



UTHUKELA

**UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY**

Uthukela District Municipality
Consolidated Annual Financial Statements
for the year ended 30 June 2024

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	Uthukela District Municipality (DC23) Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The main business operations of the Municipality is to engage in Local Government activities, which includes planning and promotion of integrated development planning, economic, social and environmental development and supplying of the following services to the community: the supply of water and sanitation services, as well as infrastructure development. Water is obtained from (DWS) Department of Water and Sanitation and distributed to the consumers by the Municipality as well as to promote a safe and healthy environment
Legislation governing the Municipality's operation	Constitution of the Republic of South Africa (Act 108 of 1996) Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Division of revenue Act (Act 1 of 2007)
Mayoral committee	
Mayor	His Worship Cllr. N.B. Shabalala Cllr. T.D. Janse Van Rensburg Cllr. A.S. Mazibuko Cllr. Ms. N.W. Mchunu Cllr. M.M. Khoza Cllr. F.Zuma
Councillors	Cllr. M.H. Shange Cllr. K.I. Hadebe Cllr. T.Y. Nqubuka Cllr. L. Qwabe Cllr. L.M. Mvelase Cllr. Ms. N.A. Hlongwane Cllr. Ms. S.V. Shabalala Cllr. Ms. P.G. Strydom Cllr. N.C. Hadebe Cllr. Ms. T.P. Shabalala Cllr. S.B. Dlunwane Cllr. M.M. Nkala Cllr. S.M. Buthelezi Cllr. S.P. Sehlako Cllr. B. Coka Cllr. S.W. Khumalo Cllr. L.P. Mnculwane Cllr. Z. Mdlolo Cllr. L. Vilakazi Cllr. S. Mzimela Cllr. S. Ngwenya Cllr. Z. Madondo Cllr. X.F. Mhlongo Cllr. L. Kubeka Cllr. N. Mkhasibe

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General Information

	Cllr. M.B. Mbhele Cllr. N.E. Mthethwa Cllr. N.C. Mtshali
Grading of local authority	Grade 4 Medium Capacity
Accounting Officer	L.S. Jili pa.mm@uthukela.gov.za
Chief Finance Officer (CFO)	B.B. Sithole bsithole@uthukela.gov.za
Registered office	33 Forbes Street Ladysmith Tel: 036-6385100 Fax: 036-6385126 3370
Business address	33 Forbes Street Ladysmith Kwazulu Natal 3370
Postal address	PO Box 116 Ladysmith Kwazulu Natal 3370
Bankers	First National Bank
Auditors	Auditor General - South Africa
Attorneys	Ramkhelewan Incorporated Shepstone & Wylie
Municipal demarcation code and grade	DC 23 Grade 4

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Abbreviations used:

COVID - 19	Corona Virus Disease of 2019
DWS	Department of Water and Sanitation
EQS	Equity Share
EPWP	Expanded Public Works program
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Sector Education and Training Authority
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MSCOA	Municipal Standard Chart of Accounts
PPE	Property , Plant and Equipment
RBIG	Regional Bulk Infrastructure Grant
RRAMS	Rural Road Asset Management System
SARS	South African Revenue Services
VAT	Value Added Tax Act (Act No. 89 of 1991)
WSIG	Water Services Infrastructure Grant
IWA	International Water Association
DHSWS	Department of Human Settlement, Water and Sanitation

Uthukela District Municipality

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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 consolidated annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the consolidated 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 consolidated annual financial statements and was given unrestricted access to all financial records and related data.

The consolidated 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 consolidated 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 economic entity 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 consolidated 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 economic entity's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The consolidated 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 are primarily responsible for the financial affairs of the municipality, they are supported by the economic entity's external auditors.

It must be noted that the Municipality is still under Section 139(1)(b) Constitutional intervention, a Ministerial Representative has been assigned to the Municipality to rescue the Municipality from financial distress, governance and organisational challenges.

The Municipality has a unfunded budget and has drafted a financial recover plan and budget funding plan which is closely monitored by Provincial Treasury and COGTA.

The consolidated annual financial statements set out on pages 5 to 121, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 November 2024 and were signed on its behalf by:

L.S. Jili
Accounting Officer

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023 Restated*	2024	2023 Restated*
Assets					
Current Assets					
Inventories	12	18 597 530	19 693 454	18 597 530	19 693 454
Receivables from exchange transactions	13	242 286 004	247 676 036	242 267 176	247 441 704
Receivables from non-exchange transactions	14	191 687	125 796	172 980	125 796
Prepayments	10	5 156	3 269	-	-
Consumer debtors	15	65 044 788	47 984 452	65 044 788	47 984 452
Bank reconciliation clearing control account	11	94 867	190 966	94 867	190 966
Cash and cash equivalents	16	9 221 833	19 076 140	5 715 178	13 497 715
		335 441 865	334 750 113	331 892 519	328 934 087
Non-Current Assets					
Property, plant and equipment	4	3 406 140 739	3 253 961 407	3 405 165 812	3 252 840 329
Intangible assets	5	392 154	410 322	392 154	410 322
Receivables from exchange transactions	13	1 658 406	1 658 406	1 658 406	1 658 406
Receivables from non-exchange transactions	14	46 349	178 827	46 349	178 827
		3 408 237 648	3 256 208 962	3 407 262 721	3 255 087 884
Total Assets		3 743 679 513	3 590 959 075	3 739 155 240	3 584 021 971
Liabilities					
Current Liabilities					
Operating lease liability	6	2 415 940	948 813	2 415 940	948 813
Payables from exchange transactions	7	951 075 182	834 369 398	951 075 161	834 094 948
Consumer deposits	8	20 029 470	19 293 725	20 029 470	19 293 725
Employee benefit obligation	9	5 470 000	8 335 593	5 470 000	8 335 593
Unspent conditional grants and receipts	17	2 882 964	18 173 416	99 113	13 665 302
Provisions - leave	18	36 722 303	41 781 164	36 722 303	41 781 164
Other liabilities - sundry debtors with credit balances	19	112 829	99 996	112 829	99 996
Other liabilities - consumer debtors with credit balances	20	15 781 592	16 386 326	15 781 592	16 386 326
Other liabilities - salaries suspense account	21	329 997	409 783	329 997	409 783
		1 034 820 277	939 798 214	1 032 036 405	935 015 650
Non-Current Liabilities					
Employee benefit obligation	9	49 527 000	39 722 407	49 527 000	39 722 407
Total Liabilities		1 084 347 277	979 520 621	1 081 563 405	974 738 057
Net Assets		2 659 332 236	2 611 438 454	2 657 591 835	2 609 283 914
Accumulated surplus		2 659 332 236	2 611 438 454	2 657 591 835	2 609 283 914
Total Net Assets		2 659 332 236	2 611 438 454	2 657 591 835	2 609 283 914

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023 Restated*	2024	2023 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	23	287 363 693	225 919 459	287 363 693	225 919 459
Interest received (trading)	22	62 379 178	49 201 177	62 379 178	49 201 177
Other income	22	990 450	2 369 434	979 920	2 354 248
Proceeds from sale of assets	22	133 300	-	133 300	-
Interest received - investment	27	11 394 106	7 707 514	11 078 696	7 328 864
Gain on disposal of assets and liabilities	4	5 822 713	-	5 831 893	-
Actuarial gains	9	-	2 336 000	-	2 336 000
Total revenue from exchange transactions		368 083 440	287 533 584	367 766 680	287 139 748
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	29	879 107 764	792 536 125	877 733 904	790 419 908
Fines, Penalties and Forfeits	24	41 700	31 200	41 700	31 200
Total revenue from non-exchange transactions		879 149 464	792 567 325	877 775 604	790 451 108
Total revenue	22	1 247 232 904	1 080 100 909	1 245 542 284	1 077 590 856
Expenditure					
Employee related costs	30	(377 473 869)	(364 966 329)	(374 224 859)	(361 816 584)
Remuneration of councillors	31	(6 813 667)	(6 961 370)	(6 302 847)	(6 607 372)
Depreciation and amortisation	32	(85 841 218)	(84 416 300)	(85 704 247)	(83 923 113)
Impairment loss	33	(779 590)	(3 428 622)	(779 590)	(3 428 622)
Interest incurred	34	(16 352 222)	(8 614 049)	(16 352 222)	(8 614 049)
Lease rentals on operating lease	25	(18 353 003)	(21 762 320)	(17 761 261)	(21 217 997)
Debt Impairment	36	(237 174 114)	(159 793 197)	(237 174 114)	(159 793 197)
Incentive discounts consumer debtors	58	(3 123 596)	(3 302 525)	(3 123 596)	(3 302 525)
Bad debt written off	59	-	(17 143 861)	-	(17 143 861)
Bulk purchases	38	(32 063 963)	(15 209 991)	(32 063 963)	(15 209 991)
Contracted services	39	(155 507 878)	(228 018 443)	(155 507 878)	(228 018 443)
Transfers and Subsidies	28	-	-	(3 285 000)	(3 120 000)
Loss on disposal of assets and liabilities	4	-	(3 328 691)	-	(1 519 164)
Actuarial losses	9	(660 000)	-	(660 000)	-
General Expenses	37	(260 702 596)	(251 738 569)	(259 800 343)	(250 895 763)
Total expenditure		(1 194 845 716)	(1 168 684 267)	(1 192 739 920)	(1 164 610 681)
Surplus (deficit) for the year		52 387 188	(88 583 358)	52 802 364	(87 019 825)

Uthukela District Municipality

Consolidated 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
Economic entity		
Balance at 01 July 2022	2 674 384 303	2 674 384 303
Changes in net assets		
Surplus for the year	(88 583 358)	(88 583 358)
Movement in accumulated surplus	25 637 509	25 637 509
Total changes	(62 945 849)	(62 945 849)
Restated* Balance at 01 July 2023	2 611 438 454	2 611 438 454
Changes in net assets		
Surplus for the year	52 387 188	52 387 188
Movement in accumulated surplus	(4 493 406)	(4 493 406)
Total changes	47 893 782	47 893 782
Balance at 30 June 2024	2 659 332 236	2 659 332 236
Note(s)		
Controlling entity		
Balance at 01 July 2022	2 627 842 197	2 627 842 197
Changes in net assets		
Surplus for the year	(87 019 825)	(87 019 825)
Movement in accumulated surplus	68 461 542	68 461 542
Total changes	(18 558 283)	(18 558 283)
Restated* Balance at 01 July 2023	2 609 283 914	2 609 283 914
Changes in net assets		
Surplus for the year	52 802 364	52 802 364
Movement in accumulated surplus	(4 494 443)	(4 494 443)
Total changes	48 307 921	48 307 921
Balance at 30 June 2024	2 657 591 835	2 657 591 835
Note(s)		

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Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023 Restated*	2024	2023 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		34 392 746	76 076 767	34 392 746	76 076 767
Interest raised on sale of goods and services		62 379 178	49 201 177	62 379 178	49 201 177
Grants		864 167 715	792 536 125	864 167 715	790 419 908
Interest income		11 078 696	7 707 514	11 078 696	7 328 864
Fines, penalties and forfeits		41 700	31 200	41 700	31 200
Other cash item		797 920	2 369 434	979 920	2 354 248
		<u>972 857 955</u>	<u>927 922 217</u>	<u>973 039 955</u>	<u>925 412 164</u>
Payments					
Employee costs		(383 517 725)	(371 927 699)	(380 527 706)	(368 423 956)
Suppliers		(332 470 579)	(358 869 133)	(330 285 828)	(358 950 647)
Interest incurred		(16 352 222)	(8 614 049)	(16 352 222)	(8 614 049)
Transfer payments		-	-	(3 285 000)	(3 120 000)
Rent paid		(16 294 134)	(21 361 304)	(16 294 134)	(21 361 304)
		<u>(748 634 660)</u>	<u>(760 772 185)</u>	<u>(746 744 890)</u>	<u>(760 469 956)</u>
Net cash flows from operating activities	40	<u>224 223 295</u>	<u>167 150 032</u>	<u>226 295 065</u>	<u>164 942 208</u>
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(234 210 902)	(166 410 098)	(234 210 902)	(165 967 613)
Proceeds from sale of assets		133 300	-	133 300	-
Net cash flows from investing activities		<u>(234 077 602)</u>	<u>(166 410 098)</u>	<u>(234 077 602)</u>	<u>(165 967 613)</u>
Net increase/(decrease) in cash and cash equivalents		(9 854 307)	739 934	(7 782 537)	(1 025 405)
Cash and cash equivalents at the beginning of the year		19 076 140	18 336 206	13 497 715	14 523 120
Cash and cash equivalents at the end of the year	16	<u>9 221 833</u>	<u>19 076 140</u>	<u>5 715 178</u>	<u>13 497 715</u>

Uthukela District Municipality

Consolidated 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						
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	230 154 000	37 034 000	267 188 000	287 363 693	20 175 693	PER 1
Interest received (trading)	51 112 000	9 788 000	60 900 000	62 379 178	1 479 178	PER 2
Other income	8 673 000	(7 884 000)	789 000	979 920	190 920	PER 3
Proceeds from sale of assets	-	-	-	133 300	133 300	PER 4
Interest received - investment	6 575 000	3 419 000	9 994 000	11 078 696	1 084 696	PER 5
Total revenue from exchange transactions	296 514 000	42 357 000	338 871 000	361 934 787	23 063 787	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	585 779 000	-	585 779 000	877 733 904	291 954 904	PER 6
Fines, Penalties and Forfeits	39 000	(11 000)	28 000	41 700	13 700	PER 7
Total revenue from non-exchange transactions	585 818 000	(11 000)	585 807 000	877 775 604	291 968 604	
Total revenue	882 332 000	42 346 000	924 678 000	1 239 710 391	315 032 391	
Expenditure						
Personnel	(371 090 000)	17 368 000	(353 722 000)	(374 224 859)	(20 502 859)	PER 8
Remuneration of councillors	(6 709 000)	545 000	(6 164 000)	(6 302 847)	(138 847)	PER 9
Depreciation and amortisation	(95 609 000)	-	(95 609 000)	(85 704 247)	9 904 753	PER 10
Impairment loss/ Reversal of impairments	-	-	-	(779 590)	(779 590)	PER 11
Interest incurred	-	(500 000)	(500 000)	(16 352 222)	(15 852 222)	PER 12
Lease rentals on operating lease	-	-	-	(17 761 261)	(17 761 261)	PER 13
Debt Impairment	(156 966 000)	-	(156 966 000)	(237 174 114)	(80 208 114)	PER 14
Incentive discounts	-	-	-	(3 123 596)	(3 123 596)	PER 15
Bulk purchases	-	-	-	(32 063 963)	(32 063 963)	PER 16
Contracted Services	(198 197 000)	62 413 000	(135 784 000)	(155 507 878)	(19 723 878)	PER 17
Transfers and Subsidies	(3 285 000)	(2 200 000)	(5 485 000)	(3 285 000)	2 200 000	PER 18
General Expenses	(218 679 000)	36 504 000	(182 175 000)	(259 800 343)	(77 625 343)	PER 19
Total expenditure	(1 050 535 000)	114 130 000	(936 405 000)	(1 192 079 920)	(255 674 920)	
Operating surplus	(168 203 000)	156 476 000	(11 727 000)	47 630 471	59 357 471	
Gain on disposal of assets and liabilities	-	-	-	5 831 893	5 831 893	PER 20
Actuarial gains/losses	-	-	-	(660 000)	(660 000)	PER 21
	-	-	-	5 171 893	5 171 893	
Surplus before taxation	(168 203 000)	156 476 000	(11 727 000)	52 802 364	64 529 364	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(168 203 000)	156 476 000	(11 727 000)	52 802 364	64 529 364	

Uthukela District Municipality

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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

References to statement of comparison of budget and actual amounts.

Statement of Financial Performance.

PER 1 - Service charges - there was a 42% increase in service charges due to tariff increases, new developments in the district and correction of accounts previously not billed correctly (zero consumption and estimates).

PER 2 - Interest received (trading) - interest on service charges is below budget. It can be assumed that this was not realistically budgeted .

PER 3 - Other income - consists of the issue of clearance certificates, copies of building plans, insurance claim income and tender documents.

PER 4 - Proceeds from sale of assets - the Municipality generated income from there sale of assets.

PER 5 - Interest received investments - the Municipality invests surplus fund with financial institutions as per the MFMA guidelines and interest is earned on these investments which are capitalized every month.

PER 6 - Government grants and subsidies (operational - the Municipality received Equity share, Finance Management, EPWP and LGSETA grants during the year. The variance from 2022/2023 to 2023/2024 is due to in crease in National Transfers.

PER 7 - Fines, penalties & forfeits - these are fines issued by the Health Department in terms of the general hygiene for the premises and transport of food in terms of Government Notice No. 638 dated 22 June 2018.

PER 8 - Employee related costs - Variance is due to annual increases as well as high overtime, standby and night shift claims which remains a challenge however, Management has implemented controls to curb overtime and standby expenditure.

PER 9 - Remuneration of Councilors - provision was made in the budget for Councilors to receive an increase and backpay in terms of the Government Gazette for Councillors upper limits however this was not approved due to the audit opinion received in the previous financial years.

PER 10 - Depreciation and amortization - depreciation of PPE for the year was under estimated at budget preparation stage. The movement from WIP (work in progress) to capitalization of assets could not be accurately determined at the time.

PER 11 - Impairment loss - a conditional assessment was performed on Infrastructure assets and due to the condition of these assets an impairment reversal was done. The reversal of impairment on PPE was not budgeted for as the results of the conditional assessment could not be predetermined..

PER 12 - Interest incurred - this relates to interest charges with regards to post retirement medical aid and long service awards accrual at year end as well as interest paid to suppliers due to invoices that attracted interest. The Municipality was subjected to a number of litigation hence the 100% increase in interest incurred.

PER 13 - Lease rentals on operating leases - This relates to rental paid in respect of the satellite offices that the Municipality occupies in Estcourt, Colenso and Weenen, Laboratory space and rental of office machines, however the budget for this line item is included in general expenditure in the budget document.

PER 14 - Debt impairment - this relates to the contribution to the bad debt provision with regards to uncollectable bad debt in the debtors book. The variance is due to the increase in the debtors book which is the result of the poor collection rate which is below 40%.

PER 15 - Incentive discounts - the Municipality offered incentive discounts to consumers in an effort to collect outstanding debt and decrease the debtors book. The Municipality offered a one third discount to consumers in order to encourage them to pay their outstanding debt.

PER 16 - Bulk purchases - this represents the bulk water purchases from DWS (Department of Water and Sanitation). No payments were made to DWS during the financial year and the amount disclosed is the accumulated debt from July 23 to June24.

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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

PER 17 - Contracted services - contracted services includes outsourced services such as security, water tankering, consultants and professional services as well as maintenance and repairs of Municipal assets. The biggest contributing factor in the reduction of expenditure on contracted services was the use of Hired water takers. The Municipality terminated the contracts of hired water tankers and only procure hired water tankers in extreme cases.

PER 18 - Transfers and subsidies - this relates to transfers made by the Municipality to the uThukela Economic Development Agency for the financial year. The Municipality did not transfer the full budget allocation to the agency therefore a saving against the budget.

PER 19 - General expenditure - this relates to all other operational expenditure incurred by the Municipality. The significant contributing factors making up the variance between 2022/2023 and 2023/2024 is the procurement of chemicals. There was a shortage of chlorine gas throughout the Contry and the Municipality had to make use of chlorine tablets at some of the purification plants which is very expensive.

PER 20 - Gain on disposal of assets and liabilities - Gain on disposal of PPE which was not budgeted for.

PER 21 - Actuarial gains/losses - Loses recognized during the valuation of long service awards and medical aid post retirement obligation In terms of GRAP 25 cannot be budgeted for as they are dependent on the actual actuarial valuation. Such calculations can only be done by an Actuary and not the Municipality.

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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
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	20 780 000	-	20 780 000	18 597 530	(2 182 470)	POS 1
Receivables from exchange transactions	7 440 000	-	7 440 000	242 267 176	234 827 176	POS 2
Receivables from non-exchange transactions	-	-	-	172 980	172 980	POS 3
Consumer debtors	224 640 000	-	224 640 000	65 044 788	(159 595 212)	POS 4
Bank reconciliation clearing account	-	-	-	94 867	94 867	POS 5
Cash and cash equivalents	216 101 000	-	216 101 000	5 715 178	(210 385 822)	POS 6
	468 961 000	-	468 961 000	331 892 519	(137 068 481)	
Non-Current Assets						
Property, plant and equipment	3 272 970 000	-	3 272 970 000	3 405 165 812	132 195 812	POS 7
Intangible assets	-	-	-	392 154	392 154	POS 8
Receivables from exchange transactions	-	-	-	1 658 406	1 658 406	POS 9
Receivables from non-exchange transactions	-	-	-	46 349	46 349	POS 10
	3 272 970 000	-	3 272 970 000	3 407 262 721	134 292 721	
Total Assets	3 741 931 000	-	3 741 931 000	3 739 155 240	(2 775 760)	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	-	2 415 940	2 415 940	POS 11
Payables from exchange transactions	356 787 000	-	356 787 000	951 075 161	594 288 161	POS 12
Consumer deposits	21 544 000	-	21 544 000	20 029 470	(1 514 530)	POS 13
Employee benefit obligation	-	-	-	5 470 000	5 470 000	POS 14
Unspent conditional grants and receipts	-	-	-	99 113	99 113	POS 15
Provisions	101 469 000	-	101 469 000	36 722 303	(64 746 697)	POS 16
VAT payable	-	-	-	112 829	112 829	POS 17
Other liability - Consumer debtors with credit balances	-	-	-	15 781 592	15 781 592	POS 18
Other liabilities - salaries suspense account	-	-	-	329 997	329 997	POS 19
	479 800 000	-	479 800 000	1 032 036 405	552 236 405	
Non-Current Liabilities						
Employee benefit obligation	38 433 000	-	38 433 000	49 527 000	11 094 000	POS 20
Total Liabilities	518 233 000	-	518 233 000	1 081 563 405	563 330 405	
Net Assets	3 223 698 000	-	3 223 698 000	2 657 591 835	(566 106 165)	

Uthukela District Municipality

Consolidated 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						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	3 223 698 000		- 3 223 698 000	2 657 591 835	(566 106 165)	

Uthukela District Municipality

Consolidated 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

References to statement of comparison of budget and actual amounts.

Statement of Financial Position.

POS 1 - Inventories - Inventory items are kept at a centralized store, chemicals are stored at the water and sewerage treatment plants. Inventory also includes water stock in the reservoirs and reticulation networks as at year end.

POS 2 - Receivables from exchange transactions (current assets) - represents sundry debtors accounts held by the Municipality

POS 3 - Receivables from non-exchange transactions (current assets) - represents unpaid cheques issued to the Municipality and overpayment of contractors

POS 4 - Consumer debtors from exchange transactions - when the budget was prepared the poor revenue collection rate and the provision for bad debts was not accurately taken into account

POS 5 - Bank reconciliation clearing control account - unreconciled items on the cashbook.

