



UTHUKELA
UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY

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

Uthukela District Municipality

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 |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

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 |

Uthukela District Municipality

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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

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Although the Accounting Officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality'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 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

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 11 | 18 597 530 | 19 693 454 |
| Receivables from exchange transactions | 12 | 242 267 176 | 247 441 704 |
| Receivables from non-exchange transactions | 13 | 172 980 | 125 796 |
| Consumer debtors | 14 | 65 044 788 | 47 984 452 |
| Bank reconciliation clearing control account | 10 | 94 867 | 190 966 |
| Cash and cash equivalents | 15 | 5 715 178 | 13 497 715 |
| | | 331 892 519 | 328 934 087 |
| Non-Current Assets | | | |
| Property, plant and equipment | 4 | 3 405 165 812 | 3 252 840 329 |
| Intangible assets | 5 | 392 154 | 410 322 |
| Receivables from exchange transactions | 12 | 1 658 406 | 1 658 406 |
| Receivables from non-exchange transactions | 13 | 46 349 | 178 827 |
| | | 3 407 262 721 | 3 255 087 884 |
| Total Assets | | 3 739 155 240 | 3 584 021 971 |
| Liabilities | | | |
| Current Liabilities | | | |
| Operating lease liability | 6 | 2 415 940 | 948 813 |
| Payables from exchange transactions | 7 | 951 075 161 | 834 094 948 |
| Consumer deposits | 8 | 20 029 470 | 19 293 725 |
| Employee benefit obligation | 9 | 5 470 000 | 8 335 593 |
| Unspent conditional grants and receipts | 16 | 99 113 | 13 665 302 |
| Provisions - leave | 17 | 36 722 303 | 41 781 164 |
| Other liabilities - sundry debtors with credit balances | 18 | 112 829 | 99 996 |
| Other liabilities - consumer debtors with credit balances | 19 | 15 781 592 | 16 386 326 |
| Other liabilities - salaries suspense account | 20 | 329 997 | 409 783 |
| | | 1 032 036 405 | 935 015 650 |
| Non-Current Liabilities | | | |
| Employee benefit obligation | 9 | 49 527 000 | 39 722 407 |
| Total Liabilities | | 1 081 563 405 | 974 738 057 |
| Net Assets | | 2 657 591 835 | 2 609 283 914 |
| Accumulated surplus | | 2 657 591 835 | 2 609 283 914 |
| Total Net Assets | | 2 657 591 835 | 2 609 283 914 |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---------|------------------------|------------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 22 | 287 363 693 | 225 919 459 |
| Interest received (trading) | 21 | 62 379 178 | 49 201 177 |
| Other income | 21 | 979 920 | 2 354 248 |
| Proceeds from sale of assets | 21 | 133 300 | - |
| Interest received - investment | 26 | 11 078 696 | 7 328 864 |
| Gain on disposal of assets and liabilities | 4 | 5 831 893 | - |
| Actuarial gains | 9 | - | 2 336 000 |
| Total revenue from exchange transactions | | 367 766 680 | 287 139 748 |
| Revenue from non-exchange transactions | | | |
| Transfer revenue | | | |
| Government grants & subsidies | 28 | 877 733 904 | 790 419 908 |
| Fines, Penalties and Forfeits | 23 | 41 700 | 31 200 |
| Total revenue from non-exchange transactions | | 877 775 604 | 790 451 108 |
| Total revenue | 21 | 1 245 542 284 | 1 077 590 856 |
| Expenditure | | | |
| Employee related costs | 29 | (374 224 859) | (361 816 584) |
| Remuneration of councillors | 30 | (6 302 847) | (6 607 372) |
| Depreciation and amortisation | 31 | (85 704 247) | (83 923 113) |
| Impairment loss | 32 | (779 590) | (3 428 622) |
| Interest incurred | 33 | (16 352 222) | (8 614 049) |
| Lease rentals on operating lease | 24 | (17 761 261) | (21 217 997) |
| Debt Impairment | 35 | (237 174 114) | (159 793 197) |
| Incentive discounts consumer debtors | 57 | (3 123 596) | (3 302 525) |
| Bad debt written off | 58 | - | (17 143 861) |
| Bulk purchases | 37 | (32 063 963) | (15 209 991) |
| Contracted services | 38 | (155 507 878) | (228 018 443) |
| Transfers and Subsidies | 27 | (3 285 000) | (3 120 000) |
| Loss on disposal of assets and liabilities | 4 | - | (1 519 164) |
| Actuarial losses | 9 | (660 000) | - |
| General Expenses | 36 | (259 800 343) | (250 895 763) |
| Total expenditure | | (1 192 739 920) | (1 164 610 681) |
| Surplus (deficit) for the year | | 52 802 364 | (87 019 825) |

