



3. Other financial assets

Designated at fair value

Old Mutual	559 444	528 292
Listed Shares - Old Mutual Wealth: 13093141		
This is an Old Mutual Wealth wrapped investment. The account was opened on 25 of June 2002 with an initial investment amount of R 3 539 868.		

At amortised cost

ABSA Fixed Deposit	53 982	50 936
ABSA Fixed Term deposit This is a fixed term deposit with interest capitalised every three months.		

Total other financial assets

613 426 579 228

Non-current assets

Designated at fair value	559 444	528 292
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Current assets

At amortised cost	53 982	50 936
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4. Receivables from exchange

Trade debtors	737 464	740 223
Deposits	93 298	93 298
Other debtors	41 119	110 322
	871 881	943 843

5. Receivables from non-exchange transactions

Gross balances

Consumer debtors - Rates	202 007 112	172 343 124
Fines	56 423 771	50 776 545
	258 430 883	223 119 669

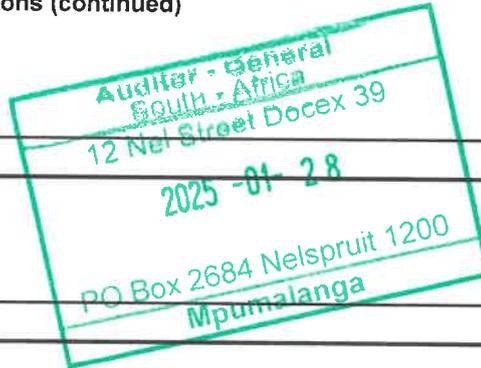
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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Receivables from non-exchange transactions (continued)		
Less: Allowance for impairment		
Consumer debtors - Rates	(179 150 863)	(153 623 429)
Fines	(49 138 377)	(47 420 785)
	(228 289 240)	(201 044 214)
Net balance		
Consumer debtors - Rates	22 856 249	18 719 695
Fines	7 285 394	3 355 760
	30 141 643	22 075 455
Statutory receivables included in consumer debtors above are as follows:		
Property rates	22 858 682	18 719 695
Traffic fines	7 285 394	3 355 760
	30 144 076	22 075 455
Financial asset receivables included in consumer debtors above	(2 433)	-
Total consumer debtors	30 141 643	22 075 455
Property rates		
Current (0 -30 days)	3 934 697	4 459 536
31 - 60 days	1 431 193	863 137
61 - 90 days	926 574	699 253
91 - 120 days	764 702	616 540
121 - 365 days	693 630	4 075 944
> 365 days	15 105 453	8 005 285
	22 856 249	18 719 695
Fines		
Current (0 -30 days)	7 285 394	3 355 760



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

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5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

The following statutory receivables are classified and measured in accordance with GRAP 108, and have been classified and measured under an accounting policy that is consistent with GRAP 108:

- Traffic fines

Traffic fines receivables are statutory receivables and arise from traffic infringements committed and fines issued as a result, in terms of the Criminal procedure Act, No 501 of 1977.

-Property rates

Property rates receivables are statutory receivables and arise from property taxes levied on property owners based on the valuation of properties per the valuation roll in accordance with the Municipal Property Rates Act, No 6 of 2004 and the Mkhondo Local Municipality's Property Rates Policy. A general valuation is performed every four years, with supplementary valuations in between. The municipality has begun the process of drafting and updating the accounting policies that are consistent with the requirements of GRAP 108.

Determination of transaction amount

Property rates Receivable tariffs are reviewed annually as part of the MTREF process and applied as per the Property rates policy which is guided by the Local Government Property Rates Act No 6 of 2004.

For Traffic Fines Receivables, the transaction amount is levied based on the rates as prescribed by the Road Traffic Offences Act.

Interest or other charges levied/charged

No interest is charged on Traffic Fines outstanding.

On property rates, interest is levied according to the Credit and Debt Control Policy on arrear municipal debt in excess of 59 days. Interest is levied monthly at the prime lending rate plus 1.25%

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

Impairment on Property Rates is based on individual collection rates. GRAP 104 financial instruments sets out the requirements and guidelines for the impairment of Financial assets carried at amortised costs

On Traffic Fines, Impairment is considered on collection rate of the balance as whole, thereafter discounting is considered in terms of materiality.

Discount rate applied to the estimated future cash flows

Interest is calculated using the nominal interest rate as stipulated in the municipal by-laws (Prime plus 1.25%). This rate is also considered the appropriate interest rate.

Reconciliation of provision for impairment for statutory receivables

Opening balance	(153 623 429)	(113 885 573)
Provision for impairment	(25 527 434)	(39 737 856)
	(179 150 863)	(153 623 429)



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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. VAT receivable		
VAT Receivable accrual	393 724 070	374 970 868
VAT Payable accrual	(347 320 699)	(350 059 978)
VAT Control payable	(2 919 828)	(672 969)
	43 483 543	24 237 921

These amounts are receivable by the municipality as a result of transactions attracting value added tax (VAT) as legislated under the Value Added Tax Act 89 of 1991 from the South African Revenue Services.

Included in VAT Payable is an amount of R2,919,828 (2023 - R672,969) which is a statutory payable to SARS which is the net of the VAT Input and VAT output as per the declarations to SARS.

7. Consumer debtors

Gross balances		
Electricity	290 747 063	246 784 567
Water	187 862 208	165 268 313
Sewerage	78 713 002	69 262 296
Refuse	138 594 716	121 119 337
Other (specify)	22 899 479	21 755 213
	718 816 468	624 189 726
Less: Allowance for impairment		
Electricity	(259 719 585)	(218 059 746)
Water	(173 267 123)	(152 719 864)
Sewerage	(72 783 272)	(63 740 498)
Refuse	(130 664 794)	(113 954 928)
Other (specify)	(21 839 687)	(21 056 134)
	(658 274 461)	(569 531 170)
Net balance		
Electricity	31 027 478	28 724 821
Water	14 595 085	12 548 449
Sewerage	5 929 730	5 521 798
Refuse	7 929 922	7 164 409
Other (specify)	1 059 792	699 079
	60 542 007	54 658 556
Included in above is receivables from exchange transactions		
Electricity	31 025 028	28 724 821
Water	14 261 266	12 548 449
Sewerage	6 070 094	5 521 798
Refuse	7 930 769	7 164 410
Others	1 524 431	662 773
	60 811 588	54 622 251
Net balance	60 811 588	54 622 251



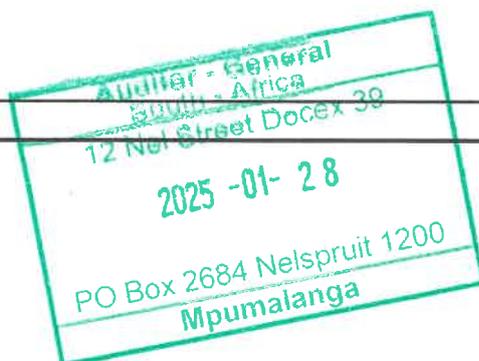
Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
7. Consumer debtors (continued)		
Electricity		
Current (0 -30 days)	6 213 040	7 501 282
31 - 60 days	1 925 860	1 008 789
61 - 90 days	995 147	810 465
91 - 120 days	835 423	821 890
121 - 365 days	682 424	4 569 405
> 365 days	20 375 584	14 012 990
	31 027 478	28 724 821
Water		
Current (0 -30 days)	959 213	1 318 489
31 - 60 days	466 664	364 017
61 - 90 days	338 084	271 962
91 - 120 days	280 867	246 154
121 - 365 days	265 474	1 944 934
> 365 days	12 284 783	8 402 893
	14 595 085	12 548 449
Sewerage		
Current (0 -30 days)	646 877	784 151
31 - 60 days	300 687	187 482
61 - 90 days	202 338	162 796
91 - 120 days	172 033	147 210
121 - 365 days	148 370	894 456
> 365 days	4 459 425	3 345 703
	5 929 730	5 521 798
Refuse		
Current (0 -30 days)	414 050	597 991
31 - 60 days	237 199	190 996
61 - 90 days	199 672	173 377
91 - 120 days	184 822	162 952
121 - 365 days	176 329	1 132 000
> 365 days	6 717 850	4 907 093
	7 929 922	7 164 409
Other		
Current (0 -30 days)	68 722	81 567
31 - 60 days	32 548	29 266
61 - 90 days	28 182	28 711
91 - 120 days	16 235	25 551
121 - 365 days	17 312	115 771
> 365 days	896 793	418 213
	1 059 792	699 079



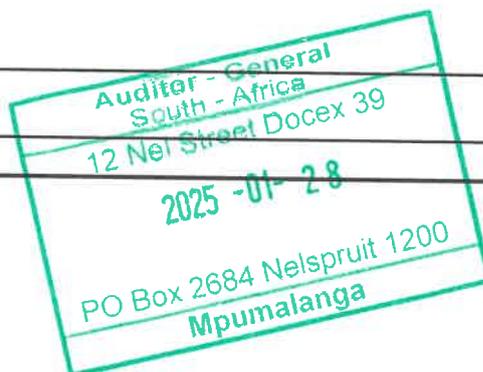
Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
7. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	11 401 906	11 054 671
31 - 60 days	10 111 994	9 324 906
61 - 90 days	9 846 869	9 165 065
91 - 120 days	9 530 896	8 421 249
121 - 365 days	9 549 621	8 188 523
> 365 days	591 113 293	505 974 114
Less: Allowance for impairment	641 554 579 (596 634 178)	552 128 528 (511 344 687)
	44 920 401	40 783 841
Industrial/ commercial		
Current (0 -30 days)	4 817 516	4 671 084
31 - 60 days	1 836 941	790 015
61 - 90 days	730 071	783 304
91 - 120 days	615 018	688 942
121 - 365 days	459 864	681 773
> 365 days	27 658 783	27 811 398
Less: Allowance for impairment	36 118 193 (24 953 127)	35 426 516 (26 100 570)
	11 165 066	9 325 946
National and provincial government		
Current (0 -30 days)	2 230 096	1 571 606
31 - 60 days	912 343	873 088
61 - 90 days	784 438	864 400
91 - 120 days	728 297	713 179
121 - 365 days	751 695	709 468
> 365 days	33 497 877	31 887 378
Less: Allowance for impairment	38 904 746 (36 687 157)	36 619 119 (32 085 913)
	2 217 589	4 533 206
Total		
Current (0 -30 days)	18 449 518	17 297 361
31 - 60 days	12 861 278	10 988 009
61 - 90 days	11 361 378	10 812 769
91 - 120 days	10 874 211	9 823 370
121 - 365 days	10 761 180	9 579 765
> 365 days	654 508 904	565 688 451
Less: Allowance for impairment	718 816 469 (658 274 462)	624 189 725 (569 531 169)
	60 542 007	54 658 556
Less: Allowance for impairment		
Current (0 -30 days)	(10 147 617)	(9 230 061)
31 - 60 days	(9 898 320)	(8 771 829)
61 - 90 days	(9 597 955)	(9 032 218)
91 - 120 days	(9 384 831)	(8 376 060)
121 - 365 days	(9 471 271)	(8 176 008)
> 365 days	(609 774 467)	(525 944 994)



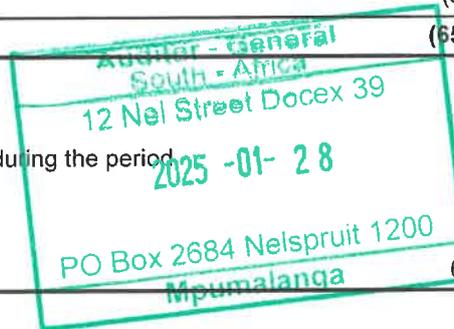
Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
7. Consumer debtors (continued)		
	(658 274 461)	(569 531 170)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(569 531 170)	(483 064 853)
Contributions to allowance	(88 743 291)	(86 466 317)
	(658 274 461)	(569 531 170)
Consumer debtors pledged as security		
There were no statutory receivables pledged as security during the period.		
Fair value of consumer debtors		
Consumer debtors	60 493 722	54 642 996



Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2024, 60 493 722 (2023: 54 642 996) were past due but not impaired.

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

1 month past due	8 301 901	8 067 300
2 months past due	2 962 958	2 216 180
3 months past due	49 439 193	44 359 496

Consumer debtors impaired

As of 30 June 2024, consumer debtors of 685 274 462 (2023: 569 531 170) were impaired and provided for.

The amount of the provision was 88 743 291 as of 30 June 2024 (2023: 86 466 317).

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	103 606	16 332
Bank balances	504 673	3 506 307
Short-term deposits	8 282 114	7 470 192
Bank overdraft	-	-
	8 890 393	10 992 831



The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
First National Bank Account 620131263656	261 160	577 189	664 431	504 673	3 506 307	2 826 535
First National Bank Fixed Deposit account 62254274732	193 526	267 383	333 357	257 142	267 383	394 127
First National Bank Call account 62016967351	63 417	2 226 479	2 843	63 417	2 226 479	2 843
First National Bank EPWP account 62706895911	86 130	1 652	17 216	86 130	1 652	17 216
First National Bank WSIG Account 62706897214	5 903 439	4 294	19 071	5 903 439	4 294	19 071
First National Bank FMG Account 62706892280	166 699	3 099	2 925	166 699	3 099	2 925
First National Bank INEP 62706893890	10 139	3 944	92 373	10 139	3 944	92 373
First National Bank EQS Account 6270688617	1 580	4 959 024	823 434	1 580	4 959 024	823 434
First National Bank-MIG 62706890911	1 653 816	4 317	1 278	1 653 816	4 317	1 278
First National Bank - Retention: 63062137419	10 699	-	-	10 699	-	-
First National Bank - CSI : 63062137766	10 699	-	-	10 699	-	-
First National Bank -ESKOM: 63062335667	118 129	-	-	118 129	-	-
Total	8 479 433	8 047 381	1 956 928	8 786 562	10 976 499	4 179 802

Mkhondo Local Municipality

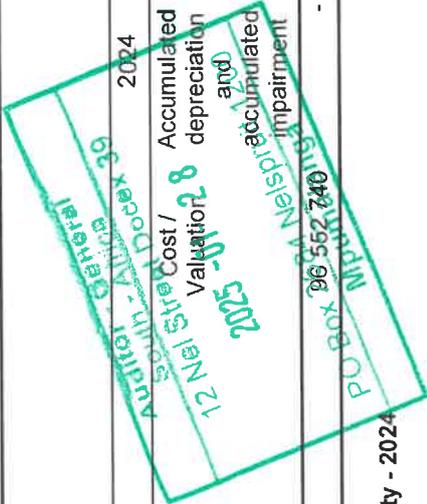
(Registration number MP303)
Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand

9. Biological assets that form part of an agricultural activity

	2024		2023	
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation
Trees in timber plantation - Consumable	96 552 740	-	96 552 740	94 236 526
				94 236 526



Reconciliation of biological assets that form part of an agricultural activity - 2024

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	94 236 526	2 316 214	96 552 740

Reconciliation of biological assets that form part of an agricultural activity - 2023

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	66 854 927	27 381 599	94 236 526

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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9. Biological assets that form part of an agricultural activity (continued)

Non-financial information

Quantities of each biological asset

Trees in timber plantation - Consumable	96 522 740	94 236 526
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Afforestation Permits

Commercial afforestation is regulated in South Africa. Water Use Permits are required for legal afforestation. The catchment under which the Mkhondo Municipality license is issued is the Assegaai River Catchment drainage region W52C. The license is issued in the name of Portion 0 Farm 149 Piet Retief Town and Townlands. The start date is 1/01/1972. The extent of the afforestable land is recorded as:

Gum: 1038.1 ha

Pine: 863.5 ha

Wattle: 555.4 ha

Other: 8.1 ha

The total afforestable area is: 2632 ha

The currently recorded forest area (including TU) for the Piet Retief Townlands is 2465.1 ha which is within the allowable permit area. There is a decrease in the reported forest area (previously 2484 ha) which can be attributed to adjustments relating to the exclusion of further Settlement areas.