POS 6 - Cash and cash equivalents - represents actual cash on hand (current account balance, investments on hand , petty cash and cashier floats) and this was not accurately budgeted for.

POS 7 - PPE (property, plant and equipment) - the variance between the budget and the actual amount is due to the capitalization and asset impairment which were not accurately budgeted for.

POS 8 - Intangible assets - the variance is due to impairment not accurately budgeted for.

POS 9 - Receivables from exchange transactions (non-current assets) - represents deposits paid to third party vendors such as Eskom.

POS 10 - Receivables from non-exchange transactions (non-current assets) - this represents unauthorized debit orders and duplicate payments made which were not budgeted for.

POS 11 - Operating lease liability - the liability is in respect of operating leases the Municipality has entered into.

POS 12 - Payables from exchange transactions - represents trade payables, DWS accrual in respect of bulk raw water, Umgeni Water accrual in respect of bulk purified water, retentions, trust funds and other creditors at year end.

POS 13 - Consumer deposits - this represents deposits held by the Municipality in respect of consumer debtors accounts.

POS 14 - Employee benefit obligation - this relates to long service awards and post retirement medical aid current liability.

POS 15 - Unspent conditional grants - this represents the unspent portion of conditional grants at financial year end which remains a liability. Application has been made for the approval for roll over to the next financial year.

POS 16 - Provisions - relates to the leave provision accrual as at year end.

POS 17 - Other liabilities (sundry debtors) - this represents sundry debtor accounts with credit balances at year end.

POS 18 - Other liabilities (consumer debtors) - this represents consumer debtors accounts with credit balances at year end.

POS 19 - Other liabilities - (salaries clearing suspense account) relates to the salary clearing suspense account at year end.

POS 20 - Provision for retirement benefit obligation - is the medical aid and long service award obligation at year end.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	100 995 000	14 964 000	115 959 000	34 392 746	(81 566 254)	CAS 1
Grants	894 121 000	(5 848 000)	888 273 000	864 167 715	(24 105 285)	CAS 2
Interest income	6 289 000	3 705 000	9 994 000	11 078 696	1 084 696	CAS 3
Other receipts	180 203 000	(105 549 000)	74 654 000	63 400 798	(11 253 202)	CAS 4
	1 181 608 000	(92 728 000)	1 088 880 000	973 039 955	(115 840 045)	
Payments						
Employee costs	(377 799 000)	17 913 000	(359 886 000)	(380 527 706)	(20 641 706)	CAS 5
Suppliers	(421 805 000)	(36 276 000)	(458 081 000)	(330 285 828)	127 795 172	CAS 6
Transfers and grants	(3 285 000)	(2 200 000)	(5 485 000)	(3 285 000)	2 200 000	CAS 7
Interest incurred	-	-	-	(16 352 222)	(16 352 222)	CAS 8
Rent paid	-	-	-	(16 294 134)	(16 294 134)	CAS 9
	(802 889 000)	(20 563 000)	(823 452 000)	(746 744 890)	76 707 110	
Net cash flows from operating activities	378 719 000	(113 291 000)	265 428 000	226 295 065	(39 132 935)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(308 395 000)	1 527 000	(306 868 000)	(234 210 902)	72 657 098	CAS 10
Proceeds from sale of property, plant and equipment	-	-	-	133 300	133 300	CAS 11
Net cash flows from investing activities	(308 395 000)	1 527 000	(306 868 000)	(234 077 602)	72 790 398	
Net increase/(decrease) in cash and cash equivalents	70 324 000	(111 764 000)	(41 440 000)	(7 782 537)	33 657 463	CAS 12
Cash and cash equivalents at the beginning of the year	13 498 000	-	13 498 000	13 497 715	(285)	CAS 13
Cash and cash equivalents at the end of the year	83 822 000	(111 764 000)	(27 942 000)	5 715 178	33 657 178	

Uthukela District Municipality

Consolidated 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

References to cash flow statement.

Cash flow statement.

CAS 1 - Sale of goods and services (water & sanitation) - is the movement in cash received from consumers.

CAS 2 - Grants- is the operating and capital grants for the year.

CAS 3 - Interest income - is the interest earned on external investments.

CAS 4 - Other receipts - is the uninterest raised on sale of goods and services, fines and sundry income.

CAS 5 - Employee costs - is the actual expenditure on employee costs and Councillors remuneration.

CAS 6 - Suppliers - is the payment of suppliers for the provision of goods and services.

CAS 7 - Transfer payments - is the transfer payments made to the Uthukela Economic Development Agency.

CAS 8 - Interest incurred - is interest paid with regards to the late payment of creditors.

CAS 9 - Rent paid - is the rent paid in respect of office space, laboratory space and satellite offices.

CAS 10 - PPE - is property, plant and equipment aquired and capitalized during the year (capital expenditure).

CAS 11 - Proceeds from sale of assets - is cash income generated from tender documents, printing of maps and water clearance certificates

CAS 12 - Is the nett increase/decrease in cvash & cash equivalentents for the year.

CAS 13 - Is the cash & cash equivalentents at the beginning of the year - which is the closing balance of cash and cash equivelants at the end of the previous financial year (petty cash, cashiers floats, current account balance and investments held at year end).

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Controlling entity - 2024											
Financial Performance											
Service charges	230 154 000	37 034 000	267 188 000	-		267 188 000	287 363 693		20 175 693	108 %	125 %
Investment revenue	6 575 000	3 419 000	9 994 000	-		9 994 000	11 078 696		1 084 696	111 %	168 %
Transfers recognised - operational	585 779 000	-	585 779 000	-		585 779 000	583 832 782		(1 946 218)	100 %	100 %
Other own revenue	59 823 000	1 894 000	61 717 000	-		61 717 000	69 365 991		7 648 991	112 %	116 %
Total revenue (excluding capital transfers and contributions)	882 331 000	42 347 000	924 678 000	-		924 678 000	951 641 162		26 963 162	103 %	108 %
Employee costs	(371 090 000)	17 368 000	(353 722 000)	-	-	(353 722 000)	(374 224 859)	(20 502 859)	(20 502 859)	106 %	101 %
Remuneration of councillors	(6 709 000)	545 000	(6 164 000)	-	-	(6 164 000)	(6 302 847)	(138 847)	(138 847)	102 %	94 %
Depreciation and asset impairment	(95 609 000)	-	(95 609 000)			(95 609 000)	(85 704 247)	9 904 753	9 904 753	90 %	90 %
Interest incurred	-	(500 000)	(500 000)	-	-	(500 000)	(16 352 222)	(15 852 222)	(15 852 222)	3 270 %	DIV/0 %
Inventory consumed and bulk purchases	(44 822 000)	(3 261 000)	(48 083 000)	-	-	(48 083 000)	(32 063 963)	16 019 037	16 019 037	67 %	72 %
Transfers and grants	(3 285 000)	(2 200 000)	(5 485 000)	-	-	(5 485 000)	(3 285 000)	2 200 000	2 200 000	60 %	100 %
Other expenditure	(529 022 000)	102 180 000	(426 842 000)	-	-	(426 842 000)	(674 806 782)	(247 964 782)	(247 964 782)	158 %	128 %
Total expenditure	(1 050 537 000)	114 132 000	(936 405 000)	-	-	(936 405 000)	(1 192 739 920)	(256 334 920)	(256 334 920)	127 %	114 %
Surplus/(Deficit)	(168 206 000)	156 479 000	(11 727 000)	-		(11 727 000)	(241 098 758)		(229 371 758)	2 056 %	143 %

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	306 342 000	-	306 342 000	-		306 342 000	293 901 122		(12 440 878)	96 %	96 %
Surplus (Deficit) after capital transfers and contributions	138 136 000	156 479 000	294 615 000	-		294 615 000	52 802 364		(241 812 636)	18 %	38 %
Surplus/(Deficit) for the year	138 136 000	156 479 000	294 615 000	-		294 615 000	52 802 364		(241 812 636)	18 %	38 %

Financial position

Total current assets	321 116 132	-	321 116 132	-		321 116 132	331 892 519		10 776 387	103 %	103 %
Total non current assets	3 408 042 311	-	3 408 042 311	-		3 408 042 311	3 407 262 721		(779 590)	100 %	100 %
Total current liabilities	(1 018 352 230)	-	(1 018 352 230)	-		(1 018 352 230)	(1 032 036 405)		(13 684 175)	101 %	101 %
Total non current liabilities	(49 527 000)	-	(49 527 000)	-		(49 527 000)	(49 527 000)		-	100 %	100 %
Community wealth/Equity	2 671 276 013	-	2 671 276 013	-		2 671 276 013	2 657 591 835		(13 684 178)	99 %	99 %

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from operating activities	378 719 000	(113 291 000)	265 428 000	-		265 428 000	226 295 065		(39 132 935)	85 %	60 %
Net cash from investing activities	(308 395 000)	1 527 000	(306 868 000)	-		(306 868 000)	(234 077 602)		72 790 398	76 %	76 %
Net increase/(decrease) in cash and cash equivalents	70 324 000	(111 764 000)	(41 440 000)	-		(41 440 000)	(7 782 537)		33 657 463	19 %	(11)%
Cash and cash equivalents at the beginning of the year	13 498 000	-	13 498 000	-		13 498 000	13 497 715		(285)	100 %	100 %
Cash and cash equivalents at year end	83 822 000	(111 764 000)	(27 942 000)	-		(27 942 000)	5 715 178		(33 657 178)	(20)%	7 %

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Controlling entity - 2023				
Financial Performance				
Service charges				225 919 459
Investment revenue				7 328 864
Transfers recognised - operational				545 551 576
Other own revenue				53 922 625
Total revenue (excluding capital transfers and contributions)				832 722 524
Employee costs	(371 090 000)	17 368 000	(388 458 000)	(361 816 584)
Remuneration of councillors	(6 709 000)	545 000	(7 254 000)	(6 607 372)
Depreciation and asset impairment	(95 609 000)	-	(95 609 000)	(83 923 113)
Interest incurred	-	(500 000)	500 000	(8 614 049)
Inventory consumed and bulk purchases	-	-	-	(15 209 991)
Transfers and grants	(3 285 000)	(2 200 000)	(1 085 000)	(3 120 000)
Other expenditure	(573 842 000)	98 917 000	(672 759 000)	(511 279 922)
Total expenditure	(1 050 535 000)	114 130 000	(1 164 665 000)	(990 571 031)
Surplus/(Deficit)				(157 848 507)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)				244 868 332
Surplus (Deficit) after capital transfers and contributions				87 019 825
Surplus/(Deficit) for the year				87 019 825

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Appropriation Statement

Figures in Rand

				Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Financial position							
Total current assets	112 755	-	112 755	-	112 755	328 934 087	328 821 332 291 725 %291 725 %
Total non current assets	3 268 807	-	3 268 807	-	3 268 807	3 255 087 884	3 251 819 077 99 580 % 99 580 %
Total current liabilities	(436 879)	-	(436 879)	-	(436 879)	(935 015 650)	(934 578 771)214 022 %214 022 %
Total non current liabilities	(36 991)	-	(36 991)	-	(36 991)	(39 722 407)	(39 685 416)107 384 %107 384 %
Community wealth/Equity	2 907 692	-	2 907 692	-	2 907 692	2 609 283 914	2 606 376 222 89 737 % 89 737 %
Cash flows							
Net cash from operating activities							164 942 208
Net cash from investing activities							(165 967 613)
Net increase/(decrease) in cash and cash equivalents							(1 025 405)
Cash and cash equivalents at the beginning of the year							14 523 120
Cash and cash equivalents at year end							13 497 715

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023	2024	2023

1. Significant accounting policies

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

1.1 Basis of preparation

The consolidated 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 consolidated 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 consolidated annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

1.3 Going concern assumption

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

1.4 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

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

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 function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.4 Transfer of functions between entities not under common control (continued)

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

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 unissued 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.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

Subsequent measurement and accounting

In general, an municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the municipality as acquirer measures a contingent liability recognised in a transfer of functions at the higher of:

- (a) the amount that would be recognised in accordance with the Standard of GRAP on Provisions, Contingent liabilities and Contingent assets; and
- (b) the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from exchange transactions.

1.5 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated 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 consolidated annual financial statements. Significant judgements include:

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 economic entity 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 economic entity 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 9.

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.

Bulk purchases

Water for distribution is measured using the weighted average formula. Additions to water for distribution is accounted for in two ways i.e. bulk purchases and own production (natural sources). Bulk purchases are capitalised in inventory based on actual costs from the service provider and own production is capitalised based on costs associated with the production of naturally sourced water. Capitalised production costs are accounted for as inventory water gains in the statement of financial performance and inventory water in the statement of financial position. Water is sold and thus subsequently measured at the lower of cost and net realisable value.

Contracted services

Contracted services are services that are agreed upon and sold through a contract between a provider and the municipality.

Municipalities often appoint private service providers to provide one or more services on a temporary basis to the municipality. These service providers are referred to as contractors.

A contract for services, also known as a service level agreement, is a legally binding agreement that outlines the responsibilities and expectations of both parties.

General expenditure

General expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or incurrences of liabilities that results in a decrease in net assets.

In the accrual environment the expenditure is recognised when goods and/or services are received from parties.

General expenses are costs the business incurs to run its daily operations, like rent, utilities, postage, office supplies, computer equipment and insurance.

1.6 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 economic entity; and
- the cost of the item can be measured reliably.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. 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 asset.

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1.6 Property, plant and equipment (continued)

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Dams	Straight-line	100 years
Buildings	Straight-line	30 years
Meters and components	Straight-line	15 years
Supply / reticulation	Straight-line	60 years
Reservoirs and tanks	Straight-line	38 years
Water and sewerage pumps	Straight-line	15 years
Mains	Straight-line	60 years
Purification works	Straight-line	30 years
Boreholes	Straight-line	30 years
Hand pumps	Straight-line	15 years
Flood lights	Straight-line	20 years
Yoyo tanks	Straight-line	20 years
Sewers	Straight-line	60 years
Sludge machines	Straight-line	22 years
Computer software	Straight-line	5 years
Office buildings	Straight-line	30 years
Motor vehicles	Straight-line	5 years
Computer equipment	Straight-line	5 Years
Office machines	Straight-line	3-5 years
Air conditioners	Straight-line	7 years
Furniture and fittings	Straight-line	5-7 years
Emergency equipment	Straight-line	5-15 years
Graders	Straight-line	15 years
Tractors	Straight-line	15 years
Mechanical equipment	Straight-line	15 years
Lawnmowers	Straight-line	2 years
Compressors	Straight-line	5 years
Laboratory equipment	Straight-line	5 years
Radio equipment	Straight-line	5 years
Telecommunication equipment	Straight-line	5 years
Irrigation equipment	Straight-line	15 years
Lathes and machinery	Straight-line	15 years
Tippers	Straight-line	15 years

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Significant Accounting Policies

1.6 Property, plant and equipment (continued)

Tools	Straight-line	5 Years
General	Straight-line	5 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 economic entity. 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 economic entity assesses at each reporting date whether there is any indication that the economic entity 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 economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

Assets which the economic entity 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 economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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1.7 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

1.8 Separate financial statements

Consolidated financial statements are the financial statements of the economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the entity as a controlling entity, and its controlled entities, are presented as those of a single economic entity.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, that has the purpose of investing funds solely for returns from capital appreciation, investment revenue, and which measures and evaluates the performance of substantially all of its investments on a fair value basis.

Separate financial statements are those presented by the entity, in which the entity could elect to account for its investments in controlled entities, joint ventures and associates either at cost, in accordance with the GRAP Standard on Financial Instruments or using the equity method as described in the accounting policies on Investments in Associates and Joint Ventures.

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Significant Accounting Policies

1.8 Separate financial statements (continued)

In the entity's separate financial statements, investments in controlled entities, associates and joint ventures are carried at cost;

In the entity's separate financial statements, investments in controlled entities are carried at cost;

In the entity's separate financial statements, investments in associates are carried at cost;

In the entity's separate financial statements, investments in joint ventures are carried at cost.

Separate financial statements are prepared in accordance with all applicable accounting policies, except:

- Similar investments in controlled entities are accounted for at cost;
- Joint ventures are accounted for at cost;
- Associates are accounted for at cost.

The entity as a controlling entity, which is not itself an investment entity, measures its investment in a controlled investment entity in accordance with the above, in its separate financial statements.

When the entity as controlling entity ceases to be an investment entity, or becomes an investment entity, it accounts for the change from the date when the change in status occurred, as follows:

- When the entity ceases to be an investment entity, the entity accounts for an investment in a controlled entity in accordance with the above. The date of the change of status is the deemed acquisition date. The fair value of the controlled entity at the deemed acquisition date represents the transferred deemed consideration when accounting for the investment as above.
- When the entity becomes an investment entity, it accounts for an investment in a controlled entity at fair value. The difference between the previous carrying amount of the controlled entity and its fair value at the date of the change of status is recognised as a gain or loss in surplus or deficit. The cumulative amount of any gain or loss previously recognised directly in net assets in respect of those controlled entities is treated as if the investment entity had disposed of those controlled entities at the date of change in status.

When the entity elects to measure its investments in associates or joint ventures at fair value, it also accounts for those investments in the same way in its separate financial statements.

Where the entity as controlling entity is required to measure its investment in a controlled entity at fair value, it also accounts for that investment in the same way in its separate financial statements.

Dividends or similar distributions from a controlled entity, a joint venture or an associate are recognised in the separate financial statements of the entity when the entity's right to receive the dividend or similar distribution is established. The dividend or similar distribution is recognised in surplus or deficit unless the entity elects to use the equity method, in which case the dividend or similar distribution is recognised as a reduction from the carrying amount of the investment.

When a controlling entity reorganises the structure of its economic entity by establishing a new entity as its controlling entity in a manner that satisfies the following criteria:

- The new controlling entity obtains control of the original controlling entity either (a) by issuing equity instruments in exchange for existing equity instruments of the original controlling entity or (b) by some other mechanism which results in the new controlling entity having a controlling ownership interest in the original controlling entity;
- The assets and liabilities of the new economic entity and the original economic entity are the same immediately before and after the reorganisation; and
- The owners of the original controlling entity before the reorganisation have the same absolute and relative interests in the net assets of the original economic entity and the new economic entity immediately before and after the reorganisation;

and the new controlling entity accounts for its investment in the original controlling entity at cost in its separate financial statements, the new controlling entity measures cost at the carrying amount of its share of the net asset items shown in the separate financial statements of the original controlling entity at the date of the reorganisation

1.9 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.

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Significant Accounting Policies

1.9 Financial instruments (continued)

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.

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.

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Significant Accounting Policies

1.9 Financial instruments (continued)

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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Significant Accounting Policies

1.9 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
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at fair value
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value
Statutory receivables	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Other accruals	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
VAT payables	Financial liability measured at amortised cost

1.10 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 economic entity 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 economic entity initially measures statutory receivables at their transaction amount.

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1.11 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the 0.

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

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

Operating leases - lessee

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

1.12 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 economic entity 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 economic entity.

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.

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1.13 Construction contracts and receivables (continued)

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.

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 cash-generating assets

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

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

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

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

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1.15 Impairment of cash-generating assets (continued)

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

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

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.16 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.

Uthukela District Municipality

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Significant Accounting Policies

1.16 Construction contracts and receivables (continued)

Useful life is either:

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

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

Reversal of an impairment loss

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

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

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

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

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

1.17 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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 economic entity 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.

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Significant Accounting Policies

1.18 Provisions and contingencies (continued)

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 economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity 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 43.

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 economic entity 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.

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 economic entity 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 economic entity considers that an outflow of economic resources is probable, an economic entity 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.

Uthukela District Municipality

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Significant Accounting Policies

1.19 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.

Capital commitments should be disclosed exclusive of retentions.

Operating leases requires that lessors shall, disclose the following for the future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:

- * not later than one year.
- * later than one year and not later than five years; and
- * later than five years.

In calculating commitments the following should be taken into account pertaining to tenders awarded.

- * the period of the tender awarded
- * amounts already paid pertaining to that tender/contract
- * amounts for which invoices have been received and which are therefore included in accruals should be deducted
- * commitments loaded on the procurement and contractors register system
- * commitments not loaded on the procurement and contractors register system.

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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Significant Accounting Policies

1.20 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.

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 economic entity;
- 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 .

Uthukela District Municipality

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Significant Accounting Policies

1.21 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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, an 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.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.21 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.

Transfers

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

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

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

Fines

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

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

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

1.22 Investment income

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

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

Recognition

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Significant Accounting Policies

1.23 Accounting by principals and agents (continued)

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

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

1.24 Comparative figures

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

1.25 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).

1.26 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).

1.27 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).

1.28 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.

1.29 Budget information

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

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

Uthukela District Municipality

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Significant Accounting Policies

1.29 Budget information (continued)

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

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

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

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

1.30 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 economic entity, including those charged with the governance of the economic entity 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 economic entity.

The economic entity 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 economic entity 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 economic entity is exempt from the disclosures in accordance with the above, the economic entity 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 consolidated annual financial statements.

1.31 Events after reporting date

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

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

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

The economic entity 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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Significant Accounting Policies

1.32 Water losses

Water losses is calculated based on the templet that has been adopted for use in South Africa, that was originally produced by the Water Loss Task Force of the International Water Association (IWA).

The Municipality has to provide a volumetric account of all water produced/purchased and distributed within its area of jurisdiction on an annual bases. The production of an annual water balance is therefore mandatory, and commences with the determination of bulk water purchased/production and consumer sales volumes.

The difference between the purchases/production and sales volumes is Non-revenue water (NRW) and is required as a primary KPI by the Department Of Water and Sanitation for reporting purposes.

Water losses can be determined by conducting a water balance, which is based on the measurement or estimation of water produced, imported, exported, consumed or lost. The water balance calculation provides a guide to how much is lost as leakage from the network (real losses), and how much is due to apparent or non-physical losses.

A water balance should identify the priorities to address in a water loss strategy. Infrastructure improvement and program to address apparent losses will be dependency on longer term changes to metering, regulatory and legislative policies.

1.33 VAT

VAT is an indirect tax based on consumption of goods and services in the economy. Revenue is raised for the government by requiring certain traders or vendors to register and to charge VAT on taxable supplies of goods or services. The essential characteristics of VAT are:

- it is charged at each stage of the production and distribution process;
- the taxable person (vendor) may deduct the tax paid during the preceding stages; and
- the burden of the tax is on the final consumer.

The municipality renders goods and services to consumers, it is responsible to collect taxes from its consumers for the goods and services provided. The municipality (VAT vendor) is a deemed debtor to the national government when collecting and remitting VAT.

The municipality is registered to declare VAT transactions on the cash basis to SARS. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis and VAT is settled between the VAT vendor and SARS, based on the cash collected by the municipality and the cash paid by the municipality.

VAT receivable due/from SARS.

In accordance with GRAP 108, the VAT Receivable to/from SARS is considered to be a statutory arrangement, as this is based on legislation, being the VAT Act.

Taking into account that the VAT due/from to the national government by the municipality (VAT vendor) results in a deemed debtor-creditor relationship, it is therefore considered to be a receivable or payable from exchange transaction.