Uthukela District Municipality

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 |
|--|-------------------------------|----------------------|
| 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) | | |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 34 392 746 | 76 076 767 |
| Interest raised on sale of goods and services | | 62 379 178 | 49 201 177 |
| Grants | | 864 167 715 | 790 419 908 |
| Interest income | | 11 078 696 | 7 328 864 |
| Fines, penalties and forfeits | | 41 700 | 31 200 |
| Other cash item | | 979 920 | 2 354 248 |
| | | <u>973 039 955</u> | <u>925 412 164</u> |
| Payments | | | |
| Employee costs | | (380 527 706) | (368 423 956) |
| Suppliers | | (330 285 828) | (358 950 647) |
| Interest incurred | | (16 352 222) | (8 614 049) |
| Transfer payments | | (3 285 000) | (3 120 000) |
| Rent paid | | (16 294 134) | (21 361 304) |
| | | <u>(746 744 890)</u> | <u>(760 469 956)</u> |
| Net cash flows from operating activities | 39 | <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) | (165 967 613) |
| Proceeds from sale of assets | | 133 300 | - |
| | | <u>(234 077 602)</u> | <u>(165 967 613)</u> |
| Net cash flows from investing activities | | <u>(234 077 602)</u> | <u>(165 967 613)</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(7 782 537)</u> | <u>(1 025 405)</u> |
| Cash and cash equivalents at the beginning of the year | | 13 497 715 | 14 523 120 |
| Cash and cash equivalents at the end of the year | 15 | <u>5 715 178</u> | <u>13 497 715</u> |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|------------------------|--------------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| 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

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

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.

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Figures in Rand

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.

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|-------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | 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

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

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

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

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

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

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

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

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

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

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

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

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

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

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 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.

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.

Uthukela District Municipality

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)

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.

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - 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.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

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 municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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.

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.

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1.6 Property, plant and equipment (continued)

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

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Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

The municipality 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 municipality or from other rights and obligations.

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

An intangible asset is recognised when:

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

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

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

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

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

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

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Significant Accounting Policies

1.7 Intangible assets (continued)

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 municipality 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.

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.

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Significant Accounting Policies

1.8 Separate financial statements (continued)

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.

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.

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Significant Accounting Policies

1.9 Financial instruments (continued)

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.

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.

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Significant Accounting Policies

1.9 Financial instruments (continued)

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.

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 |

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Significant Accounting Policies

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 municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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.

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Significant Accounting Policies

1.12 Inventories (continued)

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

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

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

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

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

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

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

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

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

1.13 Construction contracts and receivables

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

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

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

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

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

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

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.

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Significant Accounting Policies

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.

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Uthukela District Municipality

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Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Value in use

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

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

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 municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Uthukela District Municipality

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Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.16 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.

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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 municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

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

Reversal of an impairment loss

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

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

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 municipality after deducting all of its liabilities.

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

Uthukela District Municipality

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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 municipality

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

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

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

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

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

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

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

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

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

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

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

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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.

Uthukela District Municipality

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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 municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.21 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

Uthukela District Municipality

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

Recognition

Uthukela District Municipality

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Significant Accounting Policies

1.23 Accounting by principals and agents (continued)

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

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

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

1.24 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

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

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

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 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 municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

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

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

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

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

Uthukela District Municipality

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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.