Next fair valuation on the plantation will be due on 30 June 2025

Pledged as security

There are no biological assets pledged as security.

Restrictions imposed by regulations

There are no biological assets which are subject to to restrictions imposed by regulations.

Methods and assumptions used in determining fair value

Valuation of forested land requires knowledge of the location and current volume of timber resources. Forests are dynamic, biological systems, and estimates of growth for various management strategies were applied. Mean annual increment (MAI) was used on a given index age for a specified silviculture regime (Gum 10 years, Pine 25 years and Wattle 10 years), to determine volume production potential. A MAI (gum: 15.4 tons/ha/year, pine: 13.8 tons/ha/year,

Wattle: 8 tons/ha/year) was used in the evaluation. The standing timber value per hectare is determined by valuing the yield at rotation age and deducting from that the harvesting and delivery cost. The profitability of the crop is then determined by the Faust Mann Formula and incorporates all the costs. Timber prices used were provided by NCT, TWK, and Mondi.

Harvesting and transport costs were supplied by local contractors in 2024. The Municipality used an expert to calculate the fair value of biological assets as at 30 June 2024.

Financial Risk Strategy

The entity is exposed to financial risks arising from the changes in market prices of timber. The entity does not anticipate that timber prices will decline significantly in the foreseeable future and therefore has not entered into derivative or other contracts to manage the risk of a decline in timber prices. The entity reviews its outlook for timber prices regularly in considering the need for active financial risk management.



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand

10. Investment property

	2024		2023			
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Investment property	148 215 970	(15 989 488)	132 226 482	148 215 970	(15 493 369)	132 722 601

Reconciliation of investment property - 2024

Investment property	Opening balance	Depreciation	Total
	132 722 601	(496 119)	132 226 482

Reconciliation of investment property - 2023

Investment property	Opening balance	Transfers	Depreciation	Total
	121 803 626	11 413 738	(494 763)	132 722 601

Pledged as security

There is no investment properties pledged as security.

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

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Auditor - General
 South - Africa
 12 Nel Street Docex 39
 2025 -01- 28
 PO Box 2684 Nelspruit 1200
 Mpumalanga

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

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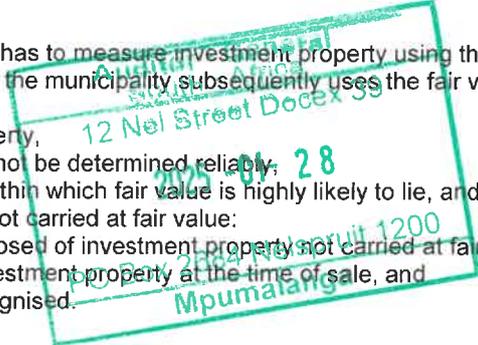
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10. Investment property (continued)

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.



Mkhondo Local Municipality

(Registration number MP303)
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11. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	15 341 373	-	15 341 373	17 054 273	-	17 054 273
Buildings	91 627 028	(39 160 378)	52 466 650	91 627 028	(36 527 154)	55 099 874
Plant and machinery	9 528 115	(4 222 838)	5 305 277	9 380 074	(4 284 109)	5 095 965
Furniture and fixtures	29 369 586	(10 096 955)	19 272 631	17 279 048	(9 399 083)	7 879 965
Motor vehicles	43 945 088	(24 821 301)	19 123 787	42 698 939	(25 899 904)	16 799 035
IT equipment	11 980 621	(5 583 593)	6 397 028	13 779 019	(6 314 044)	7 464 975
Infrastructure	2 908 777 900	(1 543 422 083)	1 365 355 817	2 876 126 333	(1 489 510 465)	1 386 615 868
Community	15 245 685	(5 405 969)	9 839 716	115 245 685	(50 758 203)	64 487 482
Landfill sites	14 752 846	(14 738 014)	14 762	19 475 966	(13 949 151)	5 526 815
Road Infrastructure - Work in Progress	27 142 220	-	27 142 220	19 378 983	-	19 378 983
Community Assets - Work In Progress	3 408 608	-	3 408 608	3 408 608	-	3 408 608
Sanitation Infrastructure - Work In Progress	195 982 516	-	195 982 516	160 354 298	-	160 354 298
Water Infrastructure - Work in Progress	23 481 971	-	23 481 971	23 481 971	-	23 481 971
Total	3 475 583 557	(1 697 451 201)	1 778 132 356	3 409 290 225	(1 636 642 113)	1 772 648 112



Mkhondo Local Municipality

(Registration number MP303)
Annual Financial Statements for the year ended 30 June 2024

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	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Land	17 054 273	-	(1 712 900)	-	-	-	-	15 341 373
Buildings	55 099 874	-	-	-	-	-	(2 633 224)	52 466 650
Plant and machinery	5 095 965	1 128 490	(245 779)	-	-	-	(673 399)	5 305 277
Furniture and fixtures	7 879 965	3 234 942	(452 649)	-	-	-	(1 389 627)	9 272 631
Motor vehicles	16 799 035	6 817 082	(448 129)	-	-	-	(4 044 201)	19 123 787
IT equipment	7 464 975	1 461 089	(1 264 030)	-	-	-	(1 265 006)	6 397 028
Infrastructure	1 386 615 868	5 675 201	(2 143 530)	31 479 603	-	-	(61 271 425)	1 360 355 817
Community	64 487 482	-	-	-	-	-	(4 647 766)	59 839 716
Landfill sites	5 526 815	38 721 101	-	-	(30 957 864)	(4 723 121)	(788 932)	14 762
Roads infrastructure - Work in Progress	19 378 983	-	-	-	-	-	-	27 142 220
Community Assets - Work in Progress	3 408 608	-	-	-	-	-	-	3 408 608
Sanitation infrastructure - Work in Progress	160 354 298	35 628 218	-	-	-	-	-	195 982 516
Water Infrastructure - Work in Progress	23 481 971	521 739	-	-	(521 739)	-	-	23 481 971
	1 772 648 112	93 187 962	(6 267 017)	30 479 603	(31 479 603)	(4 723 121)	(76 713 580)	1 778 132 356

Auditor - General
 South - Africa
 2025 -01-
 PO Box 2684 Mpumalanga
 2 Nel Street Doornburg

Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	28 468 011	-	4 500	-	(11 418 238)	-	-	-	17 054 273
Buildings	58 562 682	-	(185 054)	-	-	-	(3 277 371)	(383)	55 099 874
Plant and machinery	5 884 529	95 206	(267 065)	-	-	-	(616 705)	-	5 095 965
Furniture and fixtures	9 214 670	37 910	(94 695)	-	-	-	(1 277 920)	-	7 879 965
Motor vehicles	13 205 315	7 402 149	(341 884)	-	-	-	(3 282 308)	(184 237)	16 799 035
IT equipment	8 478 989	320 945	(12 909)	-	-	-	(1 322 050)	-	7 464 975
Infrastructure	1 436 791 113	2 879 812	(3 103 841)	50 542 586	-	-	(67 598 542)	(32 895 260)	1 386 615 868
Community Assets	76 238 405	-	(4 738 578)	-	-	-	(5 721 056)	(1 291 289)	64 487 482
Landfill sites	10 107 625	-	-	-	-	(2 074 416)	(2 506 394)	-	5 526 815
Roads Infrastructure - Work in Progress	14 143 584	27 678 415	-	-	(22 443 016)	-	-	-	19 378 983
Community Assets - Work in Progress	3 408 608	-	-	-	-	-	-	-	3 408 608
Sanitation Infrastructure - Work in Progress	133 612 099	57 464 166	-	-	(28 099 570)	(2 622 397)	-	-	160 354 298
Water Infrastructure - Work in Progress	16 044 707	7 437 264	-	-	-	-	-	-	23 481 971
	1 814 160 337	103 315 867	(8 739 526)	50 542 586	(61 960 824)	(4 696 813)	(85 602 346)	(34 371 169)	1 772 648 112

Auditor - G
12, Solihle Street Docex 39
2025 -01- 28
PO Box 2684 Nelspruit 1200
Mpumalanga

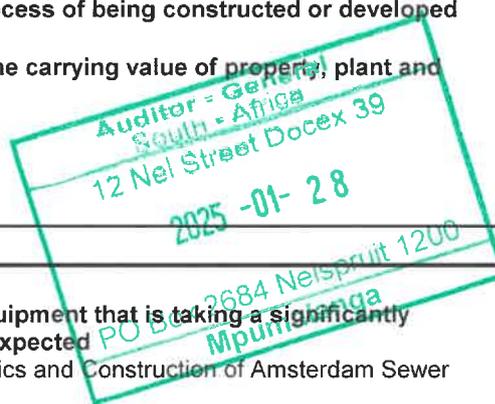
Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
11. Property, plant and equipment (continued)		
Pledged as security		
There is no Property Plant and Equipment pledged as security:		
Assets subject to finance lease (Net carrying amount)		
Motor vehicles	-	1 247 562
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Roads infrastructure	27 142 221	19 378 993
Sanitation infrastructure	195 982 516	160 354 207
Water infrastructure	23 481 971	23 481 971
Community	3 408 688	3 408 688
	250 015 396	206 623 859
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Provision of Professional Engineering Services and Construction of Amsterdam Sewer Reticulation	57 469 520	38 263 853
Damaging of existing services. Hard rock, deep excavation and high water table. Professional Engineering Services and Construction of Driefontein Sanitation (6.3)	76 950 854	58 922 440
The Project delayed because the community was not accepting explosive blasting. EThandukhanya Wastewater Works (Mechanical and Electrical Works & Request for proposals from professional service providers for the design of a Outfall sewer pipeline and WWTW at eThandukhanya	30 407 437	28 525 395
The Plant was completed. However, the Outfall sewer was delayed because of funding. A contractor has been re-appointed to complete the project.		
	164 827 811	125 711 688
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Provision of Professional Engineering Services and Construction of Amsterdam Sewer Reticulation	3 408 688	3 408 688
Damaging of existing services. Hard rock, deep excavation and high water table.		
Professional Engineering Services and Construction of Driefontein Sanitation (6.3)	24 031 778	24 031 778
The Project delayed because the community was not accepting explosive blasting.		
EThandukhanya Wastewater Works (Mechanical and Electrical Works & Request for proposals from professional service providers for the design of a Outfall sewer pipeline and WWTW at eThandukhanya	28 749 115	28 749 115
The Plant was completed. However, the Outfall sewer was delayed because of funding. A contractor has been re-appointed to complete the project.		
	56 189 581	56 189 581



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	203 215 253	3 408 607	206 623 860
Additions/capital expenditure	74 871 058	-	74 871 058
Transferred to completed items	(31 479 602)	-	(31 479 602)
	246 606 709	3 408 607	250 015 316

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	163 800 390	3 408 607	167 208 997
Additions/capital expenditure	92 579 845	-	92 579 845
Other movements	(2 622 397)	-	(2 622 397)
Transferred to completed items	(50 542 586)	-	(50 542 586)
	203 215 252	3 408 607	206 623 859

Auditor - General
South - Africa
12 Nel Street Docex 39
2025 -01- 28
PO Box 2684 Nelspruit 1200
Mpumalanga

Expenditure incurred to repair and maintain property, plant and equipment

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

Contracted services	54 942 548	26 250 003
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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.

Mkhondo Local Municipality

(Registration number MP303)
Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

12. Heritage assets

	2024		2023			
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	2 860 000	-	2 860 000	2 860 000	-	2 860 000
Mayoral chain	56 300	-	56 300	56 300	-	56 300
Total	2 916 300	-	2 916 300	2 916 300	-	2 916 300

Reconciliation of heritage assets 2024

Art Collections, antiquities and exhibits
Mayoral chain

	Opening balance	Total
Art Collections, antiquities and exhibits	2 860 000	2 860 000
Mayoral chain	56 300	56 300
Total	2 916 300	2 916 300

Reconciliation of heritage assets 2023

Art Collections, antiquities and exhibits
Mayoral chain

	Opening balance	Total
Art Collections, antiquities and exhibits	2 860 000	2 860 000
Mayoral chain	56 300	56 300
Total	2 916 300	2 916 300

Restrictions on heritage assets

There is no restrictions placed on heritage assets.



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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
12. Heritage assets (continued)		
Pledged as security		
There is no heritage assets pledged as security:		
13. Payables from exchange transactions		
Trade payables	814 694 192	721 165 076
Payments received in advanced - contract in process	7 396 592	5 926 165
Advance payments for sales of land	7 404 828	7 404 828
Retentions	30 025 559	29 761 339
Accrued bonus	6 716 956	5 979 590
Deposits received	35 066	35 066
Prepaid electricity paid in advance	1 639 328	-
Accrued leave	24 219 085	22 840 205
Unallocated deposits	9 415 835	8 262 752
Accrued creditors	14 316 442	1 101 817
Sundry creditors	1 232 743	1 095 867
Payroll liabilities	40 761 037	23 713 304
	957 857 663	827 286 009

14. Consumer deposits

Electricity	2 491 704	2 482 085
Water	1 653 656	1 597 989
Refuse	33 986	28 723
	4 179 346	4 108 797

15. Employee benefit obligations

Defined benefit plan

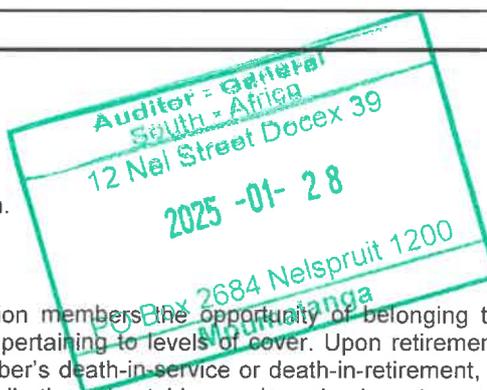
The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme. Contribution rates tables are based only on type and number of dependants, and income. As expected health care costs (or claims) tend to increase with average age, younger (inservice) members generally subsidise older (continuation) members.