VAT accrual.

In accordance with the accounting standards, the municipality recognises transactions on an accrual basis of accounting. Therefore, the transaction between the municipality and customer includes the provision of goods or services in cash or credit; and the levying and/or collection of VAT by the municipality from the customer.

Similarly, the transaction between the municipality and the supplier includes the supply of goods or services in cash or credit; and the obligation to recognise VAT by the supplier to the municipality from the customer.

The VAT accrual accounts therefore does not represent amounts to be received or paid to SARS, but rather amounts that are associated with transactions that are yet to be settled. As a result, the accrual transactions are considered to be contractual in nature, and therefore do not meet the definition of a statutory arrangement.

As there is no transaction to "settle" with a specific counterparty at this point, the municipality considers the offsetting of the amounts as inappropriate, and has separately disclosed these transactions in the notes to the annual financial statements.

Input VAT Accrual represents amounts that are yet to be claimed from SARS, subject to settlement of the outstanding creditors by the municipality. This therefore shall be disclosed as a receivable from exchange transaction in accordance with GRAP 9.

Output VAT Accrual represents amounts that are yet to be paid to SARS, subject to collection from outstanding debtors of the municipality. This shall be accounted for as a trade and other payables in accordance with GRAP 19.

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

2. Changes in accounting policy

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2025	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

Economic entity

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4 770 772	-	4 770 772	4 770 772	-	4 770 772
Buildings	39 580 178	(10 718 097)	28 862 081	39 580 178	(9 428 093)	30 152 085
IT equipment	1 663 317	(688 390)	974 927	1 681 917	(560 839)	1 121 078
Infrastructure	4 437 507 190	(1 070 662 568)	3 366 844 622	4 199 618 389	(990 509 312)	3 209 109 077
Other property, plant and equipment	58 098 489	(53 410 152)	4 688 337	83 315 316	(74 506 921)	8 808 395
Total	4 541 619 946	(1 135 479 207)	3 406 140 739	4 328 966 572	(1 075 005 165)	3 253 961 407

Controlling entity

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4 770 772	-	4 770 772	4 770 772	-	4 770 772
Buildings	39 580 178	(10 718 097)	28 862 081	39 580 178	(9 428 093)	30 152 085
Infrastructure	4 437 507 190	(1 070 662 568)	3 366 844 622	4 199 618 389	(990 509 312)	3 209 109 077
Other property, plant and equipment	58 098 489	(53 410 152)	4 688 337	83 315 316	(74 506 921)	8 808 395
Total	4 539 956 629	(1 134 790 817)	3 405 165 812	4 327 284 655	(1 074 444 326)	3 252 840 329

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2024

	Opening balance	Additions	Write offs	Transfers out	Work in progress	Depreciation	Impairment loss	Total
Land	4 770 772	-	-	-	-	-	-	4 770 772
Buildings	30 152 085	-	-	-	-	(1 290 004)	-	28 862 081
Economic development Agency	1 121 078	-	(9 180)	-	-	(136 971)	-	974 927
Infrastructure	3 209 643 884	19 868 324	-	(15 561 144)	233 046 343	(79 373 206)	(779 590)	3 366 844 611
Other property, plant and equipment	8 808 655	1 164 559	(262 107)	-	-	(5 022 869)	-	4 688 238
	3 254 496 474	21 032 883	(271 287)	(15 561 144)	233 046 343	(85 823 050)	(779 590)	3 406 140 629

Reconciliation of property, plant and equipment - Economic entity - 2023

	Opening balance	Additions	Write offs	Transfers out	Work in progress	Depreciation	Impairment loss	Total
Land	4 770 772	-	-	-	-	-	-	4 770 772
Buildings	31 438 565	-	-	-	-	(1 286 479)	-	30 152 086
Economic Development Agency	2 981 307	3 385	(1 809 527)	-	439 100	(493 187)	-	1 121 078
Infrastructure	3 132 795 997	36 474 871	(1 487 036)	(41 444 715)	165 721 037	(79 124 607)	(3 291 663)	3 209 643 884
Other property, plant and equipment	12 225 075	246 576	(32 129)	-	-	(3 493 909)	(136 958)	8 808 655
	3 184 211 716	36 724 832	(3 328 692)	(41 444 715)	166 160 137	(84 398 182)	(3 428 621)	3 254 496 475

Reconciliation of property, plant and equipment - Controlling entity - 2024

	Opening balance	Additions	Write offs	Transfers out	Work in progress	Depreciation	Impairment loss	Total
Land	4 770 772	-	-	-	-	-	-	4 770 772
Buildings	30 152 086	-	-	-	-	(1 290 004)	-	28 862 082
Infrastructure	3 209 643 884	19 868 324	-	(15 561 144)	233 046 343	(79 373 206)	(779 590)	3 366 844 611
Other property, plant and equipment	8 808 655	1 164 559	(262 107)	-	-	(5 022 869)	-	4 688 238
	3 253 375 397	21 032 883	(262 107)	(15 561 144)	233 046 343	(85 686 079)	(779 590)	3 405 165 703

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2023

	Opening balance	Additions	Write offs	Transfers out	work in progress	Depreciation	Impairment reversal	Total
Land	4 770 772	-	-	-	-	-	-	4 770 772
Buildings	31 438 565	-	-	-	-	(1 286 479)	-	30 152 086
Infrastructure	3 132 795 997	36 474 871	(1 487 036)	(41 444 715)	165 721 037	(79 124 607)	(3 291 663)	3 209 643 884
Other property, plant and equipment	12 225 075	246 576	(32 129)	-	-	(3 493 909)	(136 958)	8 808 655
	3 181 230 409	36 721 447	(1 519 165)	(41 444 715)	165 721 037	(83 904 995)	(3 428 621)	3 253 375 397

Gains on disposal of transport assets

Cost		(26 399 885)	-	(26 381 286)	-
Accumulated depreciation and impairment		26 085 414	-	26 085 414	-
Accumulated impairment		33 764	-	33 764	-
Debtors		6 094 000	-	6 094 000	-
		5 813 293	-	5 831 892	-

Council took a resolution on 27 March 2024, to dispose Municipal vehicles that are costly to maintain. The first auction took place on 26 June 2024 for 34 vehicles.

The second auction took place after financial year end on 31 July 2024 for 9 vehicles.

Uthukela District Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
4. Property, plant and equipment (continued)				
Property, plant and equipment in the process of being constructed or developed				
Cumulative expenditure recognised in the carrying value of property, plant and equipment				
Capital work in progress - infrastructure	1 043 401 194	826 355 084	1 043 401 184	825 915 984
Capital work in progress - buildings	1 961 337	1 961 337	1 961 337	1 961 337
	<u>1 045 362 531</u>	<u>828 316 421</u>	<u>1 045 362 521</u>	<u>827 877 321</u>
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected				
Infrastructure	-	264 454 695	-	264 454 695
These projects is taking a significant longer time to be completed due to various reasons such as, delayed on site due to non-payment in time of service provider, delays in approving of busuiness plans by grant funders for contractors to start on site. New appointment delays after termination of old contractors and delays due to finalization of other phase to be completed and awaiting business plans.				
	<u>-</u>	<u>264 454 695</u>	<u>-</u>	<u>264 454 695</u>
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)				
Buildings	1 961 337	1 961 337	1 961 337	1 961 337
The contract with the service provider was terminated and three buildings were not completed.				
Infrastructure	361 429 237	251 907 233	361 429 237	251 907 233
These projects are halted due to various reasons, such as work suspended due to cash flow constraints, other phases are on hold until some phases are completed, and other project contractors terminated themselves.				
Impairment losses have been recognised for property, plant and equipment that has been halted as follows.				
Infrastructure	(11 086 615)	(11 086 615)	(11 086 615)	(11 086 615)

Uthukela District Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

4. Property, plant and equipment (continued)

The impairment losses are as a result of floods which affected some boreholes where the holes were closed by soil during the heavy rains. In addition to this some projects were not done as per the expected scope which resulted to no benefit that will flow to the Municipality and the contractor was terminated. A new contractor was appointed to fix the affected project. The newly appointed contractor laid a new pipeline since the existing lines were damaged during digging.

<u>352 303 959</u>	<u>242 781 955</u>	<u>352 303 959</u>	<u>242 781 955</u>
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Reconciliation of Work-in-Progress Economic entity - 2024

	Included within Infrastructure	Total
Opening balance	827 877 321	827 877 321
Additions/capital expenditure	233 046 343	233 046 343
Transferred to completed items	(15 561 143)	(15 561 143)
	<u>1 045 362 521</u>	<u>1 045 362 521</u>

Reconciliation of Work-in-Progress Economic entity - 2023

	Included within Infrastructure	Total
Opening balance	703 600 999	703 600 999
Additions/capital expenditure	166 160 137	166 160 137
Other movements - repairs and maintenance	(4 969 843)	(4 969 843)
Transferred to completed items	(36 474 872)	(36 474 872)
	<u>828 316 421</u>	<u>828 316 421</u>

Reconciliation of Work-in-Progress Controlling entity - 2024

	Included within Infrastructure	Total
Opening balance	827 877 321	827 877 321
Additions/capital expenditure	233 046 343	233 046 343
Transferred to completed items	(15 561 143)	(15 561 143)
	<u>1 045 362 521</u>	<u>1 045 362 521</u>

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress Controlling entity - 2023

	Included within Infrastructure	Total
Opening balance	703 600 999	703 600 999
Additions/capital expenditure	165 721 037	165 721 037
Other movements - repairs and maintenance	(4 969 843)	(4 969 843)
Transferred to completed items	(36 474 872)	(36 474 872)
	827 877 321	827 877 321

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

Employee related costs	26 493 082	18 322 637	26 493 082	18 322 637
Maintenance of buildings and offices	34 022	138 557	34 022	138 557
Maintenance of vehicles	4 145 673	7 551 489	4 145 673	7 551 489
Maintenance of pipelines and reservoirs	59 446 105	59 628 524	59 446 105	59 628 524
Blue drop Green drop	157 903	163 727	157 903	163 727
Maintenance of pumps	45 716 548	29 660 374	45 716 548	29 660 374
Electrical	11 813	1 411 510	11 813	1 411 510
	136 005 146	116 876 818	136 005 146	116 876 818

Employee related costs (overtime, standby and night shift allowances) to the amounts of R18,322,637 (2022/2023) and R26,493,082 (2023/2024) is included in employee related costs in the statement of financial performance.

Repairs and maintenance of property, plant and equipment to the amounts of R 98,554,181 (2022/2023) and R109,512,064 (2023/2024) is included in contracted services in the statement of financial performance.

Funding of property, plant and equipment acquisitions

Funding type

Additions to property, plant and equipment was funded from the following sources:

Infrastructure Assets

Municipal Infrastructure Grant	Reticulation	254 000 000	171 484 000	254 000 000	171 484 000
Municipal Water Services Infrastructure Grant	Boreholes	60 000 000	80 800 000	60 000 000	80 800 000

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

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4. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by Condition - Economic entity - 2024

	Preventative Maintenance	Corrective Maintenance		Total
	Total	Emergency	Total	
Buildings	-	34 022	34 022	34 022
Motor vehicles	-	4 145 673	4 145 673	4 145 673
Infrastructure	-	105 162 653	105 162 653	105 162 653
Laboratory equipment	-	157 903	157 903	157 903
Electrical	-	11 813	11 813	11 813
	-	109 512 064	109 512 064	109 512 064

Maintenance of property, plant and equipment by Condition - Economic entity - 2023

	Preventative Maintenance	Corrective Maintenance		Total
	Total	Emergency	Total	
Buildings	-	138 557	138 557	138 557
Motor vehicles	-	7 551 489	7 551 489	7 551 489
Infrastructure	-	89 288 898	89 288 898	89 288 898
Laboratory equipment	-	163 727	163 727	163 727
Electrical	-	1 411 510	1 411 510	1 411 510
	-	98 554 181	98 554 181	98 554 181

Maintenance of property, plant and equipment by condition - Controlling entity - 2024

	Preventative Maintenance	Corrective Maintenance		Total
	Total	Emergency	Total	
Buildings	-	34 022	34 022	34 022
Motor vehicles	-	4 145 673	4 145 673	4 145 673
Infrastructure	-	105 162 653	105 162 653	105 162 653

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4. Property, plant and equipment (continued)

Laboratory equipment	-	157 903	157 903	157 903
Electrical	-	11 813	11 813	11 813
	-	109 512 064	109 512 064	109 512 064

Maintenance of property, plant and equipment by condition - Controlling entity - 2023

	Preventative Maintenance		Corrective Maintenance	
	Total	Emergency	Total	Total
Buildings	-	138 557	138 557	138 557
Motor vehicles	-	7 551 489	7 551 489	7 551 489
Infrastructure	-	89 288 898	89 288 898	89 288 898
Laboratory equipment	-	163 727	163 727	163 727
Electrical	-	1 411 510	1 411 510	1 411 510
	-	98 554 181	98 554 181	98 554 181

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5. Intangible assets

Economic entity	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Patents, trademarks and other rights	786 557	(394 403)	392 154	786 557	(376 235)	410 322

Controlling entity	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Patents, trademarks and other rights	786 557	(394 403)	392 154	786 557	(376 235)	410 322

Reconciliation of intangible assets - Economic entity - 2024

	Opening balance	Amortisation	Total
Computer software, internally generated	410 322	(18 168)	392 154

Reconciliation of intangible assets - Economic entity - 2023

	Opening balance	Amortisation	Total
Computer software, internally generated	428 440	(18 110)	410 330

Uthukela District Municipality

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5. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2024

	Opening balance	Amortisation	Total
Computer software, other	410 322	(18 168)	392 154

Reconciliation of intangible assets - Controlling entity - 2023

	Opening balance	Amortisation	Total
Computer software, other	428 440	(18 118)	410 322

6. Operating lease asset (liability)

Current liabilities	<u>2 415 940</u>	<u>948 813</u>	<u>2 415 940</u>	<u>948 813</u>
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The Municipality currently occupies satellite offices in Estcourt, Bergville, Colenso and Weenen.

Operating leases are in place for the rental of these offices.

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
7. Payables from exchange transactions				
Creditors	27 589 482	113 611 017	27 589 479	113 611 017
Other payables	184 543 443	74 813 684	184 543 443	74 813 684
Other payables - Economic Development Agency	18	274 450	-	-
Output VAT accrual	301 591 840	275 347 731	301 591 840	275 347 731
Accrued bonus	11 030 666	10 347 099	11 030 666	10 347 099
Accruals	94 211 015	49 994 490	94 211 015	49 994 490
Department of Water and Sanitation (DWS) accrual	118 317 129	79 342 669	118 317 129	79 342 669
Umgeni Water accrual	166 500 861	188 500 861	166 500 861	188 500 861
Trust funds - estate late accounts	6 821 019	8 431 466	6 821 019	8 431 466
Retentions	36 855 285	30 029 408	36 855 285	30 029 408
Unallocated deposits	3 614 424	3 676 523	3 614 424	3 676 523
	951 075 182	834 369 398	951 075 161	834 094 948

Creditors - is expenses incurred during the financial year however is unpaid at financial year end.

Other payables - is the payments due to suppliers. These payables are expected to mature within one year or and operating cycle.

Accruals - other trade payables (an accrued expence, also known as an accrued liability, is an expence which is recognised on the books before it has been paid. The expence is recorded in the accounting period in which it is incurred.

Department of Water and Sanitation (DWS) - is the amount owed in respect of raw water purchases.

Umgeni Water accrual - is the amount due to Umgeni Water after the contract between the two parties were terminated. A payment plan is in place for the redemption of this debt.

Trust funds - estate late accounts - is monies held in trust be the Municipality in respect of deceased employees where the beneficiaries has not come forward to claim the money.

Output VAT accrual accounts has been re-classified from the consolidated disclosure on the Statement of Financial Position to payables from exchange transactions in accordance with the National Treasury Accounting Guidelines and Accounting Standards Board Guidelines.

Unallocated deposits - is monies deposited into the Municipal bank account where there was no clear reference as to what the deposit relates to. These deposits are re-allocated as and when it has been clearly identified what the deposit was for.

Retentions - provides an incentive for contractors to complete their work to the required standard and within the specified timeframe. By withholding a portion of the payment until project completion, the Municipality can encourage contractors to remain committed to the project's success.

8. Consumer deposits

Water	20 029 470	19 293 725	20 029 470	19 293 725
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Refundable deposits paid in respect of consumer debtors accounts.

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

9. Employee benefit obligations

Defined benefit plans - General information

Post retirement Medical aid plan.

The municipality provides post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds with which the municipality is affiliated, a member (who is on the current condition of service) may continue to be a member of the medical aid fund upon retirement, in which case the municipality is liable for a portion of the medical aid contributions.

The most recent actuarial valuations of the unfunded defined benefit obligation was carried out as at 30 June 2024 by ARCH Actuarial Consulting (Pty) Ltd, a member of the Actuarial Society of South Africa.

The municipality subsidises monthly contributions to the following medical aid schemes:

Bonitas, Keyhealth, Samwumed, and LA Health.

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

Carrying value

Medical aid post retirement benefit	(30 996 000)	(27 113 000)	(30 996 000)	(27 113 000)
Long service awards	(24 001 000)	(20 945 000)	(24 001 000)	(20 945 000)
	(54 997 000)	(48 058 000)	(54 997 000)	(48 058 000)
Non-current liabilities	(49 527 000)	(39 722 407)	(49 527 000)	(39 722 407)
Current liabilities	(5 470 000)	(8 335 593)	(5 470 000)	(8 335 593)
	(54 997 000)	(48 058 000)	(54 997 000)	(48 058 000)

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

Opening balance	27 113 000	24 868 000	27 113 000	24 868 000
Other net expense recognised in the statement of financial performance	3 883 000	2 245 000	3 883 000	2 245 000
	30 996 000	27 113 000	30 996 000	27 113 000

Net expense recognised in the statement of financial performance are as follows:

Service cost	916 000	1 617 000	916 000	1 617 000
- Current service cost	916 000	1 617 000	916 000	1 617 000
Net interest on the net defined benefit liability (asset)	3 349 000	2 284 000	3 349 000	2 284 000
Remeasurements of the net defined benefit liability (asset)	(382 000)	(1 656 000)	(382 000)	(1 656 000)
- Actuarial gains and losses arising from:	(382 000)	(1 656 000)	(382 000)	(1 656 000)
- Changes in financial assumptions	(382 000)	(1 656 000)	(382 000)	(1 656 000)
	3 883 000	2 245 000	3 883 000	2 245 000

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
9. Employee benefit obligations (continued)				
Calculation of actuarial gains and losses				
Increase in net discount rate	(416 000)	(3 637 000)	(416 000)	(3 637 000)
Changes in in-service non-members assumed medical aid option	-	1 906 000	-	1 906 000
Subsidy inflationary increase higher / lower than assumed	(23 000)	(347 000)	(23 000)	(347 000)
Changes in membership profile different than assumed	57 000	422 000	57 000	422 000
	(382 000)	(1 656 000)	(382 000)	(1 656 000)

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

Opening balance	27 113 000	24 868 000	27 113 000	24 868 000
Return on plan assets	5 057 000	4 525 000	5 057 000	4 525 000
- Interest revenue	3 349 000	2 908 000	3 349 000	2 908 000
- Current service costs	1 708 000	1 617 000	1 708 000	1 617 000
Contributions by employer	(382 000)	(1 656 000)	(382 000)	(1 656 000)
Payments from the plan	(792 000)	(624 000)	(792 000)	(624 000)
	30 996 000	27 113 000	30 996 000	27 113 000

The Municipality expects to contribute R988,000 to its defined benefit plans in the 2024/2025 financial year.

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
9. Employee benefit obligations (continued)				
Key assumptions used				
Assumptions used at the reporting date:				
Discount rate	12.29 %	12.53 %	12.29 %	12.53 %
CPI inflation rate	6.26 %	6.63 %	6.26 %	6.63 %
Medical aid contribution inflation rate	7.76 %	8.13 %	7.76 %	8.13 %
Net discount rate (medical aid contributions)	4.20 %	4.07 %	4.20 %	4.07 %
Maximum subsidy inflation rate	5.45 %	5.72 %	5.45 %	5.72 %
Net discount rate (maximum subsidy)	6.48 %	6.44 %	6.49 %	6.44 %
Retirement age and mortality.				
Average retirement age			62 years	62 years
Continuation of membership at retirement			75%	75%
Proportion with a spouse dependent at retirement			60%	60%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement			10%	10%
Mortality during employment			SA 85-90 light	SA85-90 light
Mortality post retirement			Pa (90) light	PA (90) light
Members withdraw from service: (average for males and females).				
Average for males and females			Males	Females
Age 20-24			9%	9%
Age 25-29			8%	8%
Age 30-34			6%	6%
Age 35-39			5%	5%
Age 40-44			5%	5%
Age 45-49			4%	4%
Age 50-54			3%	3%
Age 55+			0%	0%
Long service awards.				
Employees are eligible for a long service award as per the long service award policy after completing fixed periods of continuous service (every five years, from five to forty-five years).				
The provision represents an estimation of the awards to which employees in the service of the municipality at 30 June 2024 may become entitled to in future, based on actuarial valuation performed at that date.				
The most recent actuarial valuations of the unfunded defined benefit obligation was carried out as at 30 June 202 by ARCH Actuarial Consulting (Pty) Ltd, a member of the Actuarial Society of South Africa.				
Changes in present value of long service awards are as follows				
Value at the beginning of the year	20 945 000	19 385 000	20 945 000	19 385 000
Increase in value obligation	3 056 000	1 560 000	3 056 000	1 560 000
	24 001 000	20 945 000	24 001 000	20 945 000
Calculation of actuarial gains and losses				
Increase in net discount rate	(122 000)	(1 105 000)	(122 000)	(1 105 000)
Earnings higher / lower than assumed	70 000	(88 000)	70 000	(88 000)
Changes in employee profile different from assumed	1 094 000	513 000	1 094 000	513 000
	1 042 000	(680 000)	1 042 000	(680 000)

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

9. Employee benefit obligations (continued)

The principal actuarial assumptions were as follows.

Rates	2024	2023
Discount rate	11.05%	11.32%
General earnings inflation	6.20%	6.57%
Net discount rate	4.56%	4.45%
CPI inflation rate	5.20%	5.57%

The valuation was performed at the end of June 2024 and the next one will be at the end of June 2025.

	2024	2023
Employee mortality rates		
Average retirement age	62	62
Pre-retirement mortality	SA 85-90 light	SA 85-90 light

Members withdrawn from service: (average for males and females)	Males	Females
Age 20-24	9%	9%
Age 25-29	8%	8%
Age 30-34	6%	6%
Age 35-39	5%	5%
Age 40-44	5%	5%
Age 45-49	4%	4%
Age 50-54	3%	3%
Age 55+	0%	0%

The amounts recognised in the statement of financial position were determined as follows.