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

2. Changes in accounting policy

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

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|--|--|
| • GRAP 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 |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

| | 2024 | | | 2023 | | |
|-------------------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 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 |

Reconciliation of property, plant and equipment - 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 |

Uthukela District Municipality

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Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 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 | | | | | | (26 381 286) | - |
| Accumulated depreciation and impairment | | | | | | 26 085 414 | - |
| Accumulated impairment | | | | | | 33 764 | - |
| Debtors | | | | | | 6 094 000 | - |
| | | | | | | 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.

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| Figures in Rand | 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 | 1 043 401 184 | 825 915 984 |
| Capital work in progress - buildings | 1 961 337 | 1 961 337 |
| | <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 |
| 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> |
| 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 |
| The contract with the service provider was terminated and three buildings were not completed. | | |
| Infrastructure | 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) |
| 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> |
| Reconciliation of Work-in-Progress 2024 | | |
| | Included within | Total |
| | Infrastructure | |
| 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> |

Uthukela District Municipality

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Notes to the Annual Financial Statements

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

| | Included within | 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 |
| Maintenance of buildings and offices | 34 022 | 138 557 |
| Maintenance of vehicles | 4 145 673 | 7 551 489 |
| Maintenance of pipelines and reservoirs | 59 446 105 | 59 628 524 |
| Blue drop Green drop | 157 903 | 163 727 |
| Maintenance of pumps | 45 716 548 | 29 660 374 |
| Electrical | 11 813 | 1 411 510 |
| | 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 |
| Municipal Water Services Infrastructure Grant | Boreholes | 60 000 000 | 80 800 000 |

Uthukela District Municipality

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4. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 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 - 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 |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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5. Intangible assets

| | 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 - 2024

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

Reconciliation of intangible assets - 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> |
|---------------------|------------------|----------------|

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

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|--------------------|--------------------|
| 7. Payables from exchange transactions | | |
| Creditors | 27 589 479 | 113 611 017 |
| Other payables | 184 543 443 | 74 813 684 |
| Output VAT accrual | 301 591 840 | 275 347 731 |
| Accrued bonus | 11 030 666 | 10 347 099 |
| Accruals | 94 211 015 | 49 994 490 |
| Department of Water and Sanitation (DWS) accrual | 118 317 129 | 79 342 669 |
| Umgeni Water accrual | 166 500 861 | 188 500 861 |
| Trust funds - estate late accounts | 6 821 019 | 8 431 466 |
| Retentions | 36 855 285 | 30 029 408 |
| Unallocated deposits | 3 614 424 | 3 676 523 |
| | 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 | <u>20 029 470</u> | <u>19 293 725</u> |
|-------|-------------------|-------------------|

Refundable deposits paid in respect of consumer debtors accounts.

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 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) |
| Long service awards | (24 001 000) | (20 945 000) |
| | (54 997 000) | (48 058 000) |
| Non-current liabilities | (49 527 000) | (39 722 407) |
| Current liabilities | (5 470 000) | (8 335 593) |
| | (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 |
| Other net expense recognised in the statement of financial performance | 3 883 000 | 2 245 000 |
| | 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 |
| - Current service cost | 916 000 | 1 617 000 |
| Net interest on the net defined benefit liability (asset) | 3 349 000 | 2 284 000 |
| Remeasurements of the net defined benefit liability (asset) | (382 000) | (1 656 000) |
| - Actuarial gains and losses arising from: | (382 000) | (1 656 000) |
| - Changes in financial assumptions | (382 000) | (1 656 000) |
| | 3 883 000 | 2 245 000 |
| Calculation of actuarial gains and losses | | |
| Increase in net discount rate | (416 000) | (3 637 000) |
| Changes in in-service non-members assumed medical aid option | - | 1 906 000 |
| Subsidy inflationary increase higher / lower than assumed | (23 000) | (347 000) |
| Changes in membership profile different than assumed | 57 000 | 422 000 |
| | (382 000) | (1 656 000) |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|-------------------|-------------------|
| 9. Employee benefit obligations (continued) | | |
| Changes in the fair value of plan assets are as follows: | | |
| Opening balance | 27 113 000 | 24 868 000 |
| Return on plan assets | 5 057 000 | 4 525 000 |
| - Interest revenue | 3 349 000 | 2 908 000 |
| - Current service costs | 1 708 000 | 1 617 000 |
| Contributions by employer | (382 000) | (1 656 000) |
| Payments from the plan | (792 000) | (624 000) |
| | 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