Employees appointed by the Municipality prior to 31/12/1993 will receive a post-employment subsidy of 70% of the contribution payable should they be a member of a medical scheme at retirement. Continuation members and their eligible dependants receive a 70% subsidy.

All post-employment subsidies are subject to a maximum subsidy. The maximum subsidy is R 5,541 per principal member per month for the year ending 30 June 2025, and has been assumed to increase annually on 1 July at 75% of salary inflation. Upon a member's death-in-service, surviving dependants are not entitled to commence receipt of the subsidy. Upon a member's death-in-retirement, surviving dependants are entitled to continue to receive the same subsidy.



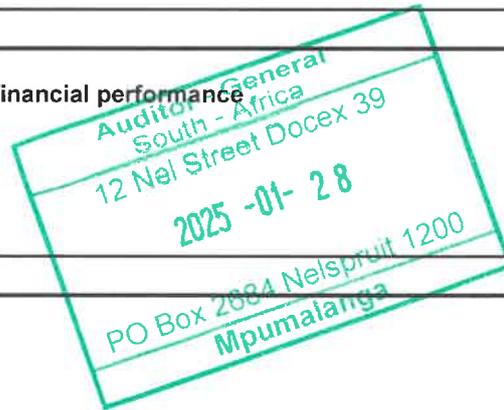
Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
15. Other statutory receivables [Framework related] (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(9 730 000)	(9 435 000)
Non-current liabilities	(8 821 000)	(8 534 000)
Current liabilities	(909 000)	(901 000)
	(9 730 000)	(9 435 000)
Net expense recognised in the statement of financial performance		
Current service cost	58 000	73 000
Interest cost	1 024 000	1 169 000
Actuarial (gains) losses	114 000	(1 782 000)
Expected employer benefit payments	(901 000)	(877 000)
	295 000	(1 417 000)
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	114 000	(1 782 000)
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	11.21 %	11.38 %
CPI Inflation rate	5.35 %	5.62 %
Medical Aid Contribution infation rate	6.85 %	7.12 %
Net Discount rate (medical aid contributions)	4.08 %	3.98 %
Maximum subsidy inflation rate	4.76 %	4.97 %
Net discount rate (maximum subsidy)	6.15 %	6.11 %



Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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15. Other statutory receivables [Framework related] (continued)

Discount Rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment DBO. However, where there is no deep market in government bonds with sufficiently long maturity to match the estimated term of the benefit payments, current market rates of appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11.21% per annum has been used. The corresponding index-linked yield at this term is 5.09%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 28 June 2024.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

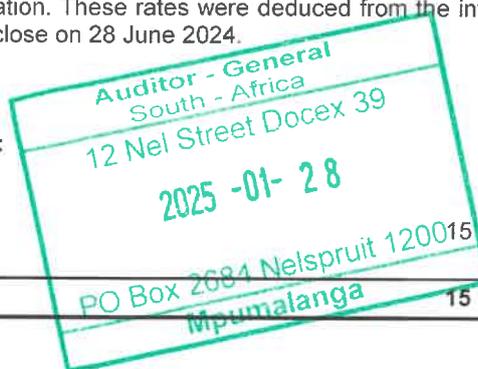
Disaster Recovery Management Grant	15 009 029	6 735 830
Provincial Treasury Grant	-	581 933
	15 009 029	7 317 763

Movement during the year

Balance at the beginning of the year	7 317 763	7 053 987
Additions during the year	111 481 237	142 386 257
Income recognition during the year	(103 789 971)	(135 068 494)
Income recognition during the year	-	(7 053 987)
	15 009 029	7 317 763

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

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



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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

17. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	30 688 422	3 351 667	(5 187 214)	28 852 875
Long service awards - current portion	787 000	1 266 000	-	2 053 000
Long service awards - non current portion	11 467 000	317 000	-	11 784 000
	42 942 422	4 934 667	(5 187 214)	42 689 875

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	29 800 782	-	797 640	30 688 422
Long service awards - Current portion	1 214 000	(427 000)	-	787 000
Long service awards - non current portion	10 431 000	1 036 000	-	11 467 000
	41 535 782	609 000	797 640	42 942 422
Non-current liabilities			40 636 875	42 155 422
Current liabilities			2 053 000	787 000
			42 689 875	42 942 422

Environmental rehabilitation provision

GENERAL INFORMATION

The Piet Retief landfill is situated on Portion 7 of Piet Retief Townlands 149 HT, District of Piet Retief, approximately 3 km South of Piet Retief.

A permit referenced 16/2/7/W511/D015/Z2/P388 for the landfill was issued by the national Department of Water Affairs and Forestry on 24 January 2001 (Doc 1). The permit has an unlimited period of validity.

FINANCIAL ASSUMPTIONS USED

Unit costs

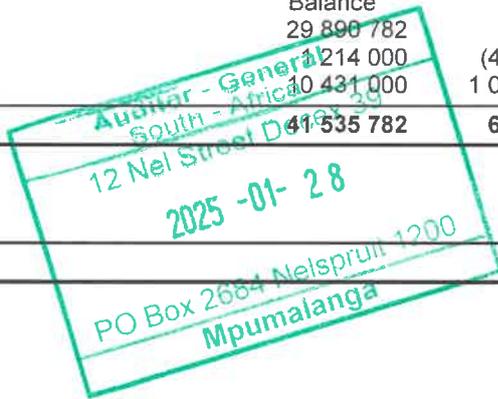
Unit costs for each of the cost elements are obtained annually by means of a commercial quotation.

Consumer Price Index

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date.

The average of the CPI for the last three months amounted to 5.1704%.

Discount rate



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Annual Financial Statements for the year ended 30 June 2024

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17. Provisions (continued)

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflationlinkedrates are used.

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used.

For this landfill the rate associated with the maximum period of 10 years was used, i.e. 5.5% above CPI.

Long service awards

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.

An actuarial valuation has been performed of the net defined benefit liability in respect of long service awards to eligible employees. As there is no plan asset, the net defined benefit liability is equal to the defined benefit obligation.

There were 518 employees entitled to long service awards at this valuation. The defined benefit obligation was estimated to be R 13 837 000.

As the results are particularly sensitive to the assumptions made, it is important that they are treated with a degree of caution. The average expected remaining working-lifetime of eligible employees is 18.2 years.

Key assumptions

In estimating the LSA net defined benefit liability of the Municipality a number of actuarial assumptions are required. The GRAP 25 standard places the responsibility on management to set these assumptions, as guided by the principles set out in the standard and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided.

Assumption	Value p.a
Discount rate	11.21%
CPI inflation rate	5.35%
General earnings inflation rate	6.35%
Net effective discount rate	4.57%

18. Service charges

Sale of electricity	166 378 579	150 870 469
Sale of water	24 554 995	25 359 968
Sewerage and sanitation charges	12 920 792	12 290 291
Refuse removal	15 001 790	14 300 956
	218 856 156	202 821 684

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
19. Construction contracts and receivables		
<p>During the year, the Municipality received funding through DoRA for the electrification of various villages in Mkhondo on behalf of Eskom. Upon completion of the project, the municipality would handover the project to Eskom. This is a cost based contract and the municipality is not expected to make any profits out of it.</p> <p>The construction commenced during the 2023/24 financial year and was completed within the financial year.</p> <p>There were no contracts in progress as at the financial reporting date.</p> <p>There were no advances received in excess of work completed as at the reporting date.</p> <p>At 30 June 2024, retention of contracts in progress are 848 576 (2023: 993 044).</p> <p>Agreements that meet all the criteria in paragraph .29 of GRAP9</p> <p>The municipality recognise revenue using the percentage of completion method for agreements that meet all the criteria in paragraph .29 of GRAP9 (Revenue from Exchange Transactions), continuously as construction progresses.</p> <p>The entity determines which agreements meet all the criteria in paragraph .29 of the Standard of GRAP on Revenue from Exchange Transactions continuously as construction progresses in the following manner</p> <p>The amounts recognised as revenue is shown below.</p> <p>The amount of revenue arising from such agreements in the period 2025-01-28 8 485 762 9 930 435</p> <p>The aggregate amount of costs incurred for agreements in progress 8 485 762 9 930 435</p>		
20. Rental of facilities and equipment		
Premises		
Premises	882 637	113 443
Facilities and equipment		
Rental of facilities	354 715	1 000 952
	1 237 352	1 114 395
21. Licences and permits		
Licences and permits	135 391	190 575
22. Other income		
Cemetry fees	189 783	192 067
Photocopying	408 467	428 774
Building and clearing certificates	1 080 075	921 138
Library fees	383	956
Escouting fees	28 294	34 320
Other income	931 388	492 629
	2 638 390	2 069 884
23. Investment revenue		
Interest revenue		
Bank	2 758 026	1 261 526
Interest charged on trade and other receivables	45 695 041	35 869 237
	48 453 067	37 130 763

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
24. Fair value adjustments		
Biological assets - (Fair value model)	2 316 214	27 381 599
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	33 008	34 701
	2 349 222	27 416 300

25. Property rates

Rates received

Residential	34 839 794	39 613 481
Commercial	19 990 645	15 904 371
State	8 507 072	4 902 134
Small holdings and farms	19 466 182	22 488 423
Less: Income forgone	-	(2 877 835)
	82 803 693	80 030 574

Valuations

Residential	3 631 098 550	3 636 144 650
Commercial	1 610 814 450	1 526 233 500
State	597 746 300	678 920 250
Municipal	781 654 830	782 169 830
Small holdings and farms	5 853 759 000	5 866 516 000
Vacant Land	212 026 010	210 981 010
	12 687 099 140	12 700 965 240



Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

26. Interest received on Receivables from non exchange transactions

Interest - Taxation revenue	14 560 174	11 746 198
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Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

27. Government grants & subsidies

Operating grants

Equitable share	332 438 000	303 974 000
Finance Management Grant	3 100 000	3 100 000
LGSETA	432 762	386 269
Expanded Public Works Programme	2 136 000	2 855 000
Municipal Infrastructure Grant	5 523 000	4 481 250
Provincial Treasury	8 316 933	2 918 068
	351 946 695	317 714 587

Capital grants

Municipal Infrastructure Grant	81 877 000	85 143 750
Water Services Infrastructure Grant	-	19 999 987
Municipal Disaster Relief Grant	14 326 801	1 264 170
Provincial Treasury Maintenance Grant	-	3 500 000
	96 203 801	109 907 907
	448 150 496	427 622 494

Conditional and Unconditional

Included in above are the following grants and subsidies received

Conditional grants received	1 571 249	1 236 484
Unconditional grants received	332 438 000	303 974 000
	448 150 496	427 622 494

Equitable Share

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

All registered indigents receive a monthly subsidy of 369 (2023: 335), which is funded from the grant.

Municipal infrastructure Grant

Current-year receipts	87 400 000	89 616 000
Conditions met - transferred to revenue	(87 400 000)	(89 616 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The conditions of the projects are directly in-line with the DORA requirements. The Municipal Infrastructure Grant programme is aimed at providing all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. The MIG programme is a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish.

Expandable Public Works Programme

Current-year receipts	2 136 000	2 855 000
Conditions met - transferred to revenue	(2 136 000)	(2 855 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

27. Government grants & subsidies (continued)

Incentive paid to public bodies to incentivise work creation. The incentive is paid per quantum of employment created for the EPWP target group and can be measured in person-days of work or full time equivalent job.

Finance Management Grant

Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 100 000)	(3 100 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

Disaster Recovery Management Grant

Balance unspent at beginning of year	6 735 830	-
Current-year receipts	22 600 000	8 000 000
Conditions met - transferred to revenue	(14 326 801)	(1 264 170)
	15 009 029	6 735 830

Conditions still to be met - remain liabilities (see note 16).

The Grant is to provide intervention measures for the infrastructure damages due to impact of storms that happened in December 2022.

LGSETA

Current-year receipts	432 762	386 269
Conditions met - transferred to revenue	(432 762)	(386 269)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The Local Government, Water and Related Services SETA was established in terms of the Skills Development Act (1998). In terms of the provisions of the Act, the SETA was first established in 2000 and was recertified by the Minister of Labour in March 2005, with a reduced scope of coverage that excluded the Water Sector. It was at this stage renamed the The Local Government Sector Education & Training Authority (LGSETA). In 2011 responsibility for all SETAs was moved from the Department of Labour to the newly established Department of Higher Education and Training. The LGSETA was recertified by the Minister for the National Skills Development Strategy III period (2011-2016). The LGSETA has aligned its contributions to the implementation of National Skills Development Strategy III (NSDS III) primarily to support the achievement of OUTCOME 9 of the Cabinet Programme of Action, which aims to improve the effectiveness and efficiency of skills development system within the local government sector. The strategic outcome of the SETA will therefore produce a skilled and capable local government workforce. The conditions of the projects are directly in-line with the DORA requirements. The Municipal Infrastructure Grant programme is aimed at providing all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor.

Integrated National Electrification Programme

Current-year receipts	8 799 000	11 420 000
Conditions met - transferred to revenue	(8 799 000)	(11 420 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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27. Government grants & subsidies (continued)

The Department of Energy, Eskom and the South African Local Government Association briefed the committee on where the Intergrated Electrification Programme stood currently, the challenges it faced as well as the challenges specific to municipalities.

Water Services Infrastructure Grant

Balance unspent at beginning of year	-	7 053 987
Current-year receipts	-	20 000 000
Conditions met - transferred to revenue	-	(20 000 000)
Repaid during the year	-	(7 053 987)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Provincial Treasury Grant

Balance unspent at beginning of year	581 933	-
Current-year receipts	7 735 000	7 000 000
Conditions met - transferred to revenue	(8 316 933)	(6 418 067)
	-	581 933

Conditions still to be met - remain liabilities (see note 16).