Valuation of the liability in the statement of financial position

Present value of funded obligation	24 001 000	20 945 000	24 001 000	20 945 000
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Movement in the long service obligation

Balance at the beginning of the year	20 945 000	19 385 000	20 945 000	19 385 000
Current service costs	2 210 000	2 234 000	2 210 000	2 234 000
Interest costs	2 236 000	2 053 000	2 236 000	2 053 000
Expected employee benefit payment	(2 432 000)	(2 047 000)	(2 432 000)	(2 047 000)
Actuarial loss / gain	1 042 000	(680 000)	1 042 000	(680 000)
	24 001 000	20 945 000	24 001 000	20 945 000

The amounts recognised in the statement of financial position and the statement of financial performance are as follows.

Statement of financial position

Long service award liability	24 001 000	20 945 000	24 001 000	20 945 000
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Statement of financial performance

Long service award liability	1 042 000	(680 000)	1 042 000	(680 000)
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Reasons for the movement in the liability is as follows:

The average liability has increased by 18% since the last valuation due to.

- * an increase in the average earnings.
- * an increase in the average past service.
- * an increase in the net discount rate.

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

9. Employee benefit obligations (continued)

The total liability increased by 15% (or R3,056,000) due to the above, partially offset by a decrease in the number of eligible employees since the last valuation.

10. Prepayments

Prepayments are payments made in advance.

Prepayments made

Prepaid expenses - Uthukela Economic Development Agency - SARS-PAYE	5 156	3 269	-	-
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11. Bank reconciliation clearing account

Clearing control account balance

Bank reconciliation clearing control account	94 867	190 966	94 867	190 966
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12. Inventories

Chemical stock	2 347 901	4 723 824	2 347 901	4 723 824
Purified water stock	3 009 361	4 653 242	3 009 361	4 653 242
Stores stock	13 240 268	10 316 388	13 240 268	10 316 388
	18 597 530	19 693 454	18 597 530	19 693 454

The Municipality procured the services of an Engineer from Joat Group to perform water stock and water loss calculations utilizing the accepted International Water Association (IWA) water balance methodology.

This was done in conjunction with the guidelines stipulated by the Department of Human Settlement, Water and Sanitation (DHDWS).

The total water stock as at 30 June 2024 was calculated as 236.1 mega liters amounting to R3,009,361.

Water for distribution

Opening balance	255 343	133 291	255 343	133 291
Volumes associated to updated, additional reservoir tanks and new pipelines	-	122 052	-	122 052
Volume associated to updated reservoir in Loskop area	(19 293)	-	(19 293)	-
System input volume	40 043 391	43 113 733	40 043 391	43 113 733
Billed authorised consumption	(16 158 506)	(16 621 374)	(16 158 506)	(16 621 374)
Water losses	38 (19 069 396)	(21 736 579)	(19 069 398)	(21 736 579)
Unbilled authorised consumption	(4 815 487)	(4 755 780)	(4 815 487)	(4 755 780)
Closing balance	236 052	255 343	236 050	255 343

13. Receivables from exchange transactions

Trade debtors	325 780	564 564	325 780	564 564
Deposits	1 658 406	1 658 406	1 658 406	1 658 406
Input VAT accrual	230 317 296	227 757 703	230 317 296	227 757 703
VAT control receivable - due from SARS	860 967	14 824 508	842 139	14 590 176
Sundry debtors accounts	10 781 961	4 529 261	10 781 961	4 529 261
	243 944 410	249 334 442	243 925 582	249 100 110

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
13. Receivables from exchange transactions (continued)				
Non-current assets	1 658 406	1 658 406	1 658 406	1 658 406
Current assets	242 286 004	247 676 036	242 267 176	247 441 704
	243 944 410	249 334 442	243 925 582	249 100 110

The amount of R325,780 is in respect of debtors refunds.

The amount of R1,658,406 is in respect of deposits paid to third party vendors such as Eskom.

The amount of R10,781,961 is in respect of sundry debtors accounts such as staff deductions etc.

The amount of R842,139 - Vat control receivable is Vat refunds due by SARS to the Municipality at financial year end. It is in respect of the VAT return for June 2024.

The amount of R230,317,296 is the Input Vat accrual accounts which has been reclassified from the consolidated disclosure on the Statement of Financial Position (VAT payable) to receivables from exchange transactions in accordance with the National Treasury Accounting Guidelines and Accounting Standards Board guidelines.

The table below represents sundry debtors which is included in receivables from exchange transactions above.

Sundry debtors				
Gross debtors	17 581 776	10 304 356	17 581 776	10 304 356
Impairment provision	(6 799 815)	(5 775 095)	(6 799 815)	(5 775 095)
	10 781 961	4 529 261	10 781 961	4 529 261

14. Receivables from non-exchange transactions

Receivables from non-exchange transaction	75 703	208 181	75 703	208 181
Other receivables from non-exchange transactions	162 333	96 442	143 626	96 442
	238 036	304 623	219 329	304 623
Non-current assets	46 349	178 827	46 349	178 827
Current assets	191 687	125 796	172 980	125 796
	238 036	304 623	219 329	304 623

The amount of R46,349 (non-current assets) is made up of R28,064 which relates to an ABSA card 410374032427 unauthorized debit order against the Municipal bank account and R18,285 which relates to a RASP (Viva Technologies) duplicate payment processed.

The amount of R191,687 (current assets) is made up of R143,626 in respect of overpayments made to creditors, R29,354 in respect of RD (stale cheques) issued in favour of the Municipality and R18,707 accrued interest on investments in respect of the Uthukela Economic Development Agency.

15. Consumer debtors

Gross balances				
Water	1 208 980 084	952 180 869	1 208 980 084	952 180 869
Consumer debtors agreements on arrears	2 773 421	5 758 171	2 773 421	5 758 171
Consumer debtors with credit balances	15 781 593	16 386 326	15 781 593	16 386 326
	1 227 535 098	974 325 366	1 227 535 098	974 325 366
Less: Allowance for impairment				
Water	(1 162 490 309)	(926 340 914)	(1 162 490 309)	(926 340 914)

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
15. Consumer debtors (continued)				
Net balance				
Water	62 383 653	45 879 835	62 383 653	45 879 835
Business service levies	2 661 135	2 104 617	2 661 135	2 104 617
	65 044 788	47 984 452	65 044 788	47 984 452
Water				
Current (0 -30 days)	62 383 653	28 559 885	62 383 653	28 559 885
31 - 60 days	-	17 319 950	-	17 319 950
	62 383 653	45 879 835	62 383 653	45 879 835
Consumer agreements				
> 365 days	2 661 135	2 104 617	2 661 135	2 104 617

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
15. Consumer debtors (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	26 685 858	21 992 199	26 685 858	21 992 199
31 - 60 days	22 410 897	23 272 292	22 410 897	23 272 292
61 - 90 days	21 385 657	17 770 976	21 385 657	17 770 976
91 - 120 days	20 495 316	17 279 096	20 495 316	17 279 096
121 - 365 days and longer	1 002 742 018	798 357 091	1 002 742 018	798 357 091
Consumer agreements	2 773 421	5 758 171	2 773 421	5 758 171
	<u>1 096 493 167</u>	<u>884 429 825</u>	<u>1 096 493 167</u>	<u>884 429 825</u>
Less: Allowance for impairment	(1 050 356 992)	(850 909 906)	(1 050 356 992)	(850 909 906)
	<u>46 136 175</u>	<u>33 519 919</u>	<u>46 136 175</u>	<u>33 519 919</u>
Industrial/ commercial				
Current (0 -30 days)	6 594 690	3 248 451	6 594 690	3 248 451
31 - 60 days	1 383 160	1 428 080	1 383 160	1 428 080
61 - 90 days	1 671 920	1 478 310	1 671 920	1 478 310
91 - 120 days	1 058 886	1 715 638	1 058 886	1 715 638
121 - 365 days and longer	43 188 878	38 978 366	43 188 878	38 978 366
	<u>53 897 534</u>	<u>46 848 845</u>	<u>53 897 534</u>	<u>46 848 845</u>
Less: Allowance for impairment	(44 420 387)	(41 510 225)	(44 420 387)	(41 510 225)
	<u>9 477 147</u>	<u>5 338 620</u>	<u>9 477 147</u>	<u>5 338 620</u>
National and provincial government				
Current (0 -30 days)	5 580 170	3 319 234	5 580 170	3 319 234
31 - 60 days	4 819 858	2 199 256	4 819 858	2 199 256
61 - 90 days	4 516 151	1 765 067	4 516 151	1 765 067
91 - 120 days	4 513 523	1 664 453	4 513 523	1 664 453
121 - 365 days and longer	57 714 695	34 098 687	57 714 695	34 098 687
	<u>77 144 397</u>	<u>43 046 697</u>	<u>77 144 397</u>	<u>43 046 697</u>
Less: Allowance for impairment	(67 712 930)	(33 920 784)	(67 712 930)	(33 920 784)
	<u>9 431 467</u>	<u>9 125 913</u>	<u>9 431 467</u>	<u>9 125 913</u>
Total				
Current (0 -30 days)	39 317 091	28 559 885	39 317 091	28 559 885
31 - 60 days	29 138 405	26 899 628	29 138 405	26 899 628
61 - 90 days	28 083 247	21 014 353	28 083 247	21 014 353
91 - 120 days	26 319 602	20 659 187	26 319 602	20 659 187
121 - 365 days and longer	1 101 903 332	871 434 142	1 101 903 332	871 434 142
Consumer agreements	2 773 421	5 758 171	2 773 421	5 758 171
	<u>1 227 535 098</u>	<u>974 325 366</u>	<u>1 227 535 098</u>	<u>974 325 366</u>
Less: Allowance for impairment	(1 162 490 309)	(926 340 914)	(1 162 490 309)	(926 340 914)
	<u>65 044 789</u>	<u>47 984 452</u>	<u>65 044 789</u>	<u>47 984 452</u>
Less: Allowance for impairment				
31 - 60 days	(27 183 219)	(25 554 647)	(27 183 219)	(25 554 647)
61 - 90 days	(26 195 041)	(19 963 635)	(26 195 041)	(19 963 635)
91 - 120 days	(24 764 338)	(19 626 227)	(24 764 338)	(19 626 227)
121 - 365 days and longer	(1 084 235 425)	(861 196 405)	(1 084 235 425)	(861 196 405)
Consumer agreements	(112 286)	-	(112 286)	-
	<u>(1 162 490 309)</u>	<u>(926 340 914)</u>	<u>(1 162 490 309)</u>	<u>(926 340 914)</u>

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
15. Consumer debtors (continued)				
Reconciliation of allowance for impairment				
Balance at beginning of the year	(926 340 914)	(768 140 871)	(926 340 914)	(768 140 871)
Contributions to allowance	(236 149 395)	(158 200 043)	(236 149 395)	(158 200 043)
	(1 162 490 309)	(926 340 914)	(1 162 490 309)	(926 340 914)
Fair value of consumer debtors				
Total net consumer debtors at year end	<u>65 044 789</u>	<u>47 984 452</u>	<u>65 044 789</u>	<u>47 984 452</u>
16. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	12 400	12 400	12 400	12 400
Bank balances	5 411 049	8 936 585	4 657 637	8 452 317
Short-term deposits	3 798 384	10 127 155	1 045 141	5 032 998
	9 221 833	19 076 140	5 715 178	13 497 715

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
FNB mani account 62252306280	4 657 636	8 452 317	4 657 636	8 452 317
FNB water account 62253072385	-	-	-	-
FNB business money market account 62283176644	416 777	389 964	416 777	389 964
FNB short term deposit account 62600579679	-	15 554	-	15 554
FNB short term deposit account 62600812102	-	134 315	-	134 315
Nedbank call deposit account 7881006110-000005	-	267 888	-	267 888
Nedbank call deposit account 7881006110-000014	-	319 128	-	319 128
Nedbank call deposit account 7881006110-000015	-	617 902	-	617 902
Nedbank call deposit account 037881184698/000001	7 689	-	7 689	-
Investec call deposit account 1100433766501	399 309	368 470	399 309	368 470
ABSA 7 day notice account 9341705144	-	-	-	-
ABSA liquidity plus account 9349109796	159 367	148 329	159 367	148 329
ABSA call deposit account 9361819521	-	1 408 943	-	1 408 943
ABSA Investment tracker account 9387051602	60 559	-	60 559	-
Standard Bank call deposit account 068455364-001	-	116 668	-	116 668
Standard Bank call deposit account 068455364-002	-	917 804	-	917 804
Standard bank call deposit account 068455364-003	-	328 033	-	328 033
FNB call deposit account 63081036759	95	-	95	-
FNB call deposit account 63081030496	1 345	-	1 345	-
Standard Bank call deposit account 068455364-004	-	-	-	-
Standard Bank call deposit account 068455364-005	-	-	-	-
Economic Development Agency - FNB main account 62804453025	753 412	484 268	753 412	484 268
Economic Development Agency - Standard bank Call account 068460767	2 753 243	5 094 157	2 753 243	5 094 157
Economic Development Agency - FNB Short term deposit account 62857029063	-	-	-	-
Total	9 209 432	19 063 740	9 209 432	19 063 740

The average interest rate earned on investments in respect of the 2023/2024 financial year was 7.91%.

No cash and cash equivalents have been pledged as security.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
17. Unspent conditional grants and receipts				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
Municipal Infrastructure Grant (MIG)	-	7 990 235	-	7 990 235
Municipal Water & Sanitation Infrastructure Grant (WSIG)	-	5 648 484	-	5 648 484
Local Government Sector Education and Training Authority Grant (LGSETA)	-	26 583	-	26 583
Uthukela Economic development Agency Rural Road Asset Management Grant (RRAM)	2 783 851 99 113	4 508 114 -	- 99 113	- -
	2 882 964	18 173 416	99 113	13 665 302
Movement during the year				
Balance at the beginning of the year	18 173 415	18 837 796	13 665 301	15 797 599
Additions during the year	288 776 715	262 475 246	288 776 715	260 475 246
Income recognition during the year	(300 477 322)	(251 039 990)	(298 494 420)	(250 507 907)
Roll over applications declined	(3 848 483)	(11 976 000)	(3 848 483)	(11 976 000)
Unspent grants returned to funders	-	(123 636)	-	(123 636)
	2 624 325	18 173 416	99 113	13 665 302

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

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

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

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

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

18. Provisions

Reconciliation of provisions - Economic entity - 2024

	Opening Balance	Reversed during the year	Total
Leave provision	41 781 164	(5 058 861)	36 722 303

Reconciliation of provisions - Economic entity - 2023

	Opening Balance	Reversed during the year	Total
Leave provision	35 169 495	6 611 669	41 781 164

Reconciliation of provisions - Controlling entity - 2024

	Opening Balance	Reversed during the year	Total
Leave provision	41 781 164	(5 058 861)	36 722 303

Reconciliation of provisions - Controlling entity - 2023

	Opening Balance	Additions	Total
Leave provision	35 169 495	6 611 669	41 781 164

Bonus provision is disclosed as an accrual under payables from exchange transactions.

19. Other liability - sundry debtors with credit balances

Credit balances

Current liability	112 829	99 996	112 829	99 996
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The table below represents the age analysis of sundry debtors with credit balances.

Ageing of sundry debtors with credit balances

Current (0 - 30 days)	9 148	20 646	9 148	20 646
31 - 60 days	779	6 330	779	6 330
61 - 90 days	1 687	4 070	1 687	4 070
91 - 120 days	-	4 322	-	4 322
121 - 365 days	101 215	64 628	101 215	64 628
	112 829	99 996	112 829	99 996

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

20. Other liabilities - consumer debtors with credit balances

Credit balances

Current liability	15 781 592	16 386 326	15 781 592	16 386 326
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The table below represents the age analysis of consumer debtors with credit balanced as at year end.

Ageing of consumer debtors with credit balances

Current (0 - 30 days)	341 249	1 258 039	341 249	1 258 039
31 - 60 days	490 518	390 115	490 518	390 115
61 - 90 days	531 806	289 521	531 806	289 521
91 - 120 days	286 152	309 217	286 152	309 217
120 - 365 days	14 131 867	14 139 434	14 131 867	14 139 434
	15 781 592	16 386 326	15 781 592	16 386 326

21. Other liabilities - salaries suspense account

The table below represents unclaimed wages and salary advances at year end.

Suspense accounts

Unclaimed wages	308 293	409 783	308 293	409 783
Salaries control	21 704	-	21 704	-
	329 997	409 783	329 997	409 783

22. Revenue

Service charges	287 363 693	225 919 459	287 363 693	225 919 459
Interest received (trading)	62 379 178	49 201 177	62 379 178	49 201 177
Other income	990 450	2 369 434	979 920	2 354 248
Proceeds from sale of assets	133 300	-	133 300	-
Interest received - investment	11 394 106	7 707 514	11 078 696	7 328 864
Government grants & subsidies	879 107 764	792 536 125	877 733 904	790 419 908
Fines, Penalties and Forfeits	41 700	31 200	41 700	31 200
	1 241 410 191	1 077 764 909	1 239 710 391	1 075 254 856

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	287 363 693	225 919 459	287 363 693	225 919 459
Interest received (trading)	62 379 178	49 201 177	62 379 178	49 201 177
Other income	990 450	2 369 434	979 920	2 354 248
Proceeds from sale of assets	133 300	-	133 300	-
Interest received - investment	11 394 106	7 707 514	11 078 696	7 328 864
	362 260 727	285 197 584	361 934 787	284 803 748

The amount of R133,300 (proceeds from sale of assets) is in respect of five municipal vehicles written off prior 2023/2024 which were part of the auction on 26 June 2024.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

22. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

Government grants & subsidies	879 107 764	792 536 125	877 733 904	790 419 908
Fines, Penalties and Forfeits	41 700	31 200	41 700	31 200
	879 149 464	792 567 325	877 775 604	790 451 108

23. Service charges

Sale of water - pre-paid	8 000 000	-	8 000 000	-
Sale of water - conventional	256 962 656	207 523 113	256 962 656	207 523 113
Sewerage and sanitation charges	17 907 693	15 932 273	17 907 693	15 932 273
Other service charges	4 493 344	2 464 073	4 493 344	2 464 073
	287 363 693	225 919 459	287 363 693	225 919 459

Sale of water R8,000,000 (2023/2024) is in respect of water sales through pre-paid sales.

Sale of water R207,523,113 (2022/2023) and R256,962,656 (2023/2024) is in respect of water sales generated through conventional meters and the billing system.

Sewerage and sanitation charges R15,932,273 (2022/2023) and R17,907,693 (2023/2024) is in respect of sewerage and sanitation charges generated through the billing system.

Other service charges R2,464,073 (2022/2023) consists of R37,868 sewerage connections, R2,394,014 in respect of water connections and R32,191 in respect of disconnection fees.

Other service charges R4,493,344 (2023/2024) consists of R20,637 sewerage connections, R4,389,270 in respect of water connections and R83,437 in respect of disconnection fees.

24. Fines, Penalties and Forfeits

Fines, Penalties and Forfeits	41 700	31 200	41 700	31 200
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The Health Services Department issues fines in terms of the general hygiene requirements for food premises and the transport of food in terms of (Government Notice No. 638 of 22 June 2018) foodstuffs, cosmetics and disinfectants ACT, 1972 (ACT No. 54 of 1972).

25. Lease rentals on operating lease

Premises

Contractual amounts	4 029 959	2 306 850	3 438 217	1 762 527
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Equipment

Contractual amounts	14 323 044	19 455 470	14 323 044	19 455 470
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	18 353 003	21 762 320	17 761 261	21 217 997
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Lease rentals - premises - is lease agreements in place for the rental of satellite offices.

Lease rentals - equipment - is contracts in place for the rental of office machines (photo copiers and shredders).

The rental of equipment R19,455,470 (2022/2023) includes Maratodi Metsi meter rental of R18,660,243 in respect of pre-paid smart meters.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

25. Lease rentals on operating lease (continued)

The rental of equipment R14,323,044 (2023/2024) includes Maratodi Metsi meter rental of R13,684,178 in respect of pre-paid smart meters.

The amounts of R4,029,959 (2023/2024) includes rental paid by the Economic development agency of R591,742 and the amount of R2,306,850 (2022/2023) includes rental paid by the Economic Development agency of R544,323 in respect of office space at Heron House, Murchison Street, Ladysmith.

26. Other revenue

Other income	990 450	2 369 434	979 920	2 354 248
Proceeds from sale of assets	133 300	-	133 300	-
	1 123 750	2 369 434	1 113 220	2 354 248

Other income R2,354,248 (2022/2023) consists of R366,421 Insurance refunds - R366,308 Clearance certificates - R179,521 Tender documents - R300 Cashier surpluses - R1,106,201 Maps - R335,497 Staff cell phone collections.

Other income R979,920 (2023/2024) consists of R98,402 Staff cell phone collections - R26,880 Discount early settlement - R347,370 Clearance certificates - R149,490 Cashier surpluses - R163,708 sundry income - R16,722 Maps - R177,348 Tender documents.

Proceeds from sale of assets R133,300 in respect of vehicles which were sold at an auction on 26 June 2024.

Other income (2023/2024) of R990,450 includes an amount of R10,530 in respect of the Economic Development Agency and (2022/2023) includes an amount of R15,186 in respect of the Economic Development Agency.

The amount included in other revenue arising from exchanges of goods or services are as follows:

Clearance certificate	347 370	366 308	347 370	366 308
Copies of building plans	16 723	-	16 723	-
Sundry income	163 708	1 103 107	163 708	1 103 107
Economic development Agency - sundry income	10 350	15 186	-	-
Insurance claim refunds	-	369 515	-	369 515
Cashier surpluses	149 490	300	149 490	300
Tender documents	177 348	179 521	177 348	179 521
Collections - staff cell phones	98 401	335 497	98 401	335 497
Discount on early settlement	26 880	-	26 880	-
Proceeds from sale of assets	133 300	-	133 300	-
	1 123 570	2 369 434	1 113 220	2 354 248

27. Investment revenue

Interest revenue

Interest earned on investment accounts	8 557 289	5 957 578	8 557 289	5 957 578
Interest earned - other	2 836 817	1 749 936	2 521 407	1 371 286
	11 394 106	7 707 514	11 078 696	7 328 864

28. Transfer and subsidies

Grants paid to ME's

uThukela Economic Development Agency	-	-	3 285 000	3 120 000
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The amount of R3,120,000 (2022/2023) and R3,285,000 (2023/2024) relates to funds transferred to the Uthukela Economic Development Agency.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

28. Transfer and subsidies (continued)

Provision for this was made in the approved budget.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
29. Government grants & subsidies				
Operating grants				
Equitable share	579 239 484	539 912 000	579 239 484	539 912 000
Finance Management Grant (FMG)	2 100 000	1 845 288	2 100 000	1 845 288
Expanded Public Works Program Grant (EPWP)	1 816 000	2 881 000	1 816 000	2 881 000
Local Government Sector Education and Training Authority Grant (LGSETA)	677 298	913 288	677 298	913 288
RASET program - Uthukela Economic Development Agency	1 373 860	2 116 217	-	-
	585 206 642	547 667 793	583 832 782	545 551 576
Capital grants				
Municipal Infrastructure Grant (MIG)	204 528 235	163 493 765	204 528 235	163 493 765
Municipal Water & Sanitation Infrastructure Grant (WSIG)	86 800 000	79 194 567	86 800 000	79 194 567
Rural Road Asset Management Grant (RRAM)	2 572 887	2 180 000	2 572 887	2 180 000
	293 901 122	244 868 332	293 901 122	244 868 332
	879 107 764	792 536 125	877 733 904	790 419 908

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	298 494 420	250 507 908	298 494 420	250 507 908
Unconditional grants received	580 613 344	542 028 217	579 239 484	539 912 000
	879 107 764	792 536 125	877 733 904	790 419 908

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 (2023/2024) R91.44), which is funded from the grant.