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|-------------------|-------------------|
| 9. Employee benefit obligations (continued) | | |
| Key assumptions used | | |
| Assumptions used at the reporting date: | | |
| Discount rate | 12.29 % | 12.53 % |
| CPI inflation rate | 6.26 % | 6.63 % |
| Medical aid contribution inflation rate | 7.76 % | 8.13 % |
| Net discount rate (medical aid contributions) | 4.20 % | 4.07 % |
| Maximum subsidy inflation rate | 5.45 % | 5.72 % |
| Net discount rate (maximum subsidy) | 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 |
| Increase in value obligation | 3 056 000 | 1 560 000 |
| | 24 001 000 | 20 945 000 |
| Calculation of actuarial gains and losses | | |
| Increase in net discount rate | (122 000) | (1 105 000) |
| Earnings higher / lower than assumed | 70 000 | (88 000) |
| Changes in employee profile different from assumed | 1 094 000 | 513 000 |
| | 1 042 000 | (680 000) |
| The principal actuarial assumptions were as follows. | | |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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9. Employee benefit obligations (continued)

| 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 | <u>24 001 000</u> | <u>20 945 000</u> |
|------------------------------------|-------------------|-------------------|

Movement in the long service obligation

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

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 | <u>24 001 000</u> | <u>20 945 000</u> |
|------------------------------|-------------------|-------------------|

Statement of financial performance

| | | |
|------------------------------|------------------|------------------|
| Long service award liability | <u>1 042 000</u> | <u>(680 000)</u> |
|------------------------------|------------------|------------------|

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.

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.

Uthukela District Municipality

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| Figures in Rand | 2024 | 2023 |
|--|--------------------|--------------------|
| 10. Bank reconciliation clearing account | | |
| Clearing control account balance | | |
| Bank reconciliation clearing control account | 94 867 | 190 966 |
| 11. Inventories | | |
| Chemical stock | 2 347 901 | 4 723 824 |
| Purified water stock | 3 009 361 | 4 653 242 |
| Stores stock | 13 240 268 | 10 316 388 |
| | 18 597 530 | 19 693 454 |
| <p>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.</p> <p>This was done in conjunction with the guidelines stipulated by the Department of Human Settlement, Water and Sanitation (DHDWS).</p> <p>The total water stock as at 30 June 2024 was calculated as 236.1 mega liters amounting to R3,009,361.</p> | | |
| Water for distribution | | |
| Opening balance | 255 343 | 133 291 |
| Volumes associated to updated, additional reservoir tanks and new pipelines | - | 122 052 |
| Volume associated to updated reservoir in Loskop area | (19 293) | - |
| System input volume | 40 043 391 | 43 113 733 |
| Billed authorised consumption | (16 158 506) | (16 621 374) |
| Water losses | 37 (19 069 398) | (21 736 579) |
| Unbilled authorised consumption | (4 815 487) | (4 755 780) |
| Closing balance | 236 050 | 255 343 |
| 12. Receivables from exchange transactions | | |
| Trade debtors | 325 780 | 564 564 |
| Deposits | 1 658 406 | 1 658 406 |
| Input VAT accrual | 230 317 296 | 227 757 703 |
| VAT control receivable - due from SARS | 842 139 | 14 590 176 |
| Sundry debtors accounts | 10 781 961 | 4 529 261 |
| | 243 925 582 | 249 100 110 |
| Non-current assets | 1 658 406 | 1 658 406 |
| Current assets | 242 267 176 | 247 441 704 |
| | 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.