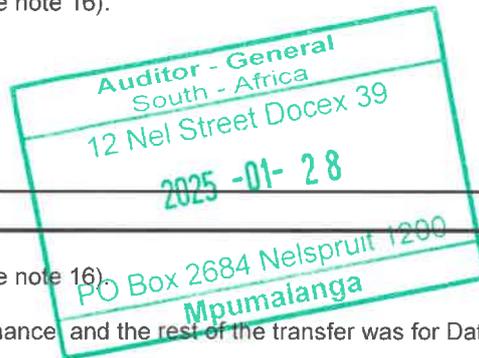
An amount of R3,500,000 was for road maintenance and the rest of the transfer was for Data cleansing.

28. Public contributions and donations

Public contributions and donations	1 611 808	1 124 293
Donation of boreholes	-	1 500 000
	1 611 808	2 624 293

29. Fines, Penalties and Forfeits

Illegal Connections Fines	369 245	386 089
Court Traffic Fines	14 845	14 550
Municipal Traffic Fines	6 484 500	5 743 000
	6 868 590	6 143 639



Mkhondo Local Municipality

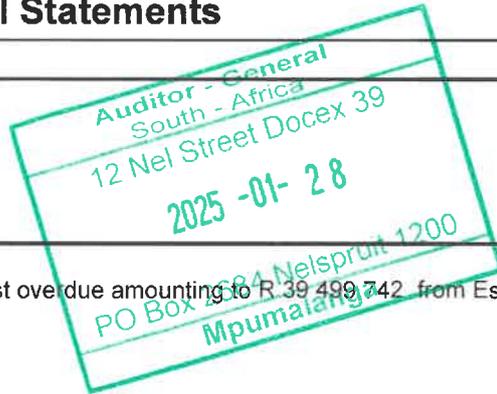
(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
30. Debt Forgiveness		
Eskom Debt Forgiveness	39 499 742	-

The municipality received a debt relief for interest overdue amounting to R 39 499 742 from Eskom for the financial year ending 30 June 2024



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
31. Employee related costs		
Basic	141 326 305	137 812 793
Bonus	12 491 914	11 551 572
Medical aid - company contributions	11 333 247	10 757 686
UIF	1 104 172	1 128 427
Leave pay provision charge	1 523 454	991 808
Defined contribution plans	28 614 304	27 554 861
Travel, motor car, accommodation, subsistence and other allowances	9 154 929	6 938 691
Overtime payments	20 498 956	19 393 976
Long-service awards	198 019	27 839
Acting allowances	1 141 864	1 465 048
Housing benefits and allowances	902 621	1 003 255
Standby allowances	13 231 998	12 017 525
SALGA	68 259	65 560
	241 590 042	230 709 041

Remuneration of municipal manager

Annual Remuneration	600 184	1 045 889
Leave paid	102 956	-
Contributions to UIF, Medical and Pension Funds	709	1 240
Acting Allowance	35 061	-
	738 910	1 047 129

Mr MS Dlamini was the Acting Municipal Manager. He served for four months to 31 October 2023. Mr S Nkosi was appointed acting Municipal Manager for three months from November 2023 to 31 January 2024. Mr M. Mkhonza was then appointed in an Acting capacity from February 2024 to 30 June 2024.

Remuneration of chief finance officer

Annual Remuneration	776 920	988 994
Car Allowance	240 000	240 000
Bonuses	89 127	18 052
Contributions to UIF, Medical and Pension Funds	128 267	121 343
Leave paid	-	8 920
Other allowances	26 740	19 200
Acting allowance	90 456	-
	1 351 510	1 396 509

Mr B Maseko was the CFO. He served for twelve months to 30 June 2024. During the year under review, Mr B Maseko was on special leave for the whole year. Mr C Munzhelele acted for four months from July 2023 to October 2023. Mr S Chavarika was appointed acting CFO for the period November 2023 to 30 June 2024.

General Manager: Community Services

Annual Remuneration	776 649	682 216
Car Allowance	96 000	80 000
Bonuses	78 220	-
Contributions to UIF, Medical and Pension Funds	130 316	105 076
Acting allowance	-	13 259
Other	16 950	-
	1 098 135	880 551

Ms A Mthetwa is the General Manager Community services. She served for twelve months to 30 June 2024.

General Manager: Corporate and human resources (corporate services)

Mkhondo Local Municipality

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Figures in Rand	2024	2023
31. Employee related costs (continued)		
Annual Remuneration	768 017	-
Car Allowance	96 000	-
Bonuses	98 981	-
Contributions to UIF, Medical and Pension Funds	185 226	-
Leave paid	195 470	-
Other allowances	37 291	-
Acting allowance	20 358	-
	1 401 343	-

Ms W Mahlangu is the General Manager Corporate services. She was appointed in October 2023. Before then she was the Senior Manager Planning and Economic Development. Ms B Nxumalo acted in the position for three months from July 2023 to September 2023.

General Manager: Technical Services

Annual Remuneration	788 307	65 335
Car allowances	96 000	-
Bonus	77 680	-
Contributions to UIF, Medical and Pension Funds	164 356	177
Other allowances	31 200	-
Leave paid	195 243	-
Acting allowance	20 197	-
	1 372 983	65 512

Mr S Nkosi is the General Manager for Technical Services. He was appointed in September 2023. Before then he was the Senior Manager for Project Management Unit. He was acting in the position since July 2023 before he was substantively appointed to the position.

General Manager: Planning and Development

Annual Remuneration	558 544	244 186
Car allowance	80 000	11 205
Bonuses	-	6 235
Contributions to UIF, Medical and Pension Funds	106 585	11 591
Acting allowance	34 345	-
Other allowances	14 600	16 611
Leave paid	-	172 380
	794 074	462 208

Mr MJ Mkhonza is the General Manager for Planning and Economic Development. He was appointed in November 2023. He replaced Mr L Motloung who resigned in July 2022. From July 2023 to October 2023, Ms W Mahlangu was Acting in the position of General Manager - Planning and Economic Development.

32. Remuneration of councillors

Executive Major	1 030 252	989 613
Chief Whip of Council	788 858	765 226
Speaker	835 846	798 435
Councillors	16 021 032	13 278 368
	18 675 988	15 831 642

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

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Figures in Rand	2024	2023
33. Depreciation and amortisation		
Property, plant and equipment	76 713 580	85 602 346
Investment property	496 119	494 763
	77 209 699	86 097 109
34. Finance costs		
Trade and other payables	39 591 400	51 771 758
Other interest	3 351 667	2 872 056
	42 943 067	54 643 814
35. Lease rentals on operating lease		
Lease rentals on operating lease - Other		
Contractual amounts	322 673	301 454
36. Debt impairment		
Debt impairment	102 695 514	103 216 174
Contributions to debt impairment provision	1 717 592	2 827 753
	104 413 106	106 043 927
37. Bulk purchases		
Electricity - Eskom	182 082 205	146 655 499
38. Contracted services		
Outsourced Services		
Administrative and Support Staff	361 011	28 363
Burial Services	151 500	32 500
Business and Advisory	24 348 229	15 695 027
Hygiene Services	938 630	971 155
Professional Staff	270 090	446 235
Security Services	39 949 760	34 118 033
Traffic Fines Management	614 537	-
Transport Services	133 150	-
Consultants and Professional Services		
Infrastructure and Planning	23 232	-
Laboratory Services	773 645	25 925
Legal Cost	5 058 444	4 727 979
Contractors		
Catering Services	2 707 166	1 946 845
Electrical	10 043 913	10 336 219
Event Promoters	-	8 940
Gardening Services	11 000	-
Maintenance of Buildings and Facilities	1 056 384	932 114
Maintenance of Equipment	13 983 507	11 001 144
Maintenance of Unspecified Assets	39 902 657	14 298 935
Traffic and Street Lights	-	56 854
Sports and Recreation	50 000	-
Forestry	9 068 807	7 613 128

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Figures in Rand	2024	2023
38. Contracted services (continued)		
	149 445 662	102 239 396
39. Transfer and subsidies		
Other subsidies		
Equitable share	10 645 365	9 612 340
40. General expenses		
Advertising	922 710	1 384 546
Auditors remuneration	7 541 684	7 827 796
Bank charges	1 019 951	910 979
Commission paid	77 552	95 696
Consumables	75 114 386	59 863 786
Discount allowed	2 793 890	88 480
Entertainment	10 550	-
Hire	3 094 867	3 073 377
Insurance	5 670 639	5 122 913
Community development and training	498 926	1 848 815
IT expenses	2 324 560	1 975 220
Promotions and sponsorships	-	18 800
Levies	828 776	2 138 396
Fuel and oil	694	-
Printing and stationery	113 054	268 142
Protective clothing	9 623 101	726 951
Subscriptions and membership fees	3 239 721	2 842 300
Telephone and fax	12 805 368	10 833 604
Transport and freight	383 040	-
Training	1 649 656	3 697 488
Travel - local	4 136 011	6 292 061
Utilities - Other	2 670 697	3 013 596
Ward committee	2 397 222	2 756 517
Other expenses	324 642	459 347
	137 241 697	115 238 810
41. Interest, Dividends and Rent on Land		
42. Impairment loss		
Impairments		
Property, plant and equipment	-	34 371 168
43. Auditors' remuneration		
Fees	7 541 684	7 827 796



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44. Cash generated from operations		
Surplus/(deficit)	(105 266 338)	(108 648 102)
Adjustments for:		
Depreciation and amortisation	77 209 699	86 097 109
Sale of assets and liabilities	4 782 216	7 555 742
Fair value adjustments	(2 349 222)	(27 416 300)
Impairment deficit	-	34 371 168
Debt impairment	104 413 106	106 043 927
Bad debts written off	757 330	350 601
Movements in retirement benefit assets and liabilities	21 041 979	(540 763)
Movements in provisions	2 887 574	2 872 057
Donated assets	(1 611 808)	(2 624 293)
Inventory losses or write-downs	4 443 597	6 393 884
Assets expenses	-	2 622 397
Changes in working capital:		
Inventories	806 218	(15 967 706)
Receivables from exchange	71 962	(761)
Consumer debtors	(95 384 072)	(84 599 905)
Receivables from non-exchange transactions	(35 311 214)	(33 076 989)
Payables from exchange transactions	111 143 454	136 347 111
VAT	(7 670 414)	(6 661 611)
Unspent conditional grants and receipts	7 691 266	263 776
Consumer deposits	70 549	(53 992)
	87 725 882	103 327 350

45. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges

Lease rentals on operating lease - Other

- Contractual amounts

322 673 301 454

Loss on sale of property, plant and equipment	(4 782 216)	(7 370 688)
Loss on sale of investment property	-	(185 054)
Impairment on property, plant and equipment	-	34 371 168
Depreciation on property, plant and equipment	76 713 580	85 602 346
Depreciation on investment property	496 119	494 763
Employee costs	267 024 982	250 392 592

46. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	559 444	53 982	613 426
Trade and other receivables from exchange transactions	-	60 542 007	60 542 007
Other receivables from exchange transactions	-	871 882	871 882
Cash and cash equivalents	-	8 890 394	8 890 394
	559 444	70 358 265	70 917 709

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46. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	957 857 663	957 857 663
Consumer deposits	4 179 346	4 179 346
Unspent conditional grants	15 009 029	15 009 029
	977 046 038	977 046 038

2023

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transaction	-	943 844	943 844
Other financial assets	528 292	50 936	579 228
Trade and other receivables from exchange transactions	-	54 658 556	54 658 556
Cash and cash equivalents	-	10 992 832	10 992 832
	528 292	66 646 168	67 174 460

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	827 286 009	827 286 009
Consumer deposits	4 108 797	4 108 797
Unspent conditional grants	7 317 763	7 317 763
	838 712 569	838 712 569

47. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Infrastructure assets	62 551 895	38 004 298
• Community Assets	2 094 489	2 094 489
	64 646 384	40 098 787

Total capital commitments

Already contracted for but not provided for	64 646 384	40 098 787
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, and Transfers from National Treasury.

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48. Contingencies

Contingencies as at 30 June 2024

NAME OF CLAIMANT	RESPONSIBLE DEPARTMENT INTERNALLY	SUMMARY OF CASE AND PROGRESS	RESPONSIBLE LAW FIRM OR APPOINTED FIRM	FILE NUMBER	AMOUNT CLAIMED	COMMENTS
1. Bareki consulting (Pty)Ltd	Level Services Division	The plaintiff is claiming damages for work done, They compiled a supply chain management system and they were not paid for the work done	TMN KGOMO & Associates Inc.	19148/20	Claim A R 761 383.10 Claim B R1 169 904.48	The pleadings have closed in the matter. The application to compel the plaintiff to attend pre-trial conference was issued and matter is now set down for hearing on the 26 th of July 2024.
2. Owethu Mkhondo cc Development of middle class houses Trading	Legal Services Division	The plaintiff is suing the municipality the sum of R21 277 570.63	TMN KGOMO & Associates Inc.	46047/20 14/WDM	R21,277,570.63	The Pleadings have been closed in the matter. The matter was certified trial ready and set down on the 14 May 2024 Pretoria High Court. The matter could not proceed due to the plaintiff's failure to put the matter on the roll.
3. Rethuseng Live Line Services cc	Legal Services Division	Summons were issued by the plaintiff against two defendants. The municipality is cited as the second defendant. The plaintiff is claiming from the first defendant an amount of R 4 846 015.42 and alternatively R3249 043.64 from the second defendant.	TMN KGOMO & Associates Inc.	40779/2014/WDM	R4 846 015.42 Alternatively R3 249 043.64	We received confirmation from the engineering company that they have inspected the Piet Retief site and expecting report. The plaintiff has failed to file their report as agreed between the parties. We have requested the trial date.