The 6 kiloliter free basic subsidy/rebate in respect of indigent consumers amounted to R3,503,516 (2022/2023) and R3,752,799 (2023/2024).

The cost of free basic services, water supplied by water tankers amounted to R69,613,437 (2022/2023) and R1,911,693 (2023/2024) disclosed under contracted services.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	7 990 235	-	7 990 235	-
Current-year receipts	196 538 000	171 484 000	196 538 000	171 484 000
Conditions met - transferred to revenue	(204 528 235)	(163 493 765)	(204 528 235)	(163 493 765)
	-	7 990 235	-	7 990 235

Conditions still to be met - remain liabilities (see note 17).

The Municipal Infrastructure Grant program is aimed at providing all South Africans with at least the basic level of services through the provision of grant funding aimed at covering the capital cost of basic infrastructure to the poor. The MIG Program is a key part of Governments overall drive to alleviate poverty in the Country, and therefore, infrastructure is to be provided in such a way that employment is maximized and opportunities are created for enterprises to flourish.

Uthukela District Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

29. Government grants & subsidies (continued)

The MIG grant is the major funding mechanism for all Municipal infrastructure for basic services to the poor such as roads, electricity, recreational facilities and water and sanitation infrastructure. MIG funding is provided to Municipalities with certain conditions attached.

Transfers from the National Fiscus was received on 27 September 2023, 28 November 2023, 29 January 2024 and 26 March 2024. R24,804,000 was held back from the last transfer due to slow spending during the financial year.

Municipal Water & Sanitation Infrastructure Grant (WSIG)

Balance unspent at beginning of year	5 648 483	15 224 050	5 648 483	15 224 050
Current-year receipts	85 000 000	80 800 000	85 000 000	80 800 000
Conditions met - transferred to revenue	(86 800 000)	(79 194 567)	(86 800 000)	(79 194 567)
Roll over application declined - recovered from equity share	(3 848 483)	(11 181 000)	(3 848 483)	(11 181 000)
	-	5 648 483	-	5 648 483

Conditions still to be met - remain liabilities (see note 17).

The Municipal Water & Sanitation Infrastructure Grant is to assist (WSA's (Water Services Authorities) to provide water supply services to consumers currently without services, particular those in rural areas.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply.

Access to water supply enabled through the development of new infrastructure and/or refurbishment and/or upgrading of existing infrastructure to communities identified as not having a basic water supply.

It is also aimed at the reduction of water losses and non-revenue water.

Local Government Sector education and Training Authority Grant (LGSETA)

Balance unspent at beginning of year	26 583	391 625	26 583	391 625
Current-year receipts	650 714	548 246	650 714	548 246
Conditions met - transferred to revenue	(677 297)	(913 288)	(677 297)	(913 288)
	-	26 583	-	26 583

Conditions still to be met - remain liabilities (see note 17).

LGSETA is a discretionary grant which assisted the Local Government Sector to adapt to changes in the economy and needs of the Country and ensuring that the skills levy is effectively targeted to meet the skills needs of employers and employees in the Local Government Sector.

The strategic objective of the LGSETA grant is for the development of a skilled and capable workforce supporting a responsive, accountable, efficient and effective Local Government System, through a range of learning programs that focuses on scarce and critical skills.

Disaster Management Grant

Balance unspent at beginning of year	-	26 636	-	26 636
Unspent portion of the grant as at 1 July 2022 was returned to the funder	-	(26 636)	-	(26 636)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

Uthukela District Municipality

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	2024	2023	2024	2023
29. Government grants & subsidies (continued)				
The funding was provided for COVID-19 response intervention measures.				
NODAL PLan Grant				
Balance unspent at beginning of year	-	95 000	-	95 000
Unspent portion of the grant as at 1 July 2022 was returned to the funder	-	(95 000)	-	(95 000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17).				
The National Development Plan is a plan for the Country to eliminate poverty and reduce inequality by 2030 through uniting South African Citizens.				
Rural Road Asset management Grant (RRAM)				
Current-year receipts	-	2 662 000	-	2 662 000
Conditions met - transferred to revenue	2 672 000	(2 180 000)	2 672 000	(2 180 000)
Roll over application declined - recovered from equity share	(2 572 887)	(482 000)	(2 572 887)	(482 000)
	<u>99 113</u>	<u>-</u>	<u>99 113</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17).				
The purpose of this grant is to assist Rural District Municipalities in setting up their road asset management system, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa.				
Finance Management Grant (FMG)				
Balance unspent at beginning of year	-	58 288	-	58 288
Current-year receipts	2 100 000	2 100 000	2 100 000	2 100 000
Conditions met - transferred to revenue	(2 100 000)	(1 845 288)	(2 100 000)	(1 845 288)
Roll over application declined - recovered from equity share	-	(313 000)	-	(313 000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17).				
Expanded Public Works Program (EPWP)				
Current-year receipts	-	-	1 816 000	2 881 000
Conditions met - transferred to revenue	-	-	(1 816 000)	(2 881 000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17).				
The Expanded Public Works Program is one of Government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed. The EPWP is a National program covering all spheres of Government.				
RASET program grant				
Balance unspent at beginning of year	4 508 114	3 040 196	-	-
Current-year receipts	-	2 000 000	-	-
Conditions met - transferred to revenue	(1 724 263)	(532 082)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
29. Government grants & subsidies (continued)	2 783 851	4 508 114	-	-

Conditions still to be met - remain liabilities (see note 17).

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

The RASET program grant (Radical Agrarian Socia-Economic Transformation) is aimed at improving the value chain of food production and saupply for underprivileddeg farmers and emerging agro-businesses.

Thge model will also assist in creating opportunities for youth and women, increase food security and improve market opportunities.

Uthukela District Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
30. Employee related costs				
Basic	247 569 939	240 411 354	245 105 651	237 828 165
Bonus	20 169 940	18 853 173	20 131 306	18 853 173
Medical aid - employers contributions	10 215 439	9 500 100	10 215 439	9 500 100
UIF	1 631 552	1 663 769	1 593 328	1 633 203
SDL	3 066 976	2 892 029	3 037 117	2 860 931
Bargaining Council	103 192	101 035	103 055	101 035
Leave pay	(753 796)	11 305 729	(979 900)	11 305 729
Standby allowances	8 958 153	5 865 606	8 958 153	5 865 606
Defined contribution plans	694 000	1 180 000	694 000	1 180 000
Travel, motor car, accommodation, subsistence and other allowances	8 329 228	6 274 558	8 286 260	6 144 992
Overtime payments	14 934 770	10 371 798	14 934 770	10 371 798
Acting allowances	1 964 278	1 814 387	1 861 062	1 814 387
Car allowance	18 457 463	15 640 763	18 237 704	15 265 437
Housing benefits and allowances	1 053 002	1 183 072	1 053 002	1 183 072
Surcharge pension funds	38 479 574	35 823 723	38 393 753	35 823 723
Shift allowances	2 600 159	2 085 233	2 600 159	2 085 233
	377 473 869	364 966 329	374 224 859	361 816 584

Leave pay (R979,900) in respect of 2023/2024 is as a result of the leave provision decreasing from R41,781,164 (2022/2023) by R5,058,861 to R36,722,303 (2023/2024).

Remuneration of Municipal Manager (Accounting Officer) - L.S. Jili

Salary	595 299	-	595 299	-
Car Allowance	75 000	-	75 000	-
Subsistence and travelling	12 181	-	12 181	-
Contributions to UIF	886	-	886	-
SDL	6 596	-	6 596	-
	689 962	-	689 962	-

The Municipal Manager (Accounting Officer) M.B. Mnguni was repalced by L.S. Jili.

Municipal Manager (Accounting Officer) - M.B. Mnguni

Salary	787 397	1 271 084	787 397	1 271 084
Subsistence and travelling	193 624	79 205	193 624	79 205
Contributions to UIF	1 417	2 126	1 417	2 126
Backpay	-	31 496	-	31 496
SDL	9 602	13 919	9 602	13 919
Leave paid out	157 209	55 944	157 209	55 944
	1 149 249	1 453 774	1 149 249	1 453 774

Remuneration of Chief Finance Officer - B.B. Sithole

Salary	1 077 894	1 077 894	1 077 894	1 077 894
Car Allowance	180 000	180 000	180 000	180 000
Subsistence and travelling	33 941	55 791	33 941	55 791
Contributions to UIF	2 125	2 126	2 125	2 126
SDL	12 268	12 396	12 268	12 396
	1 306 228	1 328 207	1 306 228	1 328 207

Remuneration of Manager Water, Sanitation and Technical Services - S. Cele

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
30. Employee related costs (continued)				
Salary	209 650	-	209 650	-
Subsistence and travelling	9 415	-	9 415	-
Contributions to UIF	531	-	531	-
Backpay	114 929	-	114 929	-
SDL	3 479	-	3 479	-
Leave paid out	20 207	-	20 207	-
	358 211	-	358 211	-

The Manager Water, Sanitation and Technical Services T.M. Jele was replaced by S.Cele.

Manager Water, Sanitation and Technical Services - T.M. Jele

Salary	-	776 740	-	776 740
Contributions to UIF	-	1 417	-	1 417
Backpay	-	2 120 690	-	2 120 690
SDL	-	29 013	-	29 013
Leave paid out	-	3 906	-	3 906
	-	2 931 766	-	2 931 766

Remuneration of Manager Health, Environmental Services and WSA - B. Khoza

Salary	-	366 865	-	366 865
Car Allowance	-	130 003	-	130 003
Contributions to UIF	-	1 240	-	1 240
Housing subsidy	-	132 079	-	132 079
SDL	-	8 454	-	8 454
Leave paid out	-	242 486	-	242 486
	-	881 127	-	881 127

Remuneration of Manager Corporate and Human Resources (Corporate Services) - O.S. Mnguni

Salary	1 108 275	1 090 258	1 108 275	1 090 258
Subsistence and travelling	52 172	5 590	52 172	5 590
Contributions to UIF	2 125	2 125	2 125	2 125
SDL	11 379	11 962	11 379	11 962
Acting allowance	9 701	-	9 701	-
Leave paid out	-	81 443	-	81 443
	1 183 652	1 191 378	1 183 652	1 191 378

31. Remuneration of councillors

Deputy Mayor	-	25 900	-	25 900
Mayoral Committee Members	1 336 057	385 659	1 336 057	385 659
Speaker	712 584	-	712 584	-
Councillors	3 705 227	5 652 269	3 705 227	5 652 269
Economic development Agency - Board members	510 820	353 998	-	-
	6 813 667	6 961 370	6 302 847	6 607 372

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

31. Remuneration of councillors (continued)

In-kind benefits

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

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

The Mayor has twelve full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

32. Depreciation and amortisation

Property, plant and equipment	85 823 050	84 398 182	85 686 079	83 904 995
Intangible assets	18 168	18 118	18 168	18 118
	<u>85 841 218</u>	<u>84 416 300</u>	<u>85 704 247</u>	<u>83 923 113</u>

33. Impairment loss

Impairments

Property, plant and equipment	<u>779 590</u>	<u>3 428 622</u>	<u>779 590</u>	<u>3 428 622</u>
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The main classes of assets affected by impairment losses are:

Infrastructure assets.

Motor vehicles.

34. Interest incurred

Other interest paid	<u>16 352 222</u>	<u>8 614 049</u>	<u>16 352 222</u>	<u>8 614 049</u>
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The amount of R8,614,049 (2022/2023) and R16,352,222 (2023/2024) relates to interest charges on the late payment of creditors.

35. Auditors' remuneration

Fees	<u>5 936 810</u>	<u>4 138 741</u>	<u>5 667 842</u>	<u>3 905 556</u>
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36. Debt impairment

Contributions to debt impairment provision	<u>237 174 114</u>	<u>159 793 197</u>	<u>237 174 114</u>	<u>159 793 197</u>
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Debt impairment is the contribution made to the bad debt provision in respect of consumer debtors and sundry debtors for the financial year.

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
37. General expenses				
Advertising	239 817	370 200	214 197	323 614
Auditors remuneration	5 936 810	4 138 741	5 667 842	3 905 556
Bank charges	1 384 609	1 143 625	1 374 358	1 134 855
Cleaning	119 078	281 261	119 078	281 261
Computer expenses	8 356 308	12 700 836	8 356 308	12 700 836
Consulting and professional fees	5 841 755	7 680 945	5 821 755	7 680 945
Consumables	31 174	50 360	-	-
Entertainment	2 593	2 081	-	-
Hire	13 100 838	13 318 094	13 100 838	13 318 094
Insurance	3 052	4 348	3 052	4 348
Conferences and seminars	824 505	913 288	824 505	913 288
IT expenses	-	25 650	-	25 650
Fleet	-	373 576	-	373 576
Medical expenses	-	118 660	-	118 660
Motor vehicle expenses	1 015 503	2 693 422	1 015 503	2 693 422
Fuel and oil	10 743 005	10 698 152	10 737 420	10 698 152
Printing and stationery	311 485	644 223	262 742	609 106
Protective clothing	3 220 785	898 495	3 220 785	898 495
Subscriptions and membership fees	-	8 060 184	-	8 060 184
Telephone and fax	1 951 473	2 453 713	1 951 473	2 453 713
Training	187 675	439 548	-	-
Assets expensed	-	17 696	-	17 696
Electricity - water purification and pump stations	72 708 075	62 965 804	72 708 075	62 965 804
Electricity and water - internal use (municipal services)	50 752 406	42 353 055	50 752 406	42 353 055
Audit Committee	353 183	324 133	353 183	324 133
Grant expenditure	29 150 687	57 779 065	29 150 687	57 779 065
Chemicals	54 116 136	20 163 005	54 116 136	20 163 005
Other expenses	351 644	1 126 409	50 000	1 099 250
	260 702 596	251 738 569	259 800 343	250 895 763

Grant expenditure represents project expenditure funded by grants which are not of a capital nature and are not capitalized and is not reflected as PPE (property, plant and equipment) in the fixed asset register.

Assets expensed relates to expenditure incurred against a capital budget however these items are not of a capital nature and have not being capitalized and are not reflected as PPE in the fixed asset register.

Printing and stationery includes amounts paid to Bidvest for the printing of consumer debtors statements.

Hire represents amounts paid for the hire of plant and equipment such as TLB's, jetting machines and excavators.

Subscription fees 2023/2024 is zero as the Municipality did not pay the annual SALGA subscription.

Consulting and professional fees

Job evaluation - SALGA (South African Local Government Association)	-	32 205	-	32 205
VAT audit - Maxprof (Maximum Profit Recovery (Pty) Ltd	5 821 755	7 113 461	5 821 755	7 113 461
PMU support (Ilungelo Lami Consulting)	-	535 279	-	535 279
Economic Development Agency	20 000	-	-	-
	5 841 755	7 680 945	5 821 755	7 680 945

Consulting and professional fees are included in general expenditure above.

Grant expenditure

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
37. General expenses (continued)				
District wide VIP (ventilated improved pit latrines)	24 809 597	54 203 555	24 809 597	54 203 555
Project Management RRAM (Rural Road Assest Management System)	2 237 250	2 098 309	2 237 250	2 098 309
FMG (Finance Management Grant) expenditure	2 103 840	1 477 201	2 103 840	1 477 201
	<u>29 150 687</u>	<u>57 779 065</u>	<u>29 150 687</u>	<u>57 779 065</u>

Grant expenditure is included in general expenditure above.

38. Bulk purchases

Water	<u>32 063 963</u>	<u>15 209 991</u>	<u>32 063 963</u>	<u>15 209 991</u>
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Bulk purchases represents raw water purchased from DWS (Department of Water and Sanitation) for purification and distribution through the reticulation networks to consumers in the district.

The raw water is abstracted from rivers, dams and boreholes.

The Municipality did not make any payments to DWS during the year 2023/2024 and the amount of R32,063,963 is the movement in the DWS account and the adjustment in respect of water stock (inventory) at financial year end.

Uthukela District Municipality

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Figures in Rand

38. Bulk purchases (continued)

Water losses

Apparent losses: Unauthorised consumption	53 389 836	105 276 294	53 389 836	105 276 294
Apparent losses: Customer meter inaccuracies	5 841 192	10 976 276	5 841 192	10 976 276
Real losses: Leakage on transmission and distribution mains	128 716 980	257 693 199	128 716 980	257 693 199
Real losses: Leakage and overflows at storage tanks/ reservoirs	919 407	1 840 666	919 407	1 840 666
Real losses: Leakage on service connections up to the point of customer meter	54 245 013	108 599 277	54 245 013	108 599 277
Total	243 112 428	484 385 712	243 112 428	484 385 712

	June 2024	June 2023				
Units purchased	40 043 391	43 113 733	510 506 202	960 761 878	510 506 202	960 761 878
Units sold	(16 158 506)	(16 621 374)	(243 882 291)	(230 662 517)	(243 882 291)	(230 662 517)
Total	47 769 770	52 984 718	266 623 911	730 099 361	266 623 911	730 099 361

Comprising of:

Technical losses	19 069 398	21 736 579	243 112 428	484 385 712	243 112 428	484 385 712
Non-technical losses	4 815 487	4 755 780	61 391 798	105 979 516	61 391 798	105 979 516
Total	47 769 770	52 984 718	304 504 226	590 365 228	304 504 226	590 365 228

Percentage Loss:

Technical losses	- %	- %	48 %	50 %	48 %	50 %
Non-technical losses	- %	- %	12 %	11 %	12 %	11 %
Total	- %	- %	60 %	61 %	60 %	61 %

The use of the IWA (International Water Association) templet was introduced in June 2017 and therefore the calculation of water losses was based on the new templet.

The Municipality appointed an Engineer from an independant company "Joat Consulting" to prepare the water loss calculations.

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Figures in Rand	Economic entity		Controlling entity		
	2024	2023	2024	2023	
39. Contracted services					
Outsourced Services					
Burial Services	50 000	62 500	50 000	62 500	
Security Services	27 365 007	35 773 779	27 365 007	35 773 779	
Electrical	11 813	1 411 510	11 813	1 411 510	
Water Takers	1 911 693	83 285 361	1 911 693	83 285 361	
Consultants and Professional Services					
Legal Cost	16 620 418	10 342 622	16 620 418	10 342 622	
Contractors					
Maintenance of Buildings and Facilities	34 022	138 557	34 022	138 557	
Maintenance of Equipment	49 862 221	37 211 863	49 862 221	37 211 863	
Maintenance of Unspecified Assets	59 604 008	59 792 251	59 604 008	59 792 251	
Stage and Sound Crew	48 696	-	48 696	-	
	155 507 878	228 018 443	155 507 878	228 018 443	
2023/2024	Other contractors	Maintenance of buildings and facilities	Maintenance of equipment	Maintenance of unspecified assets	Total
Buildings	-	34 022	-	-	34 022
Vehicles	-	-	4 145 673	-	4 145 673
Pipelines and reservoirs	-	-	-	59 446 105	59 446 105
Pumps	-	-	45 716 548	-	45 716 548
Blue drop green drop	-	-	-	157 903	157 903
Electrical	-	11 813	-	-	11 813
Burial services	50 000	-	-	-	50 000
Stage, sound and tent	48 696	-	-	-	48 696
Security services	27 365 007	-	-	-	27 365 007
Water tankering	1 911 693	-	-	-	1 911 693
Legal fees	16 620 418	-	-	-	16 620 418
	45 995 814	45 835	49 862 221	59 604 008	155 507 878
2022/2023	Other contractors	Maintenance of buildings and facilities	Maintenance of equipment	Maintenance of unspecified assets	Total
Buildings	-	138 557	-	-	138 557
Vehicles	-	-	7 551 489	-	7 551 489
Pipelines and reservoirs	-	-	-	59 628 524	59 628 524
Pumps	-	-	29 660 374	-	29 660 374
Blue drop green drop	-	-	-	163 727	163 727
Electrical	-	1 411 510	-	-	1 411 510
Burial services	62 500	-	-	-	62 500
Security services	35 773 779	-	-	-	35 773 779
Water tankering	83 285 361	-	-	-	83 285 361
Legal fees	10 342 622	-	-	-	10 342 622
	129 464 262	1 550 067	37 211 863	59 792 251	228 018 443

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
40. Cash generated from operations				
Surplus (deficit)	52 387 188	(88 583 358)	52 802 364	(87 019 825)
Adjustments for:				
Depreciation and amortisation	85 841 218	84 416 300	85 704 247	83 923 113
(Loss) gain on sale of assets	(5 822 713)	(318 900)	(5 831 893)	1 519 164
(Loss) gain on actuarial valuations	660 000	(1 361 000)	660 000	(2 336 000)
Impairment deficit	779 590	3 428 622	779 590	3 428 622
Debt impairment	237 174 114	169 468 982	237 174 114	159 793 197
Bad debts written off	3 123 596	3 511 960	3 123 596	20 446 386
Movements in operating lease assets and accruals	1 467 127	(143 307)	1 467 127	(143 307)
Movements in retirement benefit assets and liabilities	(2 865 593)	2 245 000	(2 865 593)	2 245 000
Changes in working capital:				
Inventories	1 095 924	(11 686 862)	1 095 924	(11 686 862)
Receivables from exchange transactions (current assets)	5 174 528	47 284 631	5 174 528	47 284 631
Receivables from exchange transactions (Consumer debtors)	(253 209 731)	(149 842 692)	(253 209 731)	(149 842 692)
Other receivables from non-exchange transactions	85 294	2 633 587	85 294	2 501 109
Payables from exchange transactions	113 559 147	104 839 308	113 637 629	95 039 828
Unspent conditional grants and receipts	(15 290 452)	(664 380)	(13 566 189)	(2 132 297)
Sundry debtors	12 833	41 771	12 833	41 771
Consumer deposits	735 745	1 144 300	735 745	1 144 300
Consumer debtors	(604 734)	681 586	(604 734)	681 586
Other financial liabilities	(79 786)	54 484	(79 786)	54 484
	224 223 295	167 150 032	226 295 065	164 942 208

41. Operating lease

Lease rentals on operating leases

Afrirent vehicle tracking rental fees	-	(389 344)	-	(389 344)
Moon Magic investments - rental of satellite office in Estcourt	67 328	165 732	67 328	165 732
A.Good - rental of satellite office in Colenso	27 459	66 295	27 459	66 295
Laytam Investments - rental of workshop at 35 Progress Road in Ladysmith	401 017	458 969	401 017	458 969
EXTEX PMB (Pty) Ltd - rental of office machines	453 605	572 914	453 605	572 914
MAELEC (Mike Anderson Electrical) - monthly rental on wireless internet equipment	185 261	222 313	185 261	222 313
The Rosco Family Trust - rental of laboratory space	1 353 613	1 460 875	1 353 613	1 460 875
Maratodi Metsi - rental of pre-paid meters	13 684 178	18 660 243	13 684 178	18 660 243
Reoyo Trading	1 588 800	-	1 588 800	-
Economic Development Agency - rental of offices - 131 Murchison Street	591 742	544 323	-	-
	18 353 003	21 762 320	17 761 261	21 217 997

The lease rental with Afrirent is for vehicle tracking with fleet management services for a period of 36 months which ended on the 24th of December 2021.