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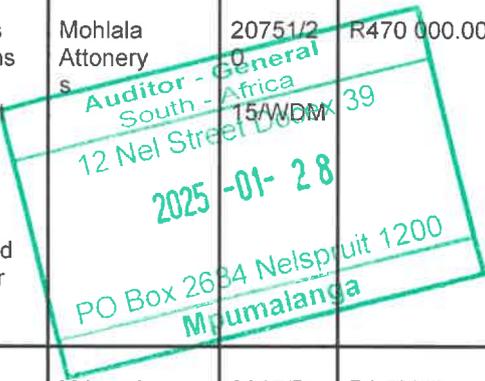
Figures in Rand

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48. Contingencies (continued)

4. SCF Engineers/Municipality	Legal services Division	The Municipality received summons claiming R2433 900.00 in respect of professional engineering services	Dolamo Attorneys	521/2022 BSX	R2,433,900	The matter is set down for hearing on the 25 th of July 2024 for the condonation
5. Mr L.P De Beer	Legal services Division	The plaintiff has served summons against the municipality that he has incurred damages due motor vehicle accident as a result of the road and storm water drain where he was travelling	Mohlala Attorneys	2075/2023 15/11/2023	R470 000.00	The Applicant/Plaintiff has filed an application for joinder of MEC for roads and transport and the said application is being opposed by the office of the state attorney
6. M J S Mabuza	Legal services Division	The municipality received notice and summons claiming an amount of R2.2 Million to compensate the claimant as the results of loses suffered as the results of his contract being terminated	Mthunzi Madonsela Attorneys	2017/B SX	R2.2Million	This matter was case managed in 2022 and was set down for trial in January 2023. Thereafter the matter was removed by the plaintiff before hearing. We anticipate the re-enrolment.



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48. Contingencies (continued)

<p>7. Ideal prepaid (Pty)Ltd</p>	<p>Legal services Division</p>	<p>Ideal Prepaid has instituted legal actions against the municipality after the municipality terminated their contract and filed the reviewed application</p>	<p>Madonsela Mthunzi inc Attorneys</p>	<p>732/2018 /BSX</p>	<p>R32 089 340.00</p>	<p>The plaintiff in its summons alleges that it has suffered patrimonial loss due to the Municipality's repudiation of their agreement.</p> <p>A Notice of Intention to Defend has been filed on behalf of the Municipality.</p> <p>Thereafter, an interlocutory Application was launched on behalf of the Municipality after Respondent/Plaintiff failed to comply with the Notice in terms of Rule 35(14).</p> <p>The matter was set down for 2022 on the opposed roll to hear the interlocutory application. The judge dismissed the application and ordered that the action proceeds.</p>
<p>8. Mr Solomon Jabulani Gomu Mnisi</p>	<p>Legal services Division</p>	<p>The Mkhondo local municipality received summons from the plaintiff alleging that he had been arrested by traffic officers of the municipality, He is therefore claiming an amount of R850 000.00</p>	<p>Mohala Attorney</p>	<p>8550/2017 /BSX</p>	<p>R850 000.00</p>	<p>The Defendant's special plea and plea has been served and filed accordingly and the matter is currently at discovery stage</p>

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48. Contingencies (continued)

9. Mr Voster Andries Wilhelmus Jacobs	Legal services Division	The plaintiff is suing the municipality in an amount of R 25 000. For once off gratuity equal to three months pensionable salary, the plaintiff was a counselor at the municipality.	Mohlala Attorneys	367/2015 /BSX	R25 000	The Plaintiff's attorney has since withdrawn from the matter. However, the matter is still pending. We intend to instruct the attorney of make the application to dismiss the case.
10. KVN Business Services	Legal services Division	Plaintiff is suing the municipality for R 4 633 062.50 plus interest at the rate of 10.25% per annum from the date of service of summons to date of payment in respect of the breach of contract between the parties and the matter is before the regional Division of Mpumalanga held at Elukwatini.	Mohlala Attorneys	0172020 /BSX	R4 633 062.50	Trial was held on matter and judgement was granted in favour of plaintiff and a report on prospect was ask for before filing appeal and same was filed and granted in the favour of the Municipality. The plaintiff have since brought a new application for the same claim amount
11. Jabulani Gama	Legal services Division	The plaintiff instituted action proceedings against the municipality for damaged incurred by the plaintiff after hitting a pothole.	Madonsela Mthunzi Attorneys	26/2019/ BSX	R85 852.83	The Plaintiff in his summons alleges that it has suffered patrimonial loss in an amount of R85 852.83. The Municipality denies the liability since the road does not fall within the municipal jurisdiction of the Municipality. Currently awaiting for the Plaintiff to set down the matter for trial accordingly.

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48. Contingencies (continued)

12. Graftco International (Pty) Ltd	Legal services Division	The municipality received summons claiming R 1 129 421.34 for the work done	Dalomo Attorneys	3397/2020/BSX	R1 129 421.34	A Notice into Rule 35 (1) (6) 8 & 10 filed served
13. Zarafus ion Pty Ltd	Legal services Division	The municipality received summons claiming R5 450 156.34 for the work done, fencing electrical and main connections road works and sewerage upgrade.	TMN Kgomo	2039/2020/BSX	R5 450 156.34 alternatively R 4 298 540.54	The Pleadings have closed and matter has been certified trial ready. The matter is set down for 2 nd judicial case management on the 28 th August 2024.
14. Eskom Electricity matter	Legal services Division	The Municipality received notice of motion from Eskom. The gravamen of the application is to enforce the court order granted on the 19 July 2021. Under case number 973/2021.	Mohlala Attorneys PO Box 2684 Nelspruit Mpumalanga	2025 01- 28	R174 162 510.60	The matter was in court on the 3 rd of October 2023 and was removed from the roll as agreed between parties.
15 Three Cllr's // MLM Council	Legal services Division	The Municipality received the notice of Motion with Part A is urgent interdicted and prohibited from implementing the adoption of motion of no confidence and Part B review and set aside.	Mohlala Attorneys	2023	Specific performance	Matter has been referred to the attorney to act on behalf of the Municipality. The applicants have abandoned matter.
16. Mkhondo vs Mr Thabede	Legal services	Mkhondo Local Municipality took a resolution that the matter of Mr Thabede be referred to the labour Court.	Mohlala Attorneys	JR 613/2023	Labour matter	Review application has been filed and the application is opposed .Awaiting the trial date the application was brought through Rule 22B

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48. Contingencies (continued)

17.Mkhondo vs Mr B	Legal Services	Review application	Mohlala attorneys	4930/2023	Specific performance	The matter is set down for the 21st of November 2024.
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Contingencies as at 30 June 2023

NAME OF CLAIMANT	RESPONSIBLE DEPARTMENT INTERNALLY	SUMMARY OF CASE AND PROGRESS	RESPONSIBLE LAW FIRM OR APPOINTED FIRM	FILE NUMBER	AMOUNT CLAIMED	COMMENTS
1.Bareki consulting (Pty)Ltd	Level Services Division	The plaintiff is claiming damages for work done, They compiled a supply chain management system and they were not paid for the work done	TMN KGOMO & Associates Inc.	19148/2011/WDM	Claim A R 761 383.10 Claim B R 1 169 904.48	The pleadings have closed in the matter. However, we have received notice of withdrawal as attorneys of record on the 12 th of December 2022.
2.Owethu Mkhondo cc Development of middle class houses Trading	Legal Service Division	The plaintiff is suing the municipality the sum of R21 277 570.63	TMN KGOMO & Associates Inc.	46047/014/WDM	R21 277 570.63	The Pleadings have been closed in the matter. The matter was certified trial ready on the 6 March 2023 and set down on the 14 May 2023 Pretoria High Court.
3.Pamoja Technologies	Legal Service Division	The plaintiff is suing the municipality the sum of R1 396 370.67	TMN KGOMO & Associates Inc.	15597/11/WDM	R1 396 370.67	The plaintiff is suing the Municipality for alleged breach of contract. The plaintiff has abandoned the claim and there is no attorney of record. We have issued an application to dismiss the plaintiff action.

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48. Contingencies (continued)

4. Busama si investment cc	Legal Service Division	A claim was instituted by the plaintiff following an alleged breach of contract by the municipality	TMN KGOMO & Associates Inc.	47483/20 11/WDM	R558 842.62	The plaintiff had abandoned their claim and there is no attorney of record. Application to dismiss the claim was issued early this year and the sheriff is unable to serve the documents due to the fact that the plaintiff no longer exists. Application to dismiss the application has been filed 17 May 2024
5. Rethuseng Live line services cc	Legal Service Division	Summons were issued by the plaintiff against two defendants. The municipality is cited as the second defendant. The plaintiff is claiming from the first defendant an amount of R 4 846 015.42 and alternatively R3 249 043.64 from the second defendant.	TMN KGOMO & Associates Inc.	40779/20 14/WDM	R4 846 015.42 Alternatively R3 249 043.64	Pleadings have been closed in this matter. The application to set aside the findings of AOS Consulting Engineers was granted during June 2021. We received confirmation from the engineering company that they have inspected the Piet Retief site and we are expecting their report.
6. SCF Engineers/ Municipality	Legal services Division	The Municipality received summons claiming R2433 900.00 in respect of professional engineering services	Dolamo Attorneys	521/202 2BSX	R2433 900.00	Our attorney has entered a Notice of intention to defend and served same accordingly.

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48. Contingencies (continued)

7. Concert Masango and 2 others	Legal Services Division	The municipality has lodged a review application in the Johannesburg labour court to have any	TMN Kgomo & associates	2020/BS X	R105 030.24	<p>Attorney received instructions from the Municipality to file a Notice of withdrawal and same was done on the 5th July 2022. On the 27th day of July they were instructed to proceed further with review application.</p> <p>Attorney has filed our papers.</p>
8. Mr L.P De Beer	Legal services Division	The plaintiff has served summons against the municipality that he has incurred damages due motor vehicle accident as a result of the road and storm water drain where he was travelling	Mohlala Attorneys	20751/20	R470 000.00	The Applicant/Plaintiff has filed an application for joinder of MEC for roads and transport and the said application is being opposed by the office of the state attorney
9. Bicacon (Pty) Ltd	Legal services Division	The municipality received summons from Bicacon (Pty)Ltd seeking relief in R5 319 140.62 as the plaintiff are claiming that the municipality unlawfully terminated their contract .the plaintiffs were appointed to provide Engineering consulting services for the construction of Driefontein to Iswepe and Haartebeesfontein water Bulk line by Mega, which ceded their rights to the municipality	Mohlala Attorneys	87155/15/WDM	R 5 319 140.62	Plaintiff in the main action, filed for leave to appeal judgement and order handed down on the 8 October 2020 in Mbombela High Court.

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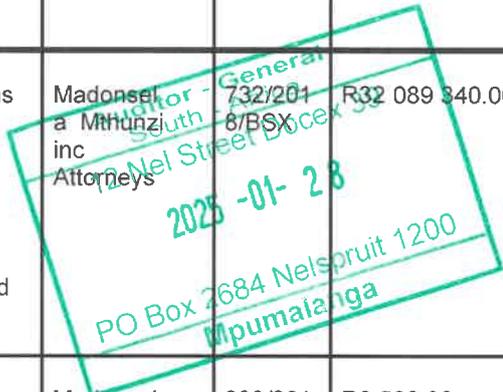
Figures in Rand

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48. Contingencies (continued)

10.EPH Security And services	Legal services Division	The municipality received notice that summons claiming an amount of R5 277 870.57 for the entire contract and R1 642 267.76	Mthunzi Madonsela Attorneys	331/2017/BSX	Claim 1.R 5 277 870.57 Claim 2. 1 642 267.76	The plaintiff filed an Application for leave to appeal on the judgement
11.M J S Mabuza	Legal services Division	The municipality received notice and summons claiming an amount of R2.2 Million to compensate the claimant as the results of loses suffered as the results of his contract being terminated	Mthunzi Madonsela Attorneys	2017/BSX	R2.2Million	This matter was case managed in 2022 and was set down for trial in January 2023. Thereafter the matter was removed by the plaintiff before hearing. We anticipate the re-enrolment.
12.Ideal prepaid (Pty)Ltd	Legal services Division	Ideal Prepaid has instituted legal actions against the municipality after the municipality terminated their contract and filed the reviewed application	Madonsela Mthunzi inc Attorneys	732/2018/BSX	R32 089 340.00	A Notice of Intention to Defend has been filed on behalf of the Municipality.
13.Mr Jacoba/Municipality	Legal services Division	The municipality received summons claiming R8 568.90.Plaintiff hit the pothole and his vehicle got damaged	Madonsela Mthunzi Attorneys	230/2017/BSX	R8 568.90	Plaintiff sent an offer of settlement to the Municipality and advised that he does not wish to proceed with trial. Municipality repudiated Plaintiff's offer of settlement on the basis that the D526 road between Mkhondo and Emahlabathini does not fall within the Municipality's jurisdiction and advised that the plaintiff's offer to settle is addressed to the Department of Public Works, Roads and Plaintiff is required to tender costs to the Municipality. Awaiting the final account



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48. Contingencies (continued)

14. Mr Solomon Jabulani Gomu Mnisi	Legal services Division	The Mkhondo local municipality received summons from the plaintiff alleging that he had been arrested by traffic officers of the municipality, He is therefore claiming an amount of R850 000.00	Mohlala Attorneys	8550/201 7/BSX	R850 000.00	The Defendant's special plea and plea has been served and filed accordingly and the matter is currently at discovery stage
15. Mr Voster Andries Wilhelmus Jacobs	Legal services Division	The plaintiff is suing the municipality in an amount of R 25 000. For once off gratuity equal to three months pensionable salary, the plaintiff was a counselor at the municipality.	Mohlala Attorneys	367/2015 /BSX	R25 000	The Plaintiff's attorney has since withdrawn from the matter. However, the matter is still pending. We intend to instruct the attorney of make the application to dismiss the case.
16. KVN Business Services	Legal services Division	Plaintiff is suing the municipality for R 4 633 062.50 plus interest at the rate of 10.25% per annum from the date of service of summons to date of payment in respect of the breach of contract between the parties and the matter is before the regional Division of Mpumalanga held at Elukwatini.	Mohlala Attorneys	01/2020 /BSX	R4 633 062.50	Trial was held on matter and judgement was granted in favour of plaintiff. The Municipality filed an appeal.
17. Jabulani Gama	Legal services Division	The plaintiff instituted action proceedings against the municipality for damaged incurred by the plaintiff after hitting a pothole.	Madonsela Mthunzi Attorneys	26/2019/ BSX	R85 852.83	The Plaintiff in his summons alleges that it has suffered patrimonial loss in an amount of R85 852.83. The Municipality denies the liability since the road does not fall within the municipal jurisdiction of the Municipality.

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48. Contingencies (continued)

18. Graftco m International (Pty)Ltd	Legal services Division	The municipality received summons claiming R 1 129 421.34 for the work done	Dalomo Attorneys	3397/2020/BSX	R1 129 421.34	The attorney has filed the intention to defend
19. Vorster & Voster	Legal services Division	The applicants file for the Notice to compel the Municipality to comply with procedures provided for in section 178 of The Spatial Planning and Land Use Management by-law and enforce non-compliance with the notices it issued against the first, second and third respondents to cease their business activities on the property described as portion 61, farm Welgekozen 514, Mkhondo, Mpumalanga	Madonsela Mthunzi	2039/2020/BSX	Specific performance	Based on Counsel's opinion this matter may not be successful in an open court and may attract punitive cost order against the Municipality. It is recommended that the matter is withdrawn in order to afford the Municipality an opportunity to consult with experts in Land Use and Planning in order to accordingly deal with the causes of complaint raised by the Applicant.
20. Imatuobo Malinga and others	Legal services Division	The arbitration award was made against and serve the municipality. The municipality wishes to review J720/20202 the application	Madonsela Mthunzi Attorneys	J720/2020	Labour matter R 742 776.00	The legal opinion has directed us to settle out of court. The attorney is currently busy with the settlement offer.

Auditor - General
 South - Africa
 2 Nel Street Docex 39
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 P.O. Box 2684 Nelspruit 1200
 Mpumalanga

Mkhondo Local Municipality

(Registration number MP303)

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48. Contingencies (continued)

21. Zarafusion Pty Ltd	Legal services Division	The municipality received summons claiming R5 450 156.34 for the work done, fencing electrical and main connections road works and sewerage upgrade.	TMN Kgomo	2039/2020/BSX	R5450 156.34 alternatively R 4 298 540.54	The Municipality's plea was served during October 2021. The Pleadings have closed and parties have since exchanged their discovery affidavits. The Municipality discovery affidavit was served in February 2023. The Plaintiff as dominus litis have not taken any further step since
22. Mpfumelelo business Enterprise (PTY) LTD	Legal services Division	The Municipality received summons from Plaintiff claiming R3 174 187.49 of unpaid invoices.	Dolamo Attorneys	1347/22 BSX	R3 174 187.49	Notice of intention to defend was filed and plea was served accordingly.
23. Agri Piet Retief farmers	Legal services Division	The Municipality received a complaint from Agri Piet Retief regarding on-compliance with MPRA	Madonsela Mthunzi attorneys	2021/BSX	Specific Performance	The Municipal should embark on an internal process to write off the unpaid rates as irrecoverable since a court will not enforce payment of rates which were not validly imposed. Any claim by a ratepayer against the Municipality before 2018 has prescribed in terms of s11 (d) of the Prescription Act thus.
24. Eskom Electricity matter	Legal services Division	The Municipality received notice of motion from Eskom. The gravamen of the application is to enforce the court order granted on the 19 July 2021. Under case number 973/2021.	Mohlal a Attorney y		R174 162 510.60	We have filed our answering affidavit we opposing the application. We are intending to bring application for the rescission of judgement.



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48. Contingencies (continued)

25. Registration of sold properties	Legal Services Division	The Municipality appointed a Conveyancer to assist in registering the individual portions in Piet Retief township erf 326. This exercise will assist the owner to transfer properties into their names	Kgomo And Sibande	2022/B S X	Specific performance	The matter has been referred to the attorney and registration documents have been prepared and the attorney has lodged the application with the Registrar of Deeds.
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Contingent assets

30 June 2024

The Municipality is suing Shatadi Auctioneers for the recovery of monies which were never received by the Municipality after an auction was held. The amount claimed is R1 474 705.84. The Municipality had sent a letter of demand and the Defendant has confirmed its indebtedness to the Municipality. A settlement agreement was reached with the Defendant in July 2018 wherein the Defendant agreed to pay in three instalments starting from August 2018. The Defendant did not honour the agreement and we proceeded to issue summons and matter is defended. The matter is handled by Mthunzi Madonsela Attorneys.

Contingent assets

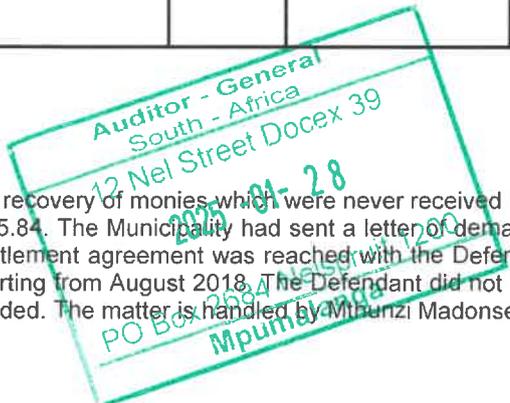
30 June 2024

The Municipality is suing Shatadi Auctioneers for the recovery of monies which were never received by the Municipality after an auction was held. The amount claimed is R1 474 705.84. The Municipality had sent a letter of demand and the Defendant has confirmed its indebtedness to the Municipality. A settlement agreement was reached with the Defendant in July 2018 wherein the Defendant agreed to pay in three instalments starting from August 2018. The Defendant did not honour the agreement and we proceeded to issue summons and matter is defended. The matter is handled by Mthunzi Madonsela Attorneys.

30 June 2023

The Municipality is suing Ideal Prepaid for Electricity Prepaid sales sold through Ideal Prepaid vendors but not remitted to the Municipality. The amount of such revenue is unknown as the Service Provider refused to furnish the Municipality with records of sales made during the year. According to our legal attorneys, they have made an application compelling Ideals prepaid to furnish us with statements to enable us to quantify losses and recover such monies.

The Municipality is suing Shatadi Auctioneers for the recovery of monies which were never received by the Municipality after an auction was held. The amount claimed is R1 474 705.84. The Municipality had sent a letter of demand and the Defendant has confirmed its indebtedness to the Municipality. A settlement agreement was reached with the Defendant in July 2018 wherein the Defendant agreed to pay in three instalments starting from August 2018. The Defendant did not honour the agreement and we proceeded to issue summons and matter is defended. The matter is handled by Mthunzi Madonsela Attorneys.



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49. Related parties

Relationships

Accounting Officer

Mr P Msibi

Mr M Dlamini

Mr M Mkhonza

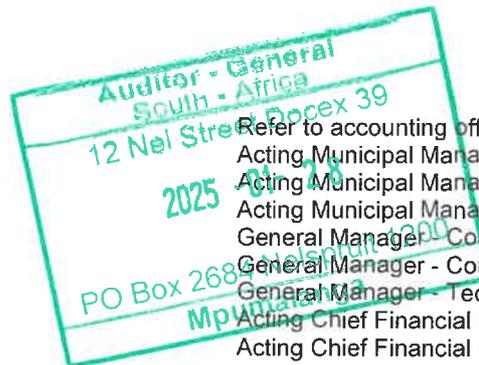
Ms A Mthetwa

Ms W Mahlangu

Mr S Nkosi

Mr FC Munzhelele

Mr S Chavarika



Refer to accounting officers' report note

Acting Municipal Manager 31

Acting Municipal Manager 31

Acting Municipal Manager 31

General Manager - Community services 31

General Manager - Corporate services 31

General Manager - Technical Services 31

Acting Chief Financial Officer

Acting Chief Financial Officer

Mkhondo Local Municipality

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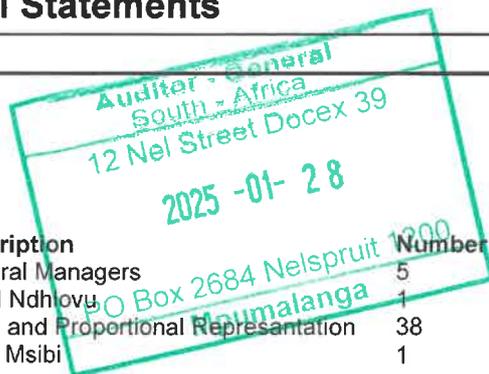
2023

49. Related parties (continued)

Key management information

Class	Description	Number
Executive management	General Managers	5
Mayor	Cllr N Ndhlovu	1
Councillors	Ward and Proportional Representation	38
Municipal Managers	Mr. P Msibi	1

Remuneration of management



Mkhondo Local Municipality

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49. Related parties (continued)

Management class: Councillors

2024

Name	Basic salary	Other benefits received	Total
Councillors	15 372 328	3 303 660	18 675 988

2023

Name	Basic salary	Other benefits received	Total
Councillors	12 060 298	3 771 344	15 831 642

Additional information

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

The table below gives the detailed breakdown of councillors salaries

2024

Name	Basic Salary	Pension	Cellphone and Data	Housing Allowance	Medical Aid	Pension	Travel allowances	Grand Total
Cllr BA Dlamini	292 593	20 907	53 208	-	-	-	-	366 708
Cllr BE Maisela	284 289	20 907	48 555	-	-	-	-	353 751
Cllr BJ Mchunu	3 767	-	1 845	-	-	-	-	5 612
Cllr DM Ntshakala	665 781	48 373	50 623	-	-	-	-	764 777
Cllr HW Weber	313 500	-	53 208	-	-	-	-	366 708
Cllr JM Nkosi	373 665	26 830	50 688	-	-	-	-	451 183
Cllr JR Sibiya	294 423	20 906	53 208	-	-	-	-	368 537
Cllr MA Simelane	306 549	20 906	53 208	-	-	-	-	380 663
Cllr MJ Dlamini	302 461	20 906	53 208	-	-	-	-	376 575
Cllr ML Yende	6 875	-	1 845	-	-	-	-	8 720
Cllr MN Mbata	287 057	20 906	50 106	-	-	-	-	358 069
Cllr Q Mhlanga	282 468	20 509	48 555	-	-	-	-	351 532
Cllr MA Lukhele	284 289	20 906	48 555	-	-	-	-	353 750
Cllr MS Ngwenya	373 665	26 830	53 208	-	-	-	-	453 703
Cllr MT Mkhabela	678 912	49 553	50 106	-	-	-	-	778 571
Cllr MZ Ngwenya	729 788	52 850	53 208	-	-	-	-	835 846
Cllr MZ Thomo	373 665	26 830	53 208	-	-	-	-	453 703
Cllr NG Gwebu	290 748	20 906	52 174	-	-	-	-	363 828
Cllr SD Thwala	677 865	48 665	49 589	-	12 740	-	-	788 859
Cllr SJ Methula	248 325	-	53 208	8 054	-	-	57 120	366 707
Cllr SM Shoba	369 974	26 830	51 140	-	-	-	-	447 944
Cllr SP Mkhwanazi	301 245	20 907	53 408	-	-	-	-	375 560
Cllr TH Mtshali	373 665	26 830	53 208	-	-	-	-	453 703
Cllr TW Manana	684 319	49 554	53 208	-	-	-	-	787 081
Cllr TW Tshandu	292 593	20 906	53 208	-	-	-	-	366 707
Cllr VM Motha	3 767	-	3 196	-	-	-	-	6 963
Cllr VS Hlophe	290 748	20 906	52 174	-	-	-	-	363 828
Cllr WH Vilakazi	686 278	49 554	52 174	-	-	-	-	788 006
Cllr BM Khumalo	371 100	-	49 072	-	23 870	-	-	444 042

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49. Related parties (continued)			
Cllr DM Thwala	608 766	-	53 208
Cllr DW Nkosi	290 748	20 906	52 174
Cllr EF Nkosi	290 748	20 906	52 174
Cllr FC Mthethwa	3 767	-	1 845
Cllr GT Gama	6 875	-	1 846
Cllr JLI Brussow	204 518	13 661	53 208
Cllr LI Ngubeni	290 748	20 906	52 174
Cllr NC Ndhlovu	867 840	62 854	53 208
Cllr ND Sangweni	284 289	20 906	48 555
Cllr NN Zulu	301 260	20 906	53 208
Cllr NS Mthethwa	368 129	26 830	50 106
Cllr SP Sibiya	294 424	20 906	53 208
Cllr TE Khumalo	734 001	-	53 208
Cllr TM Qwabi	374 966	26 830	49 989
Cllr TSM Zulu	6 875	-	1 845
	15 372 328	938 788	1 982 257
			24 162
			127 032
			43 877
			187 544
			18 675 988

50. Prior period errors

51. Prior-year adjustments

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

Statement of financial position

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		25 308 821	-	-	25 308 821
Other financial assets		50 936	-	-	50 936
Other receivables from exchange transactions		980 151	-	(36 306)	943 845
Receivables from exchange transactions		73 341 945	-	(18 683 389)	54 658 556
Receivables from non exchange transactions		3 355 760	-	18 719 695	22 075 455
Cash and cash equivalents		10 992 831	-	-	10 992 831
VAT receivable		24 237 919	-	-	24 237 919
Biological assets that form part of an agricultural activity		94 236 526	-	-	94 236 526
Property plant and equipment		1 771 112 543	12 958 307	(11 422 738)	1 772 648 112
Heritage assets		2 916 300	-	-	2 916 300
Investment property		13 606 141	107 693 722	11 422 738	132 722 601
Other Financial Assets		528 292	-	-	528 292
Payables from exchange transactions		(828 134 107)	848 099	-	(827 286 008)
Consumer deposits		(4 108 797)	-	-	(4 108 797)
Employee benefit obligation		(901 000)	-	-	(901 000)
Unspent conditional grants and receipts		(7 317 763)	-	-	(7 317 763)
Provisions		(787 000)	-	-	(787 000)
Employee benefit obligation		(8 534 000)	-	-	(8 534 000)
Provisions		(42 155 422)	-	-	(42 155 422)
Accumulated Surplus		(1 128 730 076)	(121 500 128)	-	(1 250 230 204)
		-	-	-	-

Statement of financial performance

Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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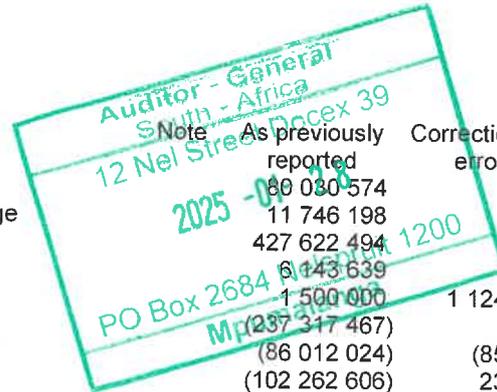
2024

2023

51. Prior-year adjustments (continued)

2023

Note	As previously reported	Correction of error	Re-classification	Restated
Property rates	80 030 574	-	-	80 030 574
Interest received on receivables from exchange	11 746 198	-	-	11 746 198
Government grants & subsidies	427 622 494	-	-	427 622 494
Fines, Penalties and Forfeits	6 143 639	-	-	6 143 639
Public Contributions and Donations	1 500 000	1 124 293	-	2 624 293
Employee related costs	(237 317 467)	-	2 756 517	(234 560 950)
Depreciation and amortisation	(86 012 024)	(85 085)	-	(86 097 109)
Contracted services	(102 262 606)	23 210	-	(102 239 396)
Loss on disposal of assets and liabilities	(7 370 688)	(185 054)	-	(7 555 742)
General expenditure	(112 674 378)	192 085	(2 756 517)	(115 238 810)
Surplus for the year	(18 594 258)	1 069 449	-	(17 524 809)



Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand		2024	2023	
51. Prior-year adjustments (continued)				
Cash flow statement				
2023				
	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Taxation/Fines		52 280 737	12 562 685	64 843 422
Sale of goods and services		180 308 835	(14 983 175)	165 325 660
Grants and subsidies		429 386 270	(1 500 000)	427 886 270
Employee costs		(253 149 109)	1 866 239	(248 526 355)
Payments to suppliers		(247 633 344)	(14 579 485)	(264 969 344)
Finance charges		(54 643 814)	10 080 102	(44 563 712)
Other income		-	2 069 884	2 069 884
Interest income		1 261 526	-	1 261 526
		107 811 101	(4 483 750)	103 327 351
Cash flow from investing activities				
Purchase of property plant and equipment		(102 191 575)	4 483 750	(97 707 825)
Proceeds from sale of property plant and equipment		1 188 284	-	1 188 284
Proceeds from sale of financial assets		1 120	-	1 120
		(101 002 171)	4 483 750	(96 518 421)

Errors

The following Prior Period Error adjustments occurred:

Receivables from exchange transactions

A reclassification was done for Receivables from Non-Exchange transactions amounting to R18,719,695 that were incorrectly mapped under Receivables from Exchange transactions. The reclassification is in respect of Property rates debtors which by definition are receivables from non-exchange. Previously the total amount of R18,719,695 was reported together with receivables from other consumer debtors which are of an exchange transactions and were shown under the same line item on the face of the statement of Financial Position. The reclassification is therefore meant to show receivables from non-exchange transactions together on a separate line item on the face of the statement of financial position and hence the reclassification made.