The lease agreement with Moon Magic Investments is in respect of the satellite office at 123 Albert Street in Estcourt is for the periods March 2022 to February 2023, March 2023 to February 2024 and March 2024 to February 2025.

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	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

41. Operating lease (continued)

The lease agreement with A. Good is in respect of the satellite office at 63/69 Sir George Street in Colenso for the periods September 2021 to August 2022, September 2022 to August 2023 and September 2023 to August 2024.

Additional office equipment (photo copiers) is leased from EXTEC.

Wireless internet equipment is leased from MAELEC.

The lease agreement with Laytham Investments is in respect of the rental of a workshop at 35 Progress Road, Ladysmith and is for the period June 2019 to May 2022 and remains the same from 1 July 2022 to 31 December 2022.

The lease agreement with The Rosco Family Trust is in respect of office space for the laboratory staff in Murchison Street, Ladysmith from September 2021 to August 2024 and September 2024 to August 2027.

The rental of pre-paid meters is in respect of the smart meters installed by Maratodi Metsi.

The rental agreement with Reoyo Trading in respect of workshop space is for the period October 2023 to September 2026.

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
42. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Property, plant and equipment - infrastructure	533 932 778	403 945 459	520 798 771	417 273 266
Infrastructure grants - MIG and WSIG				
Water supply to Ekuvukeni sitting, drilling, testing and equipping of boreholes - Nickelodia Trading PTY LTD	17 021 969	-	17 021 969	-
Water supply to Ekuvukeni rising main and booster pump station - ECA Consulting	(2 208 904)	-	-	-
Ezakheni E sanitation refurbishment - TZDN Training Construction Services	1 484 265	-	1 421 393	-
Ezakheni AC pipe replacement (phase 2 Ezakheni C section subzone 3) - Perfect Defects	26 873 685	-	26 402 068	-
Ladysmith AC pipe replacement phase 1 - DLV Consultants	1 185 056	-	1 185 056	4 313 243
Loskop abstraction and commissioning of the water treatment - Yimpie Projects	28 317 031	-	28 144 220	-
Loskop abstraction and commissioning of the water treatment - Owethu Owabo	3 121 759	-	3 121 759	-
Ntabamhlophe community water supply scheme Bosch reservoir - Siyajuluka Trading Enterprise	4 204 395	-	4 139 667	-
Ntabamhlophe community water supply scheme Bosch reservoir - JG Africa	(232 250)	-	-	769 839
Okhahlamba wards 2, 3 & 14 water supply - Amangwe water reticulation 01-west - R and D Contractors	1 557 940	10 023 618	728 333	9 194 011
Okhahlamba 2, 3 and 14 water supply Amangwe water reticulation 01-west and east - ECA Consulting	(336 253)	-	-	3 032 553
Okhahlamba wards 2, 3 & 14 water sitting, drolling, testing and equipping of boreholes - Yimpie Projects	5 296 508	26 495 726	2 085 144	25 476 690
Upgrade of Bergville water treatment works	-	51 170 085	9 772 667	6 212 839
Kwanobamba/Ezitendeni water project - rising main for new abstraction point - Sinethemba Construction	687 618	1 259 736	194 083	766 202
Kwanobamba/Ezitendeni water project rising main for new abstraction - ECA Consulting	13 474	-	279 533	279 533
Kwanobamba/Ezitendeni sanitation project sewer reticulation and pump station phase 1B - Sinethemba Construction	13 360 348	-	12 095 277	-
Kwanobamba/Ezitendeni sanitation project sewer reticulation and pump station phase 1B - ECA Consulting	1 121 530	-	1 121 530	1 121 530
Kwanobamba/Ezitendeni refurbishment of network - ECA Consulting	331 815	-	331 815	-
Okhahlamba wards 2,3 and 14 water supply - Amanwane water reticulation 01-east - R and D Contractors	1 309 231	9 201 239	494 487	8 386 495
Okhahlamba LM water - ECA Consulting	3 135 471	-	3 135 471	10 158 561

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
42. Commitments (continued)				
Weenen/Ezitendeni sewerage treatment works - Klomac Engineering	3 119 093	6 056 829	2 609 547	5 547 283
Weenen/Ezitendeni sewerage treatment works - ECA Consulting	504 567	-	724 072	902 314
Construction of Estcourt Industrial Area water network upgrade	-	529 104	-	82 043
Weenen/Ezitendeni sanitation project - Maxode Trading	1 835 106	129 071	510 001	510 001
Weenen/Ezitendeni sanitation project - ECA Consulting	1 862 500	-	2 202 069	2 202 069
Construction of Wembezi water conservation and demand management phase 1	-	34 790 056	-	31 971 216
Construction of Fitty Park community water supply scheme phase 2 - R and D JV Mrazane	18 299 635	14 487 669	16 823 996	12 895 130
Ekuvukeni refurbishment of the Oliphantskop water treatment works - ECA Consulting	(615 717)	2 530 349	-	821 968
Construction of Loskop (Mqedanda) water reticulation ward 4 phase 1 - Sanoqwabe Consultants	8 205 421	8 205 421	-	5 796 335
Construction of Loskop (Mqedanda) water reticulation ward 4 phase 1 - Owetthu Owabo	(797 593)	-	1 478 901	-
Construction of Inkuzini bulk water feeder main stage 3A	-	3 183 311	-	2 372 442
Upgrade of Langkloof package plant & bulk supply ward 10	-	32 449 590	-	32 307 475
Upgrade of Langkloof package plant & bulk supply phase 1 - Sinethemba Construction	22 741 073	-	22 004 445	-
Upgrade of Langkloof package plant & bulk supply phase 1 - TLS Engineering Consultants	91 454	-	91 454	-
Steadville water conservation and demand management phase 1 - Mela Okuhle Trading Enterprise	30 494 990	-	30 015 745	-
Steadville water conservation and demand management phase 1 - DLV Consultants	1 323 537	-	1 323 538	4 719 523
Steadville WCDM	-	40 124 166	-	40 124 166
Ladysmith AC replacement phase 1 - Sinethemba Construction	26 579 551	37 198 905	26 038 980	37 198 905
Sanitation coverage VIP toilets phase 2 - DLV Consultants	346 382	13 581 714	346 382	20 657 761
Sanitation coverage VIP toilets phase 3 - DLV Consultants	25 841 074	-	25 841 074	-
Wembezi WCDM phase 1 - JG Africa	9 263 984	(6 998 533)	9 742 908	9 742 908
District wide springs and boreholes - Sydwal Consultants	25 565 487	16 323 642	25 565 487	16 323 642
Upgrade of Bergville WTW - Impande Consulting	9 772 667	10 744 413	-	10 744 413
Upgrade of Bergville WTW - ICON Construction	28 457 020	11 806 385	25 850 017	11 806 385
Upgrade of Langkloof WTW	-	19 682 970	-	19 682 970
Ntabamhlophe WSS	-	560 419	-	560 419
Weenen/Ezitendeni water supply	-	(116 302)	-	-
Weenen/Ezitendeni sanitation AFA wetlands - Sinethemba Construction	14 118 652	-	14 118 652	-
Weenen/Ezitendeni sanitation AFA wetlands - ECA Consulting	1 095 607	-	1 095 607	-
Ekuvukeni water supply - ECA Consulting	(466 464)	(466 464)	-	223 535
Winterton water supply - ECA Consultants	981 426	3 118 927	981 426	3 274 718

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
42. Commitments (continued)				
Winterton sanitation - ECA Consultants	608 259	4 492 824	608 259	4 594 097
Okhahlamba wards 2, 3 & 14 Amanwane reticulation west	-	1 129 959	-	1 129 959
Okhahlamba wards 2, 3 & 14 groundwater program - ECA Consulting	3 455 172	(9 711)	3 613 872	7 581 897
Okhahlamba wards 2, 3 & 14 Amangwane reticulation east	-	1 109 652	-	1 109 652
Okhahlamba wards 2, 3 & 14 Vimbukhalo water reticulation 03 - Zamisanani Projects	23 804 068	-	23 804 069	-
Okhahlamba wards 2, 3 & 14 Vimbukhalo water reticulation 04 - Lethokuhle Investments	24 997 631	-	24 997 631	-
Weenen/Ezitendeni water supply	-	700 724	-	700 724
Design of Umhlumayo bulk water supply infrastructure	-	8 346 436	-	8 346 436
Fitty Park Sundays River Umhlumayo extetion	-	1 609 632	-	1 609 632
Fitty Park Umhlumayo Sunday River and upgrade to Tugela Estate water treatment works - Royal Haskoning/RDHV	1 473 172	-	1 473 172	11 380 128
KwaMkhize water supply	-	944 597	-	944 597
Roosboom and Colenso water supply - DLV Consultants	20 598	20 598	20 598	-
Ezakheni WCDM phase 1 - DLV consultants	944	944	-	944
Ezakheni WCDM phase 2 - DLV Consultants	1 120 224	-	1 120 224	-
Bhekuzulu/Mqedandada ward 4 phase 1	-	(472 232)	-	-
Repairs and refurbish phase 3 - Pawacons	15 630 830	40 000 000	15 630 830	39 696 083
Construction of a water supply to Ekuvukeni bulk pipeline - R and D Contractors	24 438 784	-	24 438 784	-
Umtshezi RWSS - ECA Consultants	(35 815)	-	-	-
Water supply to Ekuvukeni ground water - ECA Consulting	1 693 076	-	1 693 076	-
Amangwe abstraction and water treatment works - Owethu Owabo	82 786 269	-	82 786 269	-
Completion of outstanding work to ward 2 (C-side) - Owethu Owabo	21 573 214	-	21 573 214	-
Moyeni/Zwelisha WTW and bulk RM upgrade - JG Africa	(2 497 788)	-	-	-
	533 932 778	403 945 469	520 798 771	417 273 266
Total capital commitments				
Already contracted for but not provided for	533 932 778	403 945 459	520 798 771	417 273 266
Authorised operational expenditure				
Already contracted for but not provided for				
• Provision of asset management system	2 751 745	3 569 896	2 751 745	3 120 659
• Accredited service provider to provide laboratory space	10 446 834	2 412 768	10 446 834	2 412 768
• Service provider for the management of the rural road asset management system	1 253 404	2 055 757	1 253 404	3 028 411
• Provision of insurance broker services	8 220 934	8 220 934	8 220 934	8 220 934
• Leasing of premises - satelite offices and workshop	5 653 219	260 204	5 418 360	5 418 360
• Provision of armed security services	57 951 368	13 389 502	57 951 368	13 389 502

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
42. Commitments (continued)				
• Leasing of photo copiers and fax machine	757 370	757 370	905 070	1 232 975
	<u>87 034 874</u>	<u>30 666 431</u>	<u>86 947 715</u>	<u>36 823 609</u>
Total operational commitments				
Already contracted for but not provided for	<u>87 034 874</u>	<u>30 666 431</u>	<u>86 947 715</u>	<u>36 823 609</u>
Total commitments				
Total commitments				
Authorised capital expenditure	533 932 778	403 945 459	520 798 771	417 273 266
Authorised operational expenditure	87 034 874	30 666 431	86 947 715	36 823 609
	<u>620 967 652</u>	<u>434 611 890</u>	<u>607 746 486</u>	<u>454 096 875</u>

This committed expenditure relates to property, plant and equipment as well as operational commitments with a contractual obligation at year end which will be financed by grant funding, retained surpluses, existing cash resources and funds internally generated.

Operating leases - as lessee (expense)

Minimum lease payments due				
- within one year	3 791 291	1 903 125	3 791 291	1 903 125
- in second to fifth year inclusive	7 616 453	319 725	7 616 453	319 725
	<u>11 407 744</u>	<u>2 222 850</u>	<u>11 407 744</u>	<u>2 222 850</u>

Operating lease payments represent rentals payable by the economic entity for certain of its office space. Leases are negotiated for an average term of three years and rentals are fixed for the first year with an annual escalation as per the lease agreements.

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
43. Contingencies				
The municipality has received a number of summons and letters of demand, demanding payment for outstanding unpaid invoices. Most of these claims are in relation to projects from the Technical Services Department where service providers are claiming for the payment of outstanding invoices due to them.				
Contingent liabilities				
Shepstone & Wylie - Ndlalabeyidida Trading for the supply of meals at the Uthukela Winter Disaster awareness campaign	-	90 000	-	90 000
Justin Heunis & Associates - Rosco family Trust demanding rental due	396 294	1 075 537	396 294	1 075 537
Mdledle Inc. - Pearl Ndaba Attorneys claim for assisting the Municipality with debt collection	12 465 832	12 465 832	12 465 832	12 465 832
Masin Inc. - Wilcock Reed & Kotze claim for turnkey for Inkunzi bulk water feeder main stage 3A extension - unpaid invoice	-	2 489 008	-	2 489 008
Garlicke & Bousefield Attorneys - Fore C Electrical CC claim for unpaid invoices in respect of the installation of water pump and hire of electrical generator in the Ekuvukeni area	2 218 375	2 218 375	2 218 375	2 218 375
Lalpersadh INC. - R& D Contractors for a claim in respect of retention money in respect of the Fitty Park water supply scheme phase 2	2 218 770	2 218 770	2 218 770	2 218 770
Godide Engineering Services claim for unpaid invoices in respect of Fitty Park water supply scheme phase 2	8 462 743	8 462 743	8 462 743	8 462 743
Nompumelelo Hadebe Inc. - Mpembe family claim in respect of a minor child which was electricuted to death at the Colenso pump station after it was vandalized	2 040 000	2 040 000	2 040 000	2 040 000
Ramkhelewan Inc. - S. Hlophe claim in respect of alledged damages to his car while entering the premesis of the Municipality at the Forbes Street enterance	-	4 703	-	4 703
Garlick & Bousefield - Marathodi Metsi claim in respect of the smart metering system which was suspended by the Municipality due to fundamental irregularities	-	785 561 554	-	785 561 554
Maree & Pace, Mpulo Attorneys - Marks Tyres (Pty) Ltd claim in respect of unpaid invoices for services rendered	36 858	36 858	36 858	36 858
Macaully & Riddle, Venns Attorneys - G.P. Govender claim in respect of damages he has incurred as a result of Municipal employees which were fixing a burst pipe in his property	50 139	50 139	50 139	50 139
Ilungelo Lami Trading CC. - claim in respect of unpaid invoices for a projrct in Ekuvukeni	615 570	615 570	615 570	615 570
Justin Heunis & Associates - RASP Consultants CC claim in respect of unpaid invoice for refurbishment at the Ladysmith water treatment works	-	15 800 000	-	15 800 000
Justin Heunis & Associates - RASP Consultants CC claim in respect of unpaid invoice for refurbishment at the Ezakheni water treatment works	-	6 756 158	-	6 756 158

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
43. Contingencies (continued)				
Gule Nathilnc. - Aztec Trading claim in respect of various repairs done to Municipal vehicles	22 143	146 861	22 143	146 861
T. Shala Attournets Inc. - Easy To Work claim in respect of the supply and delivery of laptops which were not paid for	45 000	45 000	45 000	45 000
Khumalo Masondo Attourneys - SABC (South African Broad Casting Corporation) claim in respect of a TV licence account in arrears	15 370	15 370	15 370	15 370
Schults Incorporated - Europcars claim in respect of unpaid car rental invoices	455 082	455 082	455 082	455 082
Amadubandlela Attourneys - Jozzy Auto Center claim in respect of unpaid invoices for the service and maintenance of Municipal Vehicles	542 496	542 469	542 496	542 469
Symington De Kok Attourneys - FNB (First National Bank) claim in respect of payment of fuel, oil and vehicle repairs	3 267 044	3 267 044	3 267 044	3 267 044
Dlalisa Attorneys - Dr. Makhoba for the provision of medical surveillance for a priod of 3 years invoices not paid	131 840	-	131 840	-
Kgolo Institute - a demand for the provision of safety representative training to be conducted to the Municipality	199 500	-	199 500	-
Maree & Pace , Mpulo Attourneys - Simprador Trading Projects CC for the hire of plant and equipment under a contract, 10/2021 PEH, for a period of 3 years - invoices not paid	6 603 800	-	6 603 800	-
Maree & Pace, Mpulo Attourneys - Yengweni Enterproses (Pty) Ltd for the hire of plant and equipment under a contract, 10/2021 PEH, for a period of 3 years - invoices not paid	9 447 710	-	9 447 710	-
Dotcom Africa - Municipality enteres into and agreement without proper SCM processes	154 272	-	154 272	-
Maree & Pace, Mpulo Attourneys - Quickstep 453 CC t/a Guinea Fowl Service Station for the hirw of TLB - incoice not paid	57 557	-	57 557	-
Glen Marais Incorporated - Zanamanzi Services Pty Ltd for the supply and repairs of pumps under tender 16/2019 EQM, invoices not paid	2 412 040	-	2 412 040	-
Maree & Pace - Lunasisis Ideas CC for plant and equipment hire for a preriod of 3 years, under tender 10/2021 PEF panel of service providers - invoices not paid	22 399 528	-	22 399 528	-
Justin Heunis & Associates - Pramesh Singh damages caused to his vehicle as a result of the negligence of the Municipality not repairing or maintaining the road (corner of Burger Street)	83 070	-	83 070	-
NJM Attorneys - Goverspride Trading was appointed on a panel of service providers for plant and equipment hire - invoices not paid	1 200 000	-	1 200 000	-
Multi Solutions - demand for outstanding payments that was submitted to the Municipality	13 278 600	-	13 278 600	-

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
43. Contingencies (continued)				
LS Incorporated - Mashmart Holdings TLD - claim in respect of a collision between plaintiff and Municipal vehicle	16 273	-	16 273	-
REOYO Trading - final demand received in respect of unpaid invoices due by the Municipality	91 141	-	91 141	-
Nompumelelo Hadebe INC, - preparation of investigation report regarding a sewerage spillage - Municipality failed to pay the invoice submitted	530 083	-	530 083	-
ACE Motor spares - letter of demand received regarding unpaid invoices	120 823	-	120 823	-
Justin Heunis & Associates - Daves Panel Beaters - agreement entered into during the course of 2016 regarding towing and panel beating services	205 372	-	205 372	-
Nqaba and Associates - Egxeni Engineering CC - contract 10/2018 construction of Ekuvukeni Bulk rising main booster pump station to Zanbuild reservoir - claim in respect of breach of contract and outstanding invoices	28 016 249	-	28 016 249	-
	117 799 574	844 357 073	117 799 574	844 357 073

With regards to the claim from RASP Consultants CC for the amount of R15,800,000 (2022/2023) an attachment order was issued against one of the Municipalities investment accounts (9380429610) held with ABSA Bank. The attachment order was for the amounts of R15,800,650 which was transacted on 17 October 2023 and R977,472 which was transacted on 18 October 2023. The total amount being R16,778,122 which included costs and interest charges.

With regards to the claim from RASP Consultants CC for the amount of R6,756,158 (2022/2023) an attachment order was issued against the Municipalities primary bank account (62252306280) held with FNB. The attachment order was for the amount of R6,763,158 which was transacted on 20 December 2023 which included costs and interest charges.

Contingent assets

Contingent assets relates to pre-paid meter water sale transactions processed on a third party vendor financial system.

The Municipality appointed a service provider to install smart pre-paid meters and to manage revenue collection from the sales through these meters, however due to some complications the service providers contract was terminated and the Municipality has not received any of the revenue collected by the service provider.

Based on the service provider sales report information relating to the installed meters the Municipality has determined that the total sales amounts to R9,050,651 for the period July 2021 to June 2023. This amount is contingent on independent validation and conclusion on the legal process as noted below.

On 23 May 2024 the Municipality received R8,000,000 from Councils legal representative Garlicke and Bousfield which presumably relates to sales in respect of the period July 2021 to February 2024. This could however not be confirmed by the third party vendor (Marotodi Metsi).

The amount of R1,558,181 disclosed in the 2023/2024 financial year is an average based on a schedule of collections provided for the period July 2023 to February 2024 as the actuals could not be obtained from the third party vendor (Marotodi Metsi).

Prepaid meter sales

Accumulative amounts due to the municipality at financial year end	9 294 902	9 050 651	9 294 902	9 050 651
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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

44. Related parties

Relationships

Controlling entity Uthukela District Municipality

Related party balances

Uthukela Economic Development Agency

Total expenditure incurred			7 124 236	7 193 586
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The transactions below relates to payments made by the Municipality on behalf of the Uthukela Economic Development Agency (UEDA) in respect of employee related costs during the financial year.

A service level agreement was signed on the 20th of March 2019 between the Municipality and the UEDA.

The UEDA has been appointed to provide and support the Municipality with the implimentation of the RASET program (Radical Agrarian Social Economic Transformation program).

Revenue

Interest received			312 616	378 650
Other revenue			10 530	15 186
Grant income			608 198	2 116 217

Employee related costs

D.C.P. Mazibuko			1 373 860	1 584 135
Other employee costs			1 841 887	1 507 907
Board members			510 820	353 998

Office rente

Dedekind Real Estate (Sarosma Trust IT - Heron House - 131 Murchison Street, Ladysmith)			591 742	544 323
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General Expenditure

Advertising			25 620	46 586
Depreciation			136 971	493 187
Bank charges			10 251	8 770
Audit fees			268 968	233 185
Printing and stationery			48 743	35 117
Training and workshops			187 675	439 548
Catering			2 593	2 081
Acomodation			11 029	41 093
Skills development levy			18 181	16 609
Cleaning material			31 174	50 360
Loss on write offs			9 180	1 809 527
Sundries			180 000	27 159
Consultants			20 000	-
Fuel and oil			5 585	-
Investment programs			121 644	-
Subsistance and travelling			4 052	-
Coal gasification			1 724 263	-

S.B. Sibisi is acting in the position which was vacated by D.C.P. Mazibuko as CEO of the Agency.