Receivables from non-exchange transactions

A reclassification was done for Receivables from Non-Exchange transactions amounting to R18,719,695 that were incorrectly mapped under Receivables from Exchange transactions. The reclassification is in respect of Property rates debtors which by definition are receivables from non-exchange. Previously the total amount of R18,719,695 was reported together with receivables from other consumer debtors which are of an exchange transactions and were shown under the same line item on the face of the statement of Financial Position. The reclassification is therefore meant to show receivables from non-exchange transactions together on a separate line item on the face of the statement of financial position and hence the reclassification made.

Investments properties: Land

During the verification and reconciliation of assets, management identified land parcels which are owned by the municipality but omitted from the accounting records resulting in an understatement of Investment Property and land. The error was corrected by debiting Investment Property and crediting Accumulated Surplus. The Investment Property is measured at Cost model and not depreciated.

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51. Prior-year adjustments (continued)

There was also a reclassification of land from the Land Register in Property Plant and Equipment to Investment property. Management has not determined the present use of such land and hence the need to reclassify it to Investment properties.

Property, Plant and Equipment

During the current financial year, management discovered some motor vehicles that were donated but were not recorded in the accounting records resulting in an understatement of property, plant & equipment, as well understatement of Revenue from Non-Exchange transactions (Transfer Revenue). The error was corrected by debiting property plant & equipment and crediting donations income.

Payables from exchange transactions

During the financial year, management identified invoices relating to the 2022 financial year were captured twice in the 2022 financial year thereby overstating the expenses reported for that financial year. The error was corrected in the 2023 financial year by debiting the Payables Opening balance and crediting Accumulated Surplus Opening Balance.

Public contributions and donations

During the current financial year, management discovered some motor vehicles that were donated were not recorded in the accounting records resulting in an understatement of property, plant & equipment as well understatement of Revenue from Non-Exchange transactions (Transfer Revenue). The error was corrected by debiting property plant & equipment and crediting donations income.

Employee related costs

Management reclassified Ward committee expenses from employee related costs to operational costs under general expenses. The ward committee costs were therefore remapped to general expenses.

Depreciation

The depreciation and amortization expense was understated due to omission of donated assets that were not recorded in the accounting records.

Contracted services

During the current financial year, management discovered that some invoices for contracted services were captured twice in the prior year thereby overstating the contracted services expenses. The error was corrected by debiting the VAT Receivable, crediting the contracted services expenses and debiting Payables.

Loss on assets and liabilities

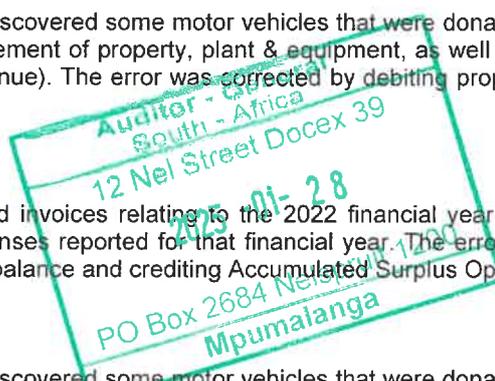
During the current financial year, management discovered some assets that were disposed but were not removed from the fixed asset register. The error was corrected by debiting Loss on disposal of assets, crediting property plant & equipment

General expenses

Management reclassified Ward committee expenses from employee related costs to operational costs under general expenses. The ward committee costs were therefore remapped to general expenses. debiting property plant & equipment and crediting donations income.

Work in Progress

Management erroneously included project Rustpass Outfall Sewer Line for R19,631,006.95 under Work in Progress during the 2022/23 financial year which was completed on 29 July 2022 and should have been transferred to completed infrastructure. This prior period adjustment is meant to correct the classification within the Property Plant and Equipment category.



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52. Comparative figures

Certain comparative figures have been reclassified.

The reclassifications are detailed on the note on prior period error adjustments.

53. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Due to largely "non-trading nature" of activities and the way to which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRSs mainly apply. Generally, financial assets and liabilities are generated by day to day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The Internal audit is responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body monitors the effectiveness of internal audit function. The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

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

Credit risk

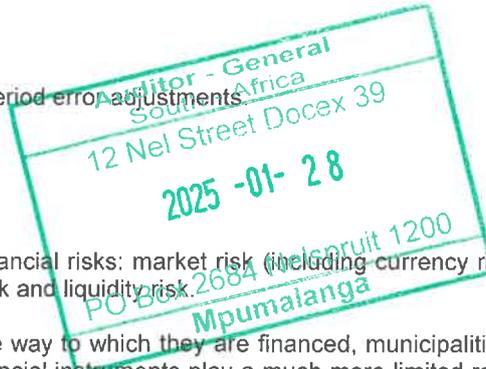
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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.

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

Financial instrument	2024	2023
Other financial assets	613 426	579 228
Receivables from other exchange transactions	871 881	943 843
Receivables from exchange transactions	60 542 007	54 658 556
Cash and bank balances	8 890 394	10 992 832

Market risk



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53. Risk management (continued)

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.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	11.75 %	6 1413 889	-	-	-	-
Cash in current banking institution	- %	8 890 393	-	-	-	-
Trade and other payables - extended credit terms	11.75 %	957 857 663	-	-	-	-

Auditor - General
 South Africa
 Nelspruit Doc 39
 2025-01-28
 PO Box 2684 Nelspruit 1200
 Mpumalanga

54. Going concern

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 procure funding for the ongoing operations for the municipality.

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.

Even though the annual financial statements were prepared on the going concern assumption, the municipality identified some negative factors that affects the cash inflows and the ability to settle operational commitments thereby leading to uncertainties.

These factors include inter alia the following:

- The budget of the municipality is unfunded due to the operational and capital expenditure exceeding the income/funding.
- The municipality is operating on a deficit due to the operational expenditure exceeding the revenue.
- The current ratio (a liquidity measurement used to track how well a municipality may be able to meet its short-term debt obligations using its current assets) is poor (0.17:1) meaning the municipality is having trouble meeting its short-term obligations since the ratio is less than zero.
- The municipality is not able to pay its suppliers within 30 days as the Creditors payment period is 721 days
- The municipality is struggling with cash-collections from outstanding receivables due to non-payment by consumers, resulting in a high provision for doubtful debts. The Debtor's Impairment Provision at year-end as a percentage of accounts receivable is 90.6%.

The following mitigating factors have been put in place to address and/or minimise the above uncertainties and improve the cash inflows and the financial viability of the municipality:

- The municipality has filled in the vacancy of a Budget Manager who will meticulously prepare Draft Budgets and ensure that the budgeted expenditure (both capital expenditure & operational) does not exceed the budgeted revenue and/or funding. The municipality also prepared a checklist to be used during preparation of draft budgets which among other includes a requirement that all Operational Expenditure are funded by operational revenue, and all Capital Expenditure is funded by Capital Funding. This Budget Funding Plan will ensure the Budget is funded.

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54. Going concern (continued)

- The Municipality also implemented some cost containment measures such as limiting overtime hours, reducing travelling and accommodation expenditure as well as some other contracted services with the aim of cutting down operational expenses and the deficit the municipality is in.
- More so, the municipality is capacitating the Revenue department so that they improve collection rate from outstanding receivables as well as billing. This includes sending out Customer statements timeously, disconnecting customers with long-outstanding debtors, clamping down on illegal connections.
- The Municipality is also participating on Eskom debt relief programme which aims at giving incentive to the municipality through a write off of the Eskom debt, this will eventually reduce creditor's balances with a substantial amount thereby improving the current ratio in a favourable position.

55. Events after the reporting date

In accordance with GRAP 14, Subsequent events are events that occur between the reporting date in this case 30 June 2024 and the date when the financial statements are approved, and the auditor's report is issued.

Rustplaas Project.

Management of Mkhondo Local Municipality was made aware of vandalism of the Rustplaas facultative ponds with a capacity of 1ML/day by the community which took place in August 2024. The aspects of the Plant which had been vandalised included Process controller house, the HDPE lining waterproofing and boundary fence.

The municipality could not determine the value of the damage at the time of discovery.

Management applied GRAP 14 paragraph 3, to determine if the damage is an Adjusting or Non-Adjusting event and concluded that the damage to the work-in-progress is a non-adjusting event, since the circumstances which led to the damage did not exist at the reporting date.

Heavy Rains & Storm

On the 10th of November 2024 Mkhondo Local Municipality experienced heavy rains and strong winds resulting in significant damage to buildings and infrastructure, displaced residents, and disrupted essential services. The most affected areas include various wards namely: Mkhondo town areas, eThandukukhanya, Driefontein, KwaNgema Mahamba and Sulphersprings. Roofs had been blown away and basic services infrastructure had been washed away. Homes were destroyed, the community was left without power, and the water supply infrastructure was affected.

The municipality with the assistance of the community and other stake holders managed to restore basic services which includes electricity and water.

The value of the damage has not yet been determined.

56. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	259 646 905	161 114 830
Fruitless and wasteful expenditure	63 977 337	51 771 758
Irregular expenditure	91 299 460	51 708 060
Closing balance	414 923 702	264 594 648

*Refer to reconciling notes in the annual report

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Figures in Rand	2024	2023
57. Unauthorised expenditure		
Opening balance as previously reported	161 114 830	-
Add: Unauthorised expenditure - current	-	970 950 105
Add: Unauthorised expenditure - prior period	99 130 448	161 114 830
Less: Amount written off - prior period 23/08/201A	-	(484 034 892)
Less: Amount written off - prior period 20/12/442A	-	(486 915 213)
Closing balance	260 245 278	161 114 830

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	25 657 263	103 438 246
Cash	73 473 185	57 676 585
	99 130 448	161 114 831

Analysed as follows: non-cash

Depreciation and amortisation	-	32 261 207
Loss on disposal of property, plant and equipment	452 649	-
Provision of impairment	25 204 615	71 157 039
	25 657 264	103 418 246

Analysed as follows: cash

Contracted services	49 871 272	22 113 167
General expenditure	11 596 311	8 339 827
Employee related costs	10 223 096	3 154 885
Finance costs	-	24 068 707
Inventory consumed	1 782 505	-
	73 473 184	57 676 586

Unauthorised expenditure: Budget overspending – per municipal department:

Technical services	50 223 815	73 020 044
Community services	5 251 788	30 878 611
Finance	25 204 615	39 123 911
Planning and development	-	609 170
Executive and council	6 960 316	11 402 146
Forestry	3 236 399	5 859 632
Corporate	8 253 515	221 317
	99 130 448	161 114 831

Recoverability steps taken/criminal proceedings

The Unauthorised expenditure for the prior years up to the 2022 Financial year was subjected to Forensic Investigation and based on the outcome of such Investigations, Council recommended that a cumulative amount of R970 950 105 be written off on the basis that no person benefitted from it but it was for the benefit of the municipality.

58. Fruitless and wasteful expenditure

Opening balance as previously reported	51 771 758	76 870 840
Add: Fruitless and wasteful expenditure identified - current	39 591 400	51 771 758
Less: Amount written off - prior period 23/08/201A	-	(46 211 581)
Less: Amount written off - prior period 20/12/442A	-	(30 659 259)
Closing balance	91 363 158	51 771 758

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58. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	2024	2023
Interest and penalties	No criminal proceedings	39 591 400	51 771 758
Amount written-off			
<p>After the council committee investigations, council adopted the council committee recommendation to write-off an amount of 76,870,840 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable. The amount emanated from the liquidity problems the municipality is facing which resulted in interests and penalties due to failure to pay service providers within 30 days as stipulated in the MFMA section 65 (e) and 99 (b).</p>			
59. Irregular expenditure			
Opening balance as previously reported		51 708 060	132 072 825
Add: Irregular expenditure - current		12 205 579	19 782 747
Less: Amount written off - current		-	(100 147 512)
Closing balance		63 913 639	51 708 060

Disciplinary steps taken/criminal proceedings

No criminal proceedings

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South - Africa

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59. Irregular expenditure (continued)

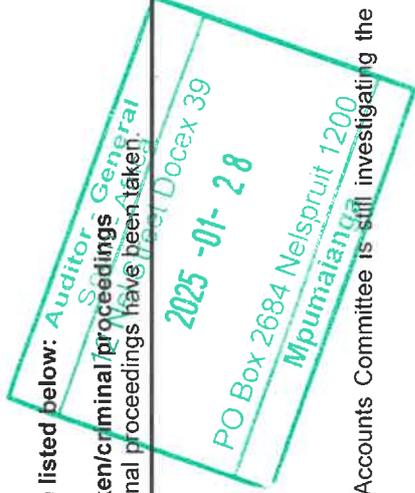
Incidents/cases identified/reported in the current year include those listed below: *Auditor: General*
South African
Disciplinary steps taken/criminal/proceedings
 No disciplinary or criminal proceedings have been taken. 12 205 579 19 307 177

Amount recovered

No amount were recovered.