Compensation to accounting officer and other key management

Basic salary	649 752	1 067 488	649 752	1 067 488
Car allowance	196 786	242 151	196 786	242 151
Subsistance and travelling	27 887	88 473	27 887	88 473

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	2024	2023	2024	2023
44. Related parties (continued)				
Housing subsidy	22 973	133 175	22 973	133 175
Backpay	8 039	35 235	8 039	35 235
UIF	2 834	3 125	2 834	3 125
Acting allowance	103 216	-	103 216	-
Leave paid out	226 104	-	226 104	-
SDL	11 678	14 488	11 678	14 488
Bonus	38 634	-	38 634	-
Provident Fund	85 821	-	85 821	-
SALGA BC	136	-	136	-
	1 373 860	1 584 135	1 373 860	1 584 135

Key management information

Class	Description	Number
D.C. P. Mazubuko	Accounting officer	1
S. Shabalala	Chairperson	1
P.A. Stockhill	Non-executive board member	1
M. Asmal	Non-executive board member	1
O.D. Amla	Non-executive board member	1
K.D. Mduli	Non-Executive board member	1

45. Prior period errors

Prior period errors is corrections done in the current financial year which relates to the previous financial year.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position

Receivables from exchange transactions	-	242 347 879	-	242 347 879
VAT receivables	-	(14 590 176)	-	(14 590 176)
Payables from exchange transactions	-	(343 087 340)	-	(343 087 340)
VAT payable	-	47 590 028	-	47 590 028
PPE (Property, Plant & Equipment)	-	(535 279)	-	(535 279)

Statement of financial performance

Service charges	-	3 148 417	-	3 148 417
Employee related costs	-	(1 477 201)	-	(1 477 201)
Lease rentals on operating leases	-	381 632	-	381 632
Contracted services	-	52 763 070	-	52 763 070
General expenditure	-	16 072 108	-	16 072 108

46. Prior-year adjustments

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

The correction of errors disclosed below are omissions from, and misstatements in, the financial statements of the municipality in respect of the prior period arising from a failure to use, or misuse of, reliable information that was available and could reasonably be expected to have been obtained and taken into account in preparing those financial statements.

The correction of errors is as a result of invoices relating to the 2022/2023 financial year which were received after the financial statements in respect of 2022/2023 were finalized. As it relates to the 2022/2023 financial year the comparative figure in respect of the financial year had to be restated.

A re-classification is to move a disclosure item from one class, classification, or category to another.

A re-classification is correcting errors, adjusting for changes in accounting policies, or enhancing comparability between periods.

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

46. Prior-year adjustments (continued)

The re-classification disclosed below was to correct the disclosure of VAT (input accrual, output accrual and control account).

Statement of financial position

Controlling entity - 2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories	12	19 693 454	-	-	19 693 454
Receivables from exchange transactions (current assets)	13	5 093 825	-	242 347 879	247 441 704
Statutory receivables		14 590 176	-	(14 590 176)	-
Receivables from non-exchange transactions (current assets)	14	125 796	-	-	125 796
Consumer debtors	15	47 984 452	-	-	47 984 452
Bank Reconciliation clearing account	11	190 966	-	-	190 966
Cash and cash equivalents	16	13 497 715	-	-	13 497 715
Property, plant and equipment	4	3 253 375 608	(535 279)	-	3 252 840 329
Intangible assets	5	410 322	-	-	410 322
Receivables from exchange transactions	13	1 658 406	-	-	1 658 406
Receivables from non-exchange transactions	14	178 827	-	-	178 827
Other liabilities - sundry debtors with credit balances	19	(99 996)	-	-	(99 996)
Operating lease liability	6	(948 813)	-	-	(948 813)
Payables from exchange transactions	7	(491 007 608)	(67 739 609)	(275 347 731)	(834 094 948)
Consumer deposits	8	(19 293 725)	-	-	(19 293 725)
Employee benefit obligation	9	(8 335 593)	-	-	(8 335 593)
Unspent conditional grants	17	(13 665 302)	-	-	(13 665 302)
Provisions	18	(41 781 164)	-	-	(41 781 164)
VAT payable		(47 590 028)	-	47 590 028	-
Other liabilities - consumer debtors with credit balances	20	(16 386 326)	-	-	(16 386 326)
Other liabilities - salaries clearing suspense account	21	(409 783)	-	-	(409 783)
Employee benefit obligation	9	(39 722 407)	-	-	(39 722 407)
		2 677 558 802	(68 274 888)	-	2 609 283 914

The correction of errors above is as a result of omissions and mistatements in the previous period.

The re-classifications above is in respect of VAT and is due to the change in accounting standards GRAP108.

Statement of financial performance

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	2024	2023	2024	2023	
46. Prior-year adjustments (continued)					
Controlling entity - 2023					
	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	23	222 771 043	3 148 417	-	225 919 460
Interest received (trading)	22	49 201 177	-	-	49 201 177
Other income	22	2 354 248	-	-	2 354 248
Interest received - investments	22	7 328 864	-	-	7 328 864
Actuarial gains	9	2 336 000	-	-	2 336 000
Government grants and subsidies	29	790 419 908	-	-	790 419 908
Fines, penalties and forfeits	24	31 200	-	-	31 200
Employee related costs	30	(363 293 785)	-	1 477 201	(361 816 584)
Remuneration of Councillors	31	(6 607 372)	-	-	(6 607 372)
Depreciation and amortisation	32	(83 923 113)	-	-	(83 923 113)
Impairment loss	33	(3 428 622)	-	-	(3 428 622)
Interest incurred	34	(8 614 049)	-	-	(8 614 049)
Lease rentals on operating leases	25&41	(20 836 365)	(381 632)	-	(21 217 997)
Debt impairment	36	(159 793 197)	-	-	(159 793 197)
Incentive discounts	58	(3 302 525)	-	-	(3 302 525)
Bad debt written off	59	(17 143 861)	-	-	(17 143 861)
Bulk purchases	38	(15 209 991)	-	-	(15 209 991)
Contracted services	39	(175 255 373)	(52 763 070)	-	(228 018 443)
Transfers and subsidies	28	(3 120 000)	-	-	(3 120 000)
Loss on disposal of assets and liabilities	4	(1 519 164)	-	-	(1 519 164)
General expenditure	37	(234 823 654)	(14 594 908)	(1 477 201)	(250 895 763)
Deficit for the year		(22 428 631)	(64 591 193)	-	(87 019 824)

Cash flow statement

Controlling entity - 2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash flow from operating activities					
Sale of goods and services (water & sanitation)		72 939 840	3 136 927	-	76 076 767
Interest raised on sale of goods and services (water & sanitation)	22	49 201 177	-	-	49 201 177
Grants	29	790 419 908	-	-	790 419 908
Interest income	22	7 328 864	-	-	7 328 864
Other cash items	22	2 385 448	-	-	2 385 448
Employee costs	30&31	(369 901 157)	-	1 477 201	(368 423 956)
Suppliers		(354 718 151)	(4 232 496)	-	(358 950 647)
Interest incurred	34	(8 614 049)	-	-	(8 614 049)
Transfer payments	28	(3 120 000)	-	-	(3 120 000)
Rent paid		(20 979 672)	(381 632)	-	(21 361 304)
		164 942 208	(1 477 201)	1 477 201	164 942 208
Cash flow from investing activities					
Property, plant and equipment	4	(165 967 613)	-	-	(165 967 613)

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	2024	2023	2024	2023

46. Prior-year adjustments (continued)

Reclassifications

Due to 2013 amendments to GRAP 1 and GRAP 3 - Presentation of Financial Statements - operational grants has been disclosed by nature of expense and therefore has been reclassified in the statement of financial performance.

Due to GRAP 17 - Presentation of Financial Statements, repairs and maintenance has to be disclosed by nature of expense and has been disclosed in note 4 under PPE (property, plant and equipment) and note 38 (contracted services).

The following reclassifications adjustment occurred:

Reclassification 1

Burial services has been reclassified as contracted services - from general expenditure - other.

Artist and performers has been reclassified as contracted services - from general expenditure - other.

Employee wellness has been reclassified as contracted services - from general expenditure - other.

Maintenance and repairs has been reclassified as contracted services - from general expenditure.

Legal costs has been reclassified as contracted services - from general expenditure - consulting and professional fees.

Reclassification 2

Plant and equipment hire has been reclassified as general expenditure - from contracted services.

Insurance has been reclassified as general expenditure - from contracted services.

Chemicals has been reclassified as general expenditure - from contracted services.

47. Risk management

Liquidity risk

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

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47. Risk management (continued)

Credit risk

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

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

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

Financial instrument	Economic entity - 2024	Economic entity - 2023	Controlling entity - 2024	Controlling entity - 2023
Bank balance and cash	9 221 833	19 076 140	5 715 178	13 497 715
Consumer debtors from exchange transactions	51 603 119	47 984 452	1 227 535 098	974 325 366
Receivables from exchange transactions	243 944 228	249 334 443	243 925 582	249 100 110
Receivables from non-exchange transactions	219 329	304 623	219 329	304 623

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

48. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an operating surplus of R52,387,188 and that the municipality's total assets exceed its liabilities by R2,659,332,236.

Futhermore the municipality's current liabilities (R1,034,820,277) far exceeds current assets (R335,441,865).

The consolidated 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 audited 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. This bases presumes that funds will be available to finance future operations from various sources of Government as well as its own resources to fund operations. Thus the realization of assets and settlement of liabilities, contingent obligations and commitments wil occure 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 Municipality still has power to levy water and sanitation charges and it will continue to receive funding from Government as evident from the equity share allocation received in terms of the Division of Revenue Act.

The Municipality started experiencing cash flow difficulties from the 2016/2017 financial year. An Interim Finance Committee was established during the 2018/2019 financial year to manage cash flow and monitor the implementation of cost containment measures. It must be noted that the drought related expenditure incurred during previous financial years had the most significant impact on the Municipality's cash reserves. Covid-19 pandemic also impacted negatively in the implementation of the credit control and debt collection policies.

The financial situation of the Municipality is however improving. We also draw attention to that although the Municipality has had legacy issues in terms of net deficit running from year to year, the Municipality has, in the year under reporting been able to cut its liabilities by R36,540,453 and suggest to continue decreasing it's liabilities and improving revenue collection in the forthcoming financial years.

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

48. Going concern (continued)

Management acknowledges the decrease in the cost coverage ratio with great concern and a budget funding plan was developed during the 2019/2020 financial year to address the situation. All high cost drivers has been identified and a strategy to address each cost driver has been developed, implemented and is being monitored.

Management has developed a revenue enhancement strategy and is implementing the revenue enhancement plan in and effort to improve the cash position and reduce water losses.

Management has, in addition, also implemented MFMA Circular 82 (Cost containment measures) in an effort to cut down on operational expenditure. This is evident in the reduction of it's liabilities in the year under reporting when compared to the comparative figure from the 2020/2021 financial year.

Ageing infrastructure and water purification plants operating beyond their design capacity also contributes to high maintenance costs; as did the floods and vandalism experienced during the 2021/2022 and 2022/2023 financial years contributing to a significant increase in maintenance and repair costs.

The Municipality entered into an agreement with Umgeni Water to perform the bulk water function on behalf of the Municipality. Umgeni Water took over three water purification plants as from 1 January 2019: Oliphantskop, Tugela Estate and the Ezakheni plant.

This has put further strain on the budget of the Municipality and on the 26th of March 2020 Council resolved to terminate the contract due to unsustainability in the long run. A termination letter was issued to Umgeni Water on the 16th of July 2020.

The matter was resolved out of Court and Uthukela has taken over the operations of the three plants as from 1 July 2021.

The two parties (uThukela DM and Umgeni Water) has finalizing a payments plan in order to pay the debt due to Umgeni Water.

It must be noted that the Municipality is still under Section 139(1) (b) Constitution intervention.

As from the 1st of July 2022 forensic investigators has been appointed to investigate absorbent expenditure incurred with the use of the Wesbank fleet cards and as part of their scope of work, the same forensic investigators are investigating excessive overtime and standby claims submitted by employees.

The Municipality appointed a service provider to install smart pre-paid meters and to manage revenue collection from the sales through these meters, however due to some complications the service providers contract was terminated and the Municipality has not received any of the revenue collected by the service provider.

The Municipality was unable to determine the amount collected through the sales of the pre-paid meter and the commission due to the service provider. There is therefore a strong possibility of a potential financial loss.

Legal action has been instituted and the matter is sub judice.

The Municipality has however received an amount of R8,000,000 in respect of pre-paid water sales recovered by the legal firm Garlicke and Bousefield.

49. Events after the reporting date

Non-adjusting events after reporting date.

The Municipality took a resolution on 27 March 2024 to dispose of certain municipal vehicles that are costly to maintain. Out of 50 municipal vehicles which were approved for auction, nine vehicles were auctioned on 31 July 2024.

The proceeds on disposal amounted to R3,042,325.

On 4 July 2024 the municipality received a donation of three water tanker trucks from the Development Bank of South Africa (DBSA).

The value of the three water tanker trucks amounts to R4,655,775.

Uthukela District Municipality

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	2024	2023	2024	2023

50. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	256 334 920	293 171 448	256 334 920	293 171 448
Irregular expenditure	387 182 624	772 631 018	385 199 722	772 631 018
Fruitless and wasteful expenditure	56 110 720	62 712 104	56 101 412	62 709 186
Closing balance	699 628 264	1 128 514 570	697 636 054	1 128 511 652

51. Unauthorised expenditure

Opening balance as previously reported	293 171 448	137 721 377	293 171 448	137 721 377
Add: Unauthorised expenditure - current	256 334 920	155 450 071	256 334 920	155 450 071
Less: Amount authorised - prior period	(293 171 448)	-	(293 171 448)	-
Closing balance	256 334 920	293 171 448	256 334 920	293 171 448

Unauthorized expenditure is the result of overspending of the total amount appropriated in the Municipalities budget for the financial year excluding non-cash items.

Overall the Municipality spent R1,192,739,920 against the budget of R936,405,000 which resulted in an overspending of R256,334,920 for the financial year (2023/2024).

There has however been overspending on certain line items in the budget for the 2023/2024 financial year.

Refer to the tables below.

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

Non-cash	74 866 547	38 744 482	74 866 547	38 744 482
Cash	181 468 373	116 705 589	181 468 373	116 705 589
	256 334 920	155 450 071	256 334 920	155 450 071

In accounting, a non-cash item refers to an expense listed on an income statement, such as capital depreciation, investment gains, or losses, that does not involve a cash payment.

Cash items in simple terms, any money leaving the Municipality. include employees salaries, the maintenance of assets and the purchase of goods and services.

Analysed as follows: non-cash

Depreciation and amortisation	(9 904 753)	2 623 113	(9 904 753)	2 623 113
Impairment loss	779 590	3 428 622	779 590	3 428 622
Debt impairment provision	80 208 114	10 727 197	80 208 114	10 727 197
Incentive discounts	3 123 596	3 302 525	3 123 596	3 302 525
Bad Debt write offs	-	17 143 861	-	17 143 861
Loss on disposal of assets	-	1 519 164	-	1 519 164
Actuarial losses	660 000	-	660 000	-
	74 866 547	38 744 482	74 866 547	38 744 482

Amounts disclosed as (XXXXXX) represents a saving against the budget.

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
51. Unauthorised expenditure (continued)				
Analysed as follows: cash				
Employee related costs	20 502 859	9 537 785	20 502 859	9 537 785
Remuneration of Councillors	138 847	236 372	138 847	236 372
Interest incurred	15 852 222	8 611 049	15 852 222	8 611 049
Lease rental on operating leases	17 761 261	20 836 365	17 761 261	20 836 365
Bulk purchases	(16 019 037)	(18 866 009)	(16 019 037)	(18 866 009)
Contracted services	19 723 878	16 073 373	19 723 878	16 073 373
Transfers and subsidies	(2 200 000)	-	(2 200 000)	-
General expenditure	125 708 343	80 276 654	125 708 343	80 276 654
	181 468 373	116 705 589	181 468 373	116 705 589

Amounts disclosed as (XXXXXX) represents a saving against the budget.

Unauthorised expenditure: Budget overspending – per municipal department:

Municipal Governance and Administration	154 511 788	81 026 557	154 511 788	81 026 557
Community and Public Safety	(7 435 843)	(4 941 883)	(7 435 843)	(4 941 883)
Planning, Economic Development and Social Services	83 832	1 023 978	83 832	1 023 978
Trading Services (water management)	109 175 143	78 341 419	109 175 143	78 341 419
	256 334 920	155 450 071	256 334 920	155 450 071

Recoverability steps taken/criminal proceedings

No recoverability steps or criminal proceedings has been instituted.

Disciplinary steps taken/criminal proceedings

No disciplinary steps has been taken and no criminal proceedings has been instituted.

Unauthorized expenditure written off

Council resolution No. A05/01/24 31 - Council meeting 31 January 2024	293 171 448	-	293 171 448	-
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52. Fruitless and wasteful expenditure

Opening balance as previously reported	62 712 104	14 186 395	62 709 186	14 186 396
Add: Fruitless and wasteful expenditure identified - current	11 797 950	48 522 790	11 797 950	48 522 790
Opening balance as previously reported - Uthukela Economic Development Agency	-	14 498	-	-
Add: Fruitless and wasteful expenditure identified - current - Uthukela Economic development Agency	6 068	2 919	-	-
Add: Fruitless and wasteful expenditure identified - prior period - Uthukela Economic Development Agency	322	-	-	-
Less: Amount written off - prior period	(18 405 724)	-	(18 405 724)	-
Less: Amount written off - prior period - Uthukela Economic Development Agency	-	(14 498)	-	-
Closing balance	56 110 720	62 712 104	56 101 412	62 709 186

Fruitless and wasteful expenditure is presented inclusive of VAT and is incurred due to the late payment of creditors.

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	2024	2023	2024	2023
52. Fruitless and wasteful expenditure (continued)				
Expenditure identified in the current year				
Eskom	346 789	61 302	346 789	61 302
Alfred Duma Local Municipality	318 292	45 907	318 292	45 907
Auditor General	48 880	51 730	48 880	51 730
SAPO (South African Post Office)	-	45 078	-	45 078
Shula Construction	-	96 782	-	96 782
Umgeni Pumps	-	44 303 462	-	44 303 462
DLV Contractors	730 327	232 377	730 327	232 377
Munsoft	3 667	35 311	3 667	35 311
DWS (Department of Water and Sanitation)	8 554 377	3 650 841	8 554 377	3 650 841
Justin Heunis & Associates (ROSCO Family Trust)	25 276	-	25 276	-
Justin Heunis & Associates (RASP)	1 530 122	-	1 530 122	-
PHZ Kubheka	56 347	-	56 347	-
Macaulay & Riddel (Compu Supplies)	1 471	-	1 471	-
Mason Incorporated (Wolcocks Reed and Kotze)	180 997	-	180 997	-
Telkom	1 405	-	1 405	-
SARS - Uthukela Economic Development Agency	6 390	2 919	-	-
	11 804 340	48 525 709	11 797 950	48 522 790

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	2024	2023	2024	2023	
52. Fruitless and wasteful expenditure (continued)					
Details of fruitless and wasteful expenditure					
	Disciplinary steps taken/criminal proceedings				
Fruitless and wasteful expenditure - 2022/2023	No disciplinary steps and no criminal proceedings instituted	-	48 522 790	-	48 522 790
Fruitless and wasteful expenditure - 2023/2024	No disciplinary steps and no criminal proceedings instituted	11 797 950	-	11 797 950	-
Fruitless and wasteful expenditure - 2022/2023	No disciplinary steps and no criminal proceedings instituted	-	2 919	-	-
Uthukela Economic Development Agency					
Fruitless and wasteful expenditure - 2023/2024	No disciplinary steps and no criminal proceedings instituted	6 390	-	-	-
Uthukela Economic Development Agency					
		11 804 340	48 525 709	11 797 950	48 522 790

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	2024	2023	2024	2023

52. Fruitless and wasteful expenditure (continued)

Amount written-off

	Written off by Council				
Council resolution No. A05/01/24 - Council meeting 31 January 2024	Council 31 January 2024	18 405 724	-	18 405 724	-
Board resolution 47/05/2024 - Uthukela Economic Development Agency	Board 31 May 2024	-	-	14 498	-
		18 405 724	-	18 420 222	-

Recoverability steps taken/criminal proceedings

No disciplinary steps has been taken and no criminal proceedings has been instituted.

Disciplinary steps taken/criminal proceedings

No disciplinary steps has been taken and no criminal proceedings has been instituted.

53. Irregular expenditure

Opening balance as previously reported	772 631 018	435 274 826	772 631 018	435 274 826
Add: Irregular expenditure - current	385 199 722	337 356 192	385 199 722	337 356 192
Opening balance as previously reported - Uthukela Economic Development Agency	-	1 860 877	-	-
Add: Irregular expenditure - Uthukela Economic Development Agency	1 982 902	-	-	-
Less: Amount written off - current - Uthukela Economic Development Agency	-	(1 860 877)	-	-
Less: Amount written off - prior period	(772 631 018)	-	(772 631 018)	-
Closing balance	387 182 624	772 631 018	385 199 722	772 631 018

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
53. Irregular expenditure (continued)				
Incidents/cases identified/reported in the current year include those listed below:				
Nature of contravention				
Section 32 deviations	835 130	2 779 523	835 130	2 779 523
Section 36 deviations	51 168 891	33 680 646	50 961 993	33 680 646
Non-compliance with SCM regulations	257 948 714	248 690 755	245 649 213	248 690 755
Expired contracts	13 174 205	2 544 309	13 381 103	2 544 309
Order splitting	3 401 039	3 511 802	3 401 040	3 511 802
Irregular expenditure - Uthukela Economic Development Agency - non-compliance with SCM regulations	1 982 902	-	-	-
Section 37 deviations	-	22 423 622	25 196 550	22 423 622
Section 114 deviations	38 503 874	23 349 860	38 503 874	23 349 860
State employees	67 500	375 675	67 500	375 675
Overtime payments	-	-	7 203 319	-
	367 082 255	337 356 192	385 199 722	337 356 192

Management went as far back as possible to identify irregular expenditure for the disclosure in the financial statements.

Amounts disclosed are inclusive of VAT.

	Disciplinary steps taken/criminal proceedings				
Irregular expenditure incurred 2022/2023	No disciplinary steps and no criminal proceedings instituted	-	337 356 192	-	337 356 192
Irregular expenditure incurred 2023/2024	No disciplinary steps and no criminal proceedings instituted	365 099 353	-	385 199 722	-
Irregular expenditure incurred 2023/2024 - Uthukela Economic Development Agency	No disciplinary steps and no criminal proceedings instituted	1 982 902	-	-	-
		367 082 255	337 356 192	385 199 722	337 356 192

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	2024	2023	2024	2023

53. Irregular expenditure (continued)

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount R772,631,018 - from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Council resolution no. A05/01/24 - Council meeting 31 January 2024	772 631 018	-	772 631 018	-
Board resolution no. 47/05/2024 - Board meeting 31 May 2024 - Uthukela Economic Development Agency	-	1 860 877	-	-
	<u>772 631 018</u>	<u>1 860 877</u>	<u>772 631 018</u>	<u>-</u>

Disciplinary steps taken/criminal proceedings

No disciplinary steps and no criminal proceedings has been instituted.

54. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	5 615 069	3 905 556	5 615 069	3 905 556
Amount paid - current year	(5 615 069)	(3 905 556)	(5 615 069)	(3 905 556)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The above is payments made to the Auditor General.

PAYE, UIF and SDL

Current year subscription / fee	62 460 079	56 966 552	62 460 079	56 966 552
Amount paid - current year	(62 460 079)	(56 966 552)	(62 460 079)	(56 966 552)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The above is PAYE, UIF and SDL deductions from the payroll paid to SARS.

Pension and Medical Aid Deductions

Current year subscription / fee	74 143 576	69 051 573	74 143 576	69 051 573
Amount paid - current year	(74 143 576)	(69 051 573)	(74 143 576)	(69 051 573)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The above is pension and medical aid contributions paid to the pension funds and medical aid schemes.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

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

Supply chain management regulations

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

Incident

Wetspec	-	4 348 796	-	4 348 796
Mgazi Engineering	-	8 720 426	-	8 720 426
Zwnzelewena	-	5 180 180	-	5 180 180
Seethal Attournies	-	129 732	-	129 732
Zeqele	-	82 174	-	82 174
Kone	17 165	37 310	17 165	37 310
Huge Telecom	9 001	43 304	9 001	43 304
Motagane	-	4 518 000	-	4 518 000
Workwear	-	298 545	-	298 545
Zenith Car Rental	2 292 703	596 144	2 292 703	596 144
K2 Commodities	180 733	132 841	180 733	132 841
Lalpersad	21 144	-	21 144	-
Bates motors	-	286 303	-	286 303
Magudulela	-	3 408 696	-	3 408 696
Laytam	492 511	-	492 511	-
Phakamo Holdings	3 447 956	-	3 447 956	-
Ntantana Indoda Trading	36 756 362	-	36 756 362	-
Lukhwishi Trading Enterprise	694 548	-	694 548	-
Okuhlenathi	1 601 530	-	1 601 530	-
MBE Construction	313 685	-	313 685	-
Vuyimpie Trading	289 881	-	289 881	-
Siyajuluka Trading	3 954 180	-	3 954 180	-
Kantech Services	991 784	-	991 784	-
Nguqumlithi	105 708	-	105 708	-
	51 168 891	27 782 451	51 168 891	27 782 451

Investments as at the end of the financial year

The Municipality had the following investments as at the end of the financial year

Summary of all investments

UTDM - First National Bank	418 217	539 833	418 217	539 833
UTDM - Nedbank	7 689	1 204 918	7 689	1 204 918
UTDM - Investec	399 309	368 470	399 309	368 470
UTDM - ABSA Bank	219 926	1 557 272	219 926	1 557 272
UTDM - Standard Bank	-	1 362 505	-	1 362 505
Economic Development Agency - Standard Bank	2 753 243	5 094 157	-	-
	3 798 384	10 127 155	1 045 141	5 032 998

Surplus fund are transferred from the Municipalities primary bank account to investment accounts to safeguard the Municipality against fraudulent transactions.

Refer to cash and cash equivalents.

55. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E for the comparison of actual operating expenditure versus budgeted expenditure.

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
56. Deviation from supply chain management regulations				
Supplu chain deviations				
Deviations supported by approval memo's - UTDM	-	432 902	-	432 902
Less than three quotations	1 060 367	-	1 060 367	-
Sole suppliers	389 751	-	389 751	-
	1 450 118	432 902	1 450 118	432 902

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

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

57. Segment information

General information

Identification of segments

The economic entity is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

The Municipalities operations are in the KwaZulu Natal Province.

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
Municipal Governance and Administration	Governance and Administration is the process of activities of running the organization.
Community and Public Safety	Community safety is a partnership approach to reduce crime and disorder in local communities. It also manages disaster caused by humans or nature.
Trading Services	Trading services are the main source of income for the Municipality and are water, sanitation and sewerage services rendered.
Uthukela Economic Development Agency	RASET program (Radical Agrarian Socia-Economic Transformation

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand

57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Controlling entity - 2024

	Municipal Governance and Administration	Community and Public Safety	Trading Services	Economic Development Agency	Total
Revenue					
Service charges	-	-	287 363 693	-	287 363 693
Interest received - trading services	-	-	62 379 178	-	62 379 178
Other income	979 920	-	-	10 530	990 450
Interest received on investments	11 078 696	-	-	315 410	11 394 106
Grants and subsidies	583 832 782	2 572 887	291 328 235	1 373 858	879 107 762
Fines, penalties & forfeits	-	41 700	-	-	41 700
Proceeds on sale of assets	133 300	-	-	-	133 300
Gains on disposal of assets	5 831 893	-	-	-	5 831 893
Total segment revenue	601 856 591	2 614 587	641 071 106	1 699 798	1 247 242 082
Entity's revenue					1 247 242 082

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand

	Municipal Governance and Administration	Community and Public Safety	Trading Services	Economic Development Agency	Total
57. Segment information (continued)					
Expenditure					
Employee related costs	126 535 432	61 380 979	186 308 448	1 841 887	376 066 746
Remuneration of Councillors	6 302 847	-	-	510 820	6 813 667
Depreciation and amortization	18 168	-	85 686 079	136 971	85 841 218
Impairment loss	-	-	779 590	-	779 590
Interest incurred	16 352 222	-	-	-	16 352 222
Lease rentals on operating leases	17 761 261	-	-	-	17 761 261
Debt impairment	1 024 719	-	236 149 395	-	237 174 114
Incentive discounts	-	-	3 123 596	-	3 123 596
Loss on write offs	-	-	-	9 180	9 180
Bulk purchases	-	-	32 063 963	-	32 063 963
Transfers and subsidies	-	3 285 000	-	(3 285 000)	-
Contracted services	16 764 949	-	138 742 929	-	155 507 878
Actuarial losses	660 000	-	-	-	660 000
General expenditure	75 750 898	-	184 049 445	2 901 116	262 701 459
Total segment expenditure	261 170 496	64 665 979	866 903 445	2 114 974	1 194 854 894
Total segmental surplus/(deficit)	340 686 095	(62 051 392)	(225 832 339)	(415 176)	52 387 188
Assets					
Current assets	248 250 201	-	83 642 318	3 549 346	335 441 865
Non-current assets	40 691 575	-	3 366 571 146	974 927	3 408 237 648
Total segment assets	288 941 776	-	3 450 213 464	4 524 273	3 743 679 513
Total assets as per Statement of financial Position					3 743 679 513

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand

	Municipal Governance and Administration	Community and Public Safety	Trading Services	Economic Development Agency	Total
57. Segment information (continued)					
Liabilities					
Current liabilities	697 723 178	-	284 786 227	2 783 869	985 293 274
Non-current liabilities	49 527 000	-	-	-	49 527 000
Total segment liabilities	747 250 178	-	284 786 227	2 783 869	1 034 820 274
Total liabilities as per Statement of financial Position					1 034 820 274

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

Controlling entity - 2023

	Municipal Governance and Administration	Community and Public Safety	Trading Services	Economic Development Agency	Total
Revenue					
Service charges	-	-	225 919 459	-	225 919 459
Interest received - trading services	-	-	49 201 177	-	49 201 177
Other income	2 354 248	-	-	15 186	2 369 434
Interest received on investments	7 328 864	-	-	378 650	7 707 514
Grants and subsidies	545 551 576	2 180 000	242 688 332	2 116 217	792 536 125
Actuarial gains	2 336 000	-	-	-	2 336 000
Fines, penalties & forfeits	-	31 200	-	-	31 200
Total segment revenue	557 570 688	2 211 200	517 808 968	2 510 053	1 080 100 909
Entity's revenue					1 080 100 909

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Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand

57. Segment information (continued)

Expenditure

Employee related costs	137 457 037	55 060 817	169 298 730	3 092 042	364 908 626
Remuneration of Councillors	6 607 372	-	-	353 998	6 961 370
Depreciation and amortization	5 040 220	-	78 882 893	493 187	84 416 300
Impairment loss	3 428 622	-	-	-	3 428 622
Interest incurred	8 614 049	-	-	-	8 614 049
Lease rentals on operating leases	2 557 754	-	18 660 243	-	21 217 997
Debt impairment	1 593 154	-	158 200 043	-	159 793 197
Incentive discounts	-	-	3 302 525	-	3 302 525
Bad debt written off	24 805	-	17 119 056	-	17 143 861
Bulk purchases	-	-	15 209 991	-	15 209 991
Transfers and subsidies	-	3 120 000	-	(3 120 000)	-
Contracted services	14 673 737	103 530	213 241 176	-	228 018 443
Loss on disposal of assets and liabilities	1 519 164	-	-	1 809 527	3 328 691
General expenditure	89 193 324	2 206 619	159 495 820	1 444 832	252 340 595
Total segment expenditure	270 709 238	60 490 966	833 410 477	4 073 586	1 168 684 267
Total segmental surplus/(deficit)	286 861 450	(58 279 766)	(315 601 509)	(1 563 533)	(88 583 358)

Assets

Current assets	261 256 181	-	67 677 906	5 816 026	334 750 113
Non-current assets	37 170 413	-	3 217 917 471	1 121 078	3 256 208 962
Total segment assets	298 426 594	-	3 285 595 377	6 937 104	3 590 959 075
Total assets as per Statement of financial Position					3 590 959 075

Liabilities

Current liabilities	464 305 066	-	470 710 584	4 782 564	939 798 214
Non-current liabilities	39 722 407	-	-	-	39 722 407
Total segment liabilities	504 027 473	-	470 710 584	4 782 564	979 520 621
Total liabilities as per Statement of financial Position					979 520 621

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

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Consolidated Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
58. Incentive discounts				
Incentive discounts (consumer debtors)				
50% discount (50 percent)	-	2 247 702	-	2 247 702
1/3 discount (one third)	3 123 956	1 054 823	3 123 956	1 054 823
	<u>3 123 956</u>	<u>3 302 525</u>	<u>3 123 956</u>	<u>3 302 525</u>

The municipality offers incentive discounts to consumers in order to encourage consumers to pay their accounts and reduce outstanding debt.

59. Bad debt written off

Irrecoverable debt written off

Indigent consumers debt written off	-	17 119 056	-	17 119 056
Access held back by insurance brokers in respect of insurance claim lodged in 2021/2022 financial year	-	24 805	-	24 805
	<u>-</u>	<u>17 143 861</u>	<u>-</u>	<u>17 143 861</u>

The amount of R17,119,056 is in respect of outstanding debt written off in respect of registered indigent consumers.

The Municipality created a debtor in the 2021/2022 financial year in respect of an outstanding insurance claim to the amount of R496,092.

The claim was paid out in favour of the Municipality on the 29th of July 2022 however R24,805 was held back as insurance access.

The Municipality therefore received an amount of R471,287 only from the Insurance Broker.

60. Fraudulent activities

Fraudulent activities identified

KZN Transport - vehicle licences - fleet related	14 775	14 775	14 775	14 775
Various service providers - Fuel and oil - fleet related	6 000 000	6 000 000	6 000 000	6 000 000
	<u>6 014 775</u>	<u>6 014 775</u>	<u>6 014 775</u>	<u>6 014 775</u>

The above relates to the ongoing investigation on fleet related matters (2017/2018).

Uthukela District Municipality
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Appendix B

June 2024

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an error Rand	Donations received Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of an error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	4 770 772	-	-	-	-	-	4 770 772	-	-	-	-	-	-	4 770 772
Buildings - Uthukela Economic Development Agency	439 100	-	-	-	-	-	439 100	-	-	-	-	-	-	439 100
Buildings (Separate for AFS purposes)	37 618 841	-	-	-	-	-	37 618 841	(9 428 092)	-	-	(1 290 004)	-	(10 718 096)	26 900 745
	42 828 713	-	-	-	-	-	42 828 713	(9 428 092)	-	-	(1 290 004)	-	(10 718 096)	32 110 617
Infrastructure														
Water and wastewater infrastructure	3 363 151 055	4 307 180	-	15 561 144	-	-	3 383 019 379	(957 378 358)	-	-	(79 373 207)	(22 824 387)	1 059 575 952	2 323 443 427
	3 363 151 055	4 307 180	-	15 561 144	-	-	3 383 019 379	(957 378 358)	-	-	(79 373 207)	(22 824 387)	1 059 575 952	2 323 443 427
Community Assets														

Uthukela District Municipality
Uthukela District Municipality
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June 2024

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an error Rand	Donations received Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of an error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	71 225 935	681 665	(26 381 286)	-	-	-	45 526 314	(64 936 682)	26 085 414	-	(4 251 689)	-	(43 102 957)	2 423 357
Computer Equipment	5 168 108	482 894	-	-	-	-	5 651 002	(3 937 317)	-	-	(410 676)	-	(4 347 993)	1 303 009
Office Equipment	6 921 533	-	-	-	-	-	6 921 533	(5 500 433)	-	-	(360 504)	(98 723)	(5 959 660)	961 873
Work in progress	838 963 937	233 046 343	-	(15 561 144)	-	-	1 056 449 136	-	-	-	-	(11 086 616)	(11 086 616)	1 045 362 520
Movables - Uthukela Economic Development Agency	681 978	-	-	-	-	-	681 978	-	(9 180)	-	(136 971)	-	(146 151)	535 827
	922 961 491	234 210 902	(26 381 286)	(15 561 144)	-	-	1 115 229 963	(74 374 432)	26 076 234	-	(5 159 840)	(11 185 339)	(64 643 377)	1 050 586 586

Uthukela District Municipality
Uthukela District Municipality
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June 2024

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an error Rand	Donations received Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of an error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	42 828 713	-	-	-	-	-	42 828 713	(9 428 092)	-	-	(1 290 004)	-	(10 718 096)	32 110 617
Infrastructure	3 363 151 055	4 307 180	-	15 561 144	-	-	3 383 019 379	(957 378 358)	-	-	(79 373 207)	(22 824 387)	1 059 575 952	2 323 443 427
Other assets	922 961 491	234 210 902	(26 381 286)	(15 561 144)	-	-	1 115 229 963	(74 374 432)	26 076 234	-	(5 159 840)	(11 185 339)	(64 643 377)	1 050 586 586
	4 328 941 259	238 518 082	(26 381 286)	-	-	-	4 541 078 055	1 041 180 882	26 076 234	-	(85 823 051)	(34 009 726)	1 134 937 425	3 406 140 630
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	786 557	-	-	-	-	-	786 557	(376 235)	-	-	(18 167)	-	(394 402)	392 155
	786 557	-	-	-	-	-	786 557	(376 235)	-	-	(18 167)	-	(394 402)	392 155
Investment properties														
Total														
Land and buildings	42 828 713	-	-	-	-	-	42 828 713	(9 428 092)	-	-	(1 290 004)	-	(10 718 096)	32 110 617
Infrastructure	3 363 151 055	4 307 180	-	15 561 144	-	-	3 383 019 379	(957 378 358)	-	-	(79 373 207)	(22 824 387)	1 059 575 952	2 323 443 427
Other assets	922 961 491	234 210 902	(26 381 286)	(15 561 144)	-	-	1 115 229 963	(74 374 432)	26 076 234	-	(5 159 840)	(11 185 339)	(64 643 377)	1 050 586 586
Intangible assets	786 557	-	-	-	-	-	786 557	(376 235)	-	-	(18 167)	-	(394 402)	392 155
	4 329 727 816	238 518 082	(26 381 286)	-	-	-	4 541 864 612	1 041 557 117	26 076 234	-	(85 841 218)	(34 009 726)	1 135 331 827	3 406 532 785

Uthukela District Municipality
Uthukela District Municipality
Appendix B
July 2023

Analysis of property, plant and equipment as at 30 June 2023
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an error Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of ans error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	4 770 772	-	-	-	-	-	4 770 772	-	-	-	-	-	-	4 770 772
Buildings - Uthukela Economic Development Agency	-	439 100	-	-	-	-	439 100	-	-	-	-	-	-	439 100
Buildings (Separate for AFS purposes)	37 618 841	-	-	-	-	-	37 618 841	(8 141 612)	-	-	(1 286 480)	-	(9 428 092)	28 190 749
	42 389 613	439 100	-	-	-	-	42 828 713	(8 141 612)	-	-	(1 286 480)	-	(9 428 092)	33 400 621
Infrastructure														
Water and wastewater infrastructure	3 211 623 611	-	(6 170 363)	36 474 871	121 222 936	-	3 363 151 055	(885 351 626)	4 683 329	(16 338 587)	(79 124 607)	(3 291 664)	(979 423 155)	2 383 727 900
	3 211 623 611	-	(6 170 363)	36 474 871	121 222 936	-	3 363 151 055	(885 351 626)	4 683 329	(16 338 587)	(79 124 607)	(3 291 664)	(979 423 155)	2 383 727 900
Community Assets														

Uthukela District Municipality
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June 2024

Analysis of property, plant and equipment as at 30 June 2023
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an error Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of ans error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	72 730 237	-	(1 753 261)	-	248 959	-	71 225 935	(63 880 772)	1 753 261	(19 182)	(2 789 990)	(33 764)	(64 970 447)	6 255 488
Computer Equipment	5 145 309	75 936	(98 138)	-	45 000	-	5 168 107	(3 616 488)	85 359	(2 352)	(365 600)	(38 235)	(3 937 316)	1 230 791
Office Equipment	7 098 586	170 640	(347 693)	-	-	-	6 921 533	(5 490 457)	328 342	-	(338 319)	(98 723)	(5 599 157)	1 322 376
Work in progress	817 562 940	165 721 037	-	(41 444 714)	(102 875 326)	-	838 963 937	-	-	-	-	(11 086 615)	(11 086 615)	827 877 322
Movables - Uthukela Economic Development Agency	2 981 307	3 385	(1 809 527)	-	-	-	1 175 165	-	-	-	(493 187)	-	(493 187)	681 978
	905 518 379	165 970 998	(4 008 619)	(41 444 714)	(102 581 367)	-	923 454 677	(72 987 717)	2 166 962	(21 534)	(3 987 096)	(11 257 337)	(86 086 722)	837 367 955

Uthukela District Municipality
Uthukela District Municipality
Appendix B

June 2024

Analysis of property, plant and equipment as at 30 June 2023
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an error Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of ans error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	42 389 613	439 100	-	-	-	-	42 828 713	(8 141 612)	-	-	(1 286 480)	-	(9 428 092)	33 400 621
Infrastructure	3 211 623 611	-	(6 170 363)	36 474 871	121 222 936	-	3 363 151 055	(885 351 626)	4 683 329	(16 338 587)	(79 124 607)	(3 291 664)	(979 423 155)	2 383 727 900
Other assets	905 518 379	165 970 998	(4 008 619)	(41 444 714)	(102 581 367)	-	923 454 677	(72 987 717)	2 166 962	(21 534)	(3 987 096)	(11 257 337)	(86 086 722)	837 367 955
	4 159 531 603	166 410 098	(10 178 982)	(4 969 843)	18 641 569	-	4 329 434 445	(966 480 955)	6 850 291	(16 360 121)	(84 398 183)	(14 549 001)	1 074 937 969	3 254 496 476
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	786 557	-	-	-	-	-	786 557	(339 458)	-	-	(18 660)	-	(358 118)	428 439
	786 557	-	-	-	-	-	786 557	(339 458)	-	-	(18 660)	-	(358 118)	428 439
Investment properties														
Total														
Land and buildings	42 389 613	439 100	-	-	-	-	42 828 713	(8 141 612)	-	-	(1 286 480)	-	(9 428 092)	33 400 621
Infrastructure	3 211 623 611	-	(6 170 363)	36 474 871	121 222 936	-	3 363 151 055	(885 351 626)	4 683 329	(16 338 587)	(79 124 607)	(3 291 664)	(979 423 155)	2 383 727 900
Other assets	905 518 379	165 970 998	(4 008 619)	(41 444 714)	(102 581 367)	-	923 454 677	(72 987 717)	2 166 962	(21 534)	(3 987 096)	(11 257 337)	(86 086 722)	837 367 955
Intangible assets	786 557	-	-	-	-	-	786 557	(339 458)	-	-	(18 660)	-	(358 118)	428 439
	4 160 318 160	166 410 098	(10 178 982)	(4 969 843)	18 641 569	-	4 330 221 002	(966 820 413)	6 850 291	(16 360 121)	(84 416 843)	(14 549 001)	1 075 296 087	3 254 924 915

Uthukela District Municipality

Appendix E(1)

June 2024

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2024

	Forecast # 1 2024 Bud. Amt	Forecast # 1 2024 Act. Bal.	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Service charges	267 188 000	287 363 693	(20 175 693)	(7.0)	When the budget was compiled the collection rate was considered - actuals is based on actual consumption
Penalties, fines & forfeits	27 000	41 700	(14 700)	(35.3)	The Municipality intensified inspections on food premises and issues fine where businesses did not comply
Interest received (trading)	60 900 000	62 379 178	(1 479 178)	(2.4)	This was not realistically budgeted for
Government grants and subsidies	892 121 000	877 733 904	14 387 096	1.6	
Other income	790 000	1 113 220	(323 220)	(29.0)	Other income was not accurately budgeted for
Gains on disposal of assets	-	5 831 893	(5 831 893)	(100.0)	This was not budgeted for
Interest received - investment	9 994 000	11 078 696	(1 084 696)	(9.8)	This is as a result of surplus funds in the current account transferred to investment accounts
	<u>231 020 000</u>	<u>245 542 284</u>	<u>(14 522 284)</u>	<u>(1.2)</u>	
Expenses					
Personnel	(353 722 000)	(374 224 859)	20 502 859	(5.5)	
Remuneration of councillors	(6 164 000)	(6 302 847)	138 847	(2.2)	
Depreciation	(95 609 000)	(85 704 247)	(9 904 753)	11.6	Depreciation was not accurately budgeted for
Impairment loss	-	(779 590)	779 590	(100.0)	This was not budgeted for
Interest incurred	(500 000)	(16 352 222)	15 852 222	(96.9)	This was not budgeted for
Debt Impairment	(156 966 000)	(237 174 114)	80 208 114	(33.8)	Due to the low collection rate the debtors book increased and impairment was made accordingly
Incentive discounts	-	(3 123 596)	3 123 596	(100.0)	Incentive discounts to encourage consumers to pay outstanding debt was not budgeted for
Lease rentals	-	(17 761 261)	17 761 261	(100.0)	This was not budgeted for
Bulk purchases	(48 083 000)	(32 063 963)	(16 019 037)	50.0	This was not accurately budgeted for
Contracted Services	(135 784 000)	(155 507 878)	19 723 878	(12.7)	The variance is as a result of unexpected high maintenance cost on infrastructure as well as legal cost incurred during the year
Transfers and Subsidies	(5 485 000)	(3 285 000)	(2 200 000)	67.0	The municipality did not transferred the full allocation to the Development Agency
General Expenses	<u>(134 091 000)</u>	<u>(259 800 343)</u>	<u>125 709 343</u>	<u>(48.4)</u>	
Other revenue and costs	(936 404 000)	192 079 920	255 675 920	(21.4)	
Actuarial losses	-	(660 000)	660 000	(100.0)	This was not budgeted for
	-	(660 000)	660 000	(100.0)	
Net surplus/ (deficit) for the year					
	<u>294 616 000</u>	<u>52 802 364</u>	<u>241 813 636</u>	<u>458.0</u>	The variance is as a result of actual expenditure exceeding the allocated budget for the year