Amount written-off

No amounts were written off during the period. The Municipal Public Accounts Committee is still investigating the Irregular expenditure.



Mkhondo Local Municipality

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60. Additional disclosure in terms of Municipal Finance Management Act

Other material losses

30 June 2024

Electricity losses for the current year amounted to 45% i.e. R80 964 826. These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses.

Non revenue water i.e. non billed water amounted to 22%% i.e. R545 276. Fifty six percent of these losses can be accounted for in terms of the National Guidelines for non revenue water. 27% of these losses cannot be accounted for mainly due to the non-metering of this water.

This problem is currently being addressed whereby additional meters are being installed.

30 June 2023

Electricity losses for the year amounted to 40% i.e. R58 313 714. These losses comprise of technical and nontechnical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses.

Non revenue water i.e. non billed water amounted to 25%% i.e. R669 223. Fifty six percent of these losses can be accounted for in terms of the National Guidelines for non revenue water. 27% of these losses cannot be accounted for mainly due to the non-metering of this water.

This problem is currently being addressed whereby additional meters are being installed.

Audit fees

Opening balance	10 661 546	11 733 870
Prior period adjustment	-	(2 955 540)
Current year subscription/ fee	7 464 068	7 832 810
VAT raised	1 119 610	1 174 921
Interest paid	888 135	795 818
Amount paid	(7 765 271)	(7 920 333)
	12 368 088	10 661 546

PAYE and UIF

Opening balance	16 851 731	16 682 640
Current year subscription / fee	43 922 689	40 694 376
Interest raised - current year	5 300 924	4 044 782
Amount paid - current year	(32 856 802)	(44 570 067)
	33 218 542	16 851 731

Pension and Medical Aid Deductions

Opening balance	3 479 996	4 486 664
Current year subscription / fee	57 943 378	54 237 324
Amount paid	(53 215 987)	(55 243 992)
	8 207 387	3 479 996

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Annual Financial Statements for the year ended 30 June 2024

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

VAT

VAT receivable	43 483 544	24 237 918
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VAT output payables and VAT input receivables are shown in note 6.

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
Cllr. M Dlamini	2 009	-	2 009
Cllr. BA Dlamini	31 342	-	31 342
	33 351	-	33 351
<hr/>			
30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Mchunu B J	766	693	1 459
Cllr. Dlamini M J	2 251	13 725	15 976
Cllr. Tshandu T W	1 538	30 813	32 351
Cllr. Dlamini B A	1 284	26 207	27 491
Cllr. Mkhwanazi S P	5 527	256	5 783
Cllr. Sibiya S P	4 602	-	4 602
Cllr. Sibiya J R	1 301	28 588	29 889
Cllr. Ntshakala	341	910	1 251
Cllr Shoba S M	1 187	4 735	5 922
Cllr. Khumalo B M	2 803	15 862	18 665
	21 600	121 789	143 389

Supply chain management regulations

In terms of the Supply Chain Management Policy paragraph 50, the Municipality awarded a contract for the Turnkey Project for the Electrification of Bazana CTC 1 & 2 and Esiqintini to Izinyosi Engineering for an amount of R11 316 587,85. The director of the company of Izinyosi Engineering Mr MB Ndlovu is married to Mrs FV Ndlovu who is in the employment of the state employed at Department of Works.

MR MB Ndlovu declared the relationship to the Municipality on the MBD 4 on 23 September 2023.

In terms of the Supply Chain Management Policy paragraph 50, the Municipality awarded a contract for the procurement of material for plumbers and electricians to Ilonagugu Holdings for an amount of R29 310,63. The director of the company of Ilonagugu Holdings Mrs HN Mlotshwa is married to Mr MW Mlotshwa who is in the employment of the state employed at Mkhondo Local Municipality.

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61. Deviation from supply chain management regulations

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

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

The following deviations were recorded during the year.

NO	Supplier	Service	Price	Purchase date	Order number	Reason
1	Motors T/A Auto House	Hire and Repair the Old Water Works 1250KVA diesel Generator	R 767 901	07/02/2024	56529	SCM Regulation 36(1)(a)(ii)(v) - such goods and services are produced or available from a single provider only and Impractical / impossible to follow official procurement processess.

62. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of seven major functional segments. The segments are organised around the functions and these are Afforestation, Budget and Treasury, Planning and Development, Executive and Council, Community Services, Corporate Services, Technical Services. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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



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62. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community Services	This segment consists of various departments with aligned objectives. It is responsible for community and social services, sport and recreation facilities, crime prevention and traffic enforcement.
Technical Services	This segment consists of various departments with aligned objectives. It is responsible for providing residents, business and industry with clean, safe and reliable drinking water, treatment of waste water; distribution of electricity to residential, commercial and industrial customers in eMkhondo and provide the link between Eskom and electricity consumers and also road maintenance.
Planning and Economic Development	This segment consists of various departments with aligned objectives. It is responsible for urban planning and development
Executive and Council	This segment is responsible for all aspects of governance of the municipality.
Budget and Treasury	This segment is responsible for all aspects of financial administration of the municipality. Various transactions are managed and administered centrally.
Corporate Services	The segment deals with administration and human resources.
Afforestation	This segments deals with the management of Municipality Forests

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Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

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62. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Afforestation	Budget and treasury	Community Services	Corporate Services	Executive and Council	Planning and Economic Development	Technical Services	Total
Revenue								
Actuarial gains	-	99 000	-	-	-	-	-	99 000
Construction revenue	-	-	-	-	-	-	8 485 762	8 485 762
Debt Forgiven	-	-	-	-	-	-	39 499 742	39 499 742
Donations	-	-	-	-	-	-	1 611 808	1 611 808
Fair value adjustments	2 316 214	33 008	-	-	-	-	-	2 349 222
Government grants and subsidies	1 950 214	337 716	6 253 566	346 084	332 560 233	-	105 702 683	448 150 496
Interest Received	-	2 766 506	21 317 671	-	-	-	24 368 890	48 453 067
Licences and permits	-	-	135 391	-	-	-	-	135 391
Other income	809	554 966	670 166	-	1 026 101	-	386 348	2 638 390
Property rates	-	82 803 693	-	-	-	-	-	82 803 693
Rental of facilities and equipment	-	-	52 372	511 594	-	673 386	-	1 237 352
Service charges	-	486 719	27 354 981	-	-	-	191 014 456	218 856 156
Fines, Penalties and Forfeits	-	-	6 499 345	-	-	-	369 245	6 868 590
Interest received- non exchange revenue	-	14 560 174	-	-	-	-	-	14 560 174
Discounts and early settlements	-	296 418	-	-	-	-	-	296 418
Total segment revenue	4 267 237	102 938 200	62 283 492	857 678	332 560 233	1 699 487	371 438 934	876 045 261
Entity's revenue								876 045 261

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62. Segment information (continued)

	Afforestation	Budget and treasury	Community Services	Corporate Services	Executive and Council	Planning and Economic Development	Technical Services	Total
Expenditure								
Bad debts written off	-	-	-	-	-	-	-	757 330
Bulk Purchases	-	-	-	-	-	-	182 082 205	182 082 205
Contracted services	9 197 835	24 566 531	45 026 352	743 865	9 264 764	488 972	60 158 344	149 445 663
Depreciation & Armotisation	-	246 704	9 781 241	7 921 888	2 637 011	-	56 622 857	77 209 701
Loss on disposal of assets	-	322 673	-	-	-	-	-	322 673
Employee related costs	7 260 337	27 333 426	57 815 208	42 027 039	15 737 930	7 043 328	91 031 726	248 348 994
Finance charges	-	39 591 400	3 361 667	-	-	-	-	42 943 067
Debt impairments	-	26 208 784	16 247 911	-	-	-	61 956 411	104 413 106
Remuneration of councillors	-	-	-	-	18 675 989	-	-	18 675 989
General expenses	1 778 064	25 660 128	8 951 865	11 291 388	13 537 604	722 580	75 300 064	137 241 693
Transfers and subsidies	-	-	-	-	10 645 365	-	-	10 645 365
Inventory losses	-	(18 106)	-	-	-	-	4 461 703	4 443 597
Loss on disposal of assets	-	3 893 575	245 779	452 649	(1 487 705)	-	1 677 917	4 782 215
Total segment expenditure	18 236 236	148 562 445	141 519 023	62 436 829	69 010 958	8 254 880	533 291 227	981 311 598
Total segmental surplus/(deficit)	(13 968 999)	(45 624 245)	(79 235 531)	(61 579 151)	263 549 275	(6 555 393)	(161 852 293)	(105 266 337)

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	Afforestation	Budget and treasury	Community Services	Corporate Services	Executive and Council	Planning and Economic Development	Technical Services	Total
62. Segment information (continued)								
Assets								
Biological assets	47 501 898	49 050 842	-	-	-	-	-	96 552 740
Heritage assets	-	-	2 860 000	-	56 300	-	-	2 916 300
Investment property	-	130 795 734	-	-	1 430 748	-	-	132 226 482
Other financial assets - Current	-	53 982	-	-	-	-	-	53 982
Other financial assets - non current	-	559 444	-	-	-	-	-	559 444
Other receivables from exchange transaction - Non current	-	1 259 334	(13 171)	-	92 218	(54 742)	(411 757)	871 882
Property plant and equipment	(18 326)	(332 510)	(9 652 330)	18 150 727	25 937 261	(9 230 103)	2 085 455 479	1 778 132 355
Consumer debtors from exchange transactions	(33 708)	(6 011 783)	23 406 259	(1 054 449)	(5 816 914)	612 682	49 439 920	60 542 007
Receivables from non exchange transactions	-	72 138 700	31 505 492	(25 527 434)	(47 825 227)	(149 887)	-	30 141 644
VAT Receivable	12 291 365	(129 534 476)	20 271 967	9 071 986	9 204 846	3 025 044	119 152 813	43 483 545
Total segment assets	59 741 229	(214 198 576)	68 378 217	640 830	(16 920 768)	(5 797 006)	2 253 636 455	2 145 480 381
Cash and cash equivalent								8 890 393
Inventory								20 059 006
Total assets as per Statement of financial Position								2 174 429 780
Liabilities								
Payables from exchange transactions	(19 492 275)	351 218 647	(111 991 812)	(192 501 675)	(72 093 096)	(16 106 469)	(896 890 984)	(957 857 664)
Consumer deposits	-	(4 474 828)	42 985	956	-	-	251 541	(4 179 346)
Employee benefit obligation - current	-	(909 000)	-	-	-	-	-	(909 000)
Employee benefit obligation - long term	-	(8 821 000)	-	-	-	-	-	(8 821 000)
Provision - long term	-	(39 354 503)	(1 282 372)	-	-	-	-	(40 636 875)
Provisions - current portion	-	(2 053 000)	-	-	-	-	-	(2 053 000)
Unspent conditional grant	-	(96 350 692)	-	80 664 170	-	-	677 493	(15 009 029)
Total segment liabilities	(19 492 275)	199 255 624	(113 231 199)	(111 836 549)	(72 093 096)	(16 106 469)	(895 961 950)	(1 029 465 914)
Total liabilities as per Statement of financial Position								(1 029 465 914)

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62. Segment information (continued)

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

2023

Revenue	Afforestation	Budget and Treasury	Community Services	Corporate Services	Executive and Council	Planning and Economic Development	Technical Services	Total
Revenue from non-exchange transactions	-	-	5 757 550	-	-	-	386 089	6 143 639
Property rates	-	80 030 574	-	-	-	-	-	80 030 574
Grants received	-	95 643 068	-	386 269	299 159 893	2 855 000	32 202 557	430 246 787
Actuarial gains	-	2 407 000	-	-	-	-	-	2 407 000
Fair value adjustments	27 381 599	34 701	-	-	-	-	-	27 416 300
Interest received	-	1 358 824	-	-	-	-	-	1 358 824
Interest received-non exchange transactions	-	1 746 198	-	-	-	-	-	1 746 198
Other income	-	477 846	581 909	4 105	-	885 151	120 872	2 069 883
Construction contracts	-	-	14 300 956	-	-	-	9 930 435	9 930 435
Services charges	-	-	190 575	-	-	-	-	190 575
Licences and permits	-	-	-	64 366	-	-	-	64 366
Rental received	-	-	1 050 029	-	-	-	-	1 050 029
Total segment revenue	27 381 599	191 698 211	29 099 599	454 740	299 159 893	3 740 151	259 714 039	811 248 232
Entity's revenue								811 248 232

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	Afforestation	Budget and treasury	Community Services	Corporate Services	Executive and Council	Planning and Economic Development	Technical Services	Total
62. Segment information (continued)								
Total assets as per Statement of financial Position								2 141 320 196
Liabilities								
Payables from exchange transactions	18 185 285	(189 008 452)	85 902 458	52 748 515	68 098 002	10 790 255	780 572 631	827 288 694
Consumer deposits	-	4 368 724	(39 561 194)	(956)	-	-	(219 410)	4 108 797
Employee benefit obligation- current portion	-	901 000	-	-	-	-	-	901 000
Employee benefit obligation - non current portion	-	8 543 400	-	-	-	-	-	8 543 400
Provision -non current	-	35 685 836	6 669 586	-	-	-	-	42 155 422
Provision - current	-	787 000	-	-	-	-	-	787 000
Unspent conditional grants	-	733 624	-	-	-	-	6 584 138	7 317 762
Total segment liabilities	18 185 285	(137 988 868)	92 332 483	52 747 559	68 098 002	10 790 255	786 937 359	891 102 075
Total liabilities as per Statement of financial Position								891 102 075

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

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

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63. Accounting by principals and agents

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

Details of the arrangement(s) is/are as follows:

The municipality is the principal in a Principal Agent Relationship with Contour Technologies and Spectrum Utility Management (Pty) Ltd.

The Municipality (the Principal) has a principal-agent relationship with a service provider (Contour Technologies (Pty) Ltd) and Spectrum Utility Management (Pty) Ltd which directs the service providers (Agents), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit. These transactions relate to the selling of prepaid electricity to the Municipality's consumers. Contour Technologies (Pty) Ltd and Spectrum Utility Management (Pty) Ltd collect all cash relating to the sale of the prepaid electricity which is sold through its vendors in a bank account operated by them and remit all funds due to the Municipality after deduction of any application costs and fees.

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

The resources have not been recognised by the agent in its financial statements.

During the period the Agent transferred an amount of R50 705 985 and withheld commission of R3 578 401 to the Municipality bank account.

Fee paid

Fee paid as compensation to the agent	3 207 944	3 578 401
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