Uthukela District Municipality

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Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|----------------------|--------------------|
| 12. Receivables from exchange transactions (continued) | | |
| 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 |
| Impairment provision | (6 799 815) | (5 775 095) |
| | 10 781 961 | 4 529 261 |
| 13. Receivables from non-exchange transactions | | |
| Receivables from non-exchange transaction | 75 703 | 208 181 |
| Other receivables from non-exchange transactions | 143 626 | 96 442 |
| | 219 329 | 304 623 |
| Non-current assets | 46 349 | 178 827 |
| Current assets | 172 980 | 125 796 |
| | 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 R172,980 (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. | | |
| 14. Consumer debtors | | |
| Gross balances | | |
| Water | 1 208 980 084 | 952 180 869 |
| Consumer debtors agreements on arrears | 2 773 421 | 5 758 171 |
| Consumer debtors with credit balances | 15 781 593 | 16 386 326 |
| | 1 227 535 098 | 974 325 366 |
| Less: Allowance for impairment | | |
| Water | (1 162 490 309) | (926 340 914) |
| Net balance | | |
| Water | 62 383 653 | 45 879 835 |
| Business service levies | 2 661 135 | 2 104 617 |
| | 65 044 788 | 47 984 452 |
| Water | | |
| Current (0 -30 days) | 62 383 653 | 28 559 885 |
| 31 - 60 days | - | 17 319 950 |
| | 62 383 653 | 45 879 835 |
| Consumer agreements | | |
| > 365 days | 2 661 135 | 2 104 617 |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|-------------------------------|-----------------------------|
| 14. Consumer debtors (continued) | | |
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0 -30 days) | 26 685 858 | 21 992 199 |
| 31 - 60 days | 22 410 897 | 23 272 292 |
| 61 - 90 days | 21 385 657 | 17 770 976 |
| 91 - 120 days | 20 495 316 | 17 279 096 |
| 121 - 365 days and longer | 1 002 742 018 | 798 357 091 |
| Consumer agreements | 2 773 421 | 5 758 171 |
| | <u>1 096 493 167</u> | <u>884 429 825</u> |
| Less: Allowance for impairment | (1 050 356 992) | (850 909 906) |
| | <u>46 136 175</u> | <u>33 519 919</u> |
| Industrial/ commercial | | |
| Current (0 -30 days) | 6 594 690 | 3 248 451 |
| 31 - 60 days | 1 383 160 | 1 428 080 |
| 61 - 90 days | 1 671 920 | 1 478 310 |
| 91 - 120 days | 1 058 886 | 1 715 638 |
| 121 - 365 days and longer | 43 188 878 | 38 978 366 |
| | <u>53 897 534</u> | <u>46 848 845</u> |
| Less: Allowance for impairment | (44 420 387) | (41 510 225) |
| | <u>9 477 147</u> | <u>5 338 620</u> |
| National and provincial government | | |
| Current (0 -30 days) | 5 580 170 | 3 319 234 |
| 31 - 60 days | 4 819 858 | 2 199 256 |
| 61 - 90 days | 4 516 151 | 1 765 067 |
| 91 - 120 days | 4 513 523 | 1 664 453 |
| 121 - 365 days and longer | 57 714 695 | 34 098 687 |
| | <u>77 144 397</u> | <u>43 046 697</u> |
| Less: Allowance for impairment | (67 712 930) | (33 920 784) |
| | <u>9 431 467</u> | <u>9 125 913</u> |
| Total | | |
| Current (0 -30 days) | 39 317 091 | 28 559 885 |
| 31 - 60 days | 29 138 405 | 26 899 628 |
| 61 - 90 days | 28 083 247 | 21 014 353 |
| 91 - 120 days | 26 319 602 | 20 659 187 |
| 121 - 365 days and longer | 1 101 903 332 | 871 434 142 |
| Consumer agreements | 2 773 421 | 5 758 171 |
| | <u>1 227 535 098</u> | <u>974 325 366</u> |
| Less: Allowance for impairment | (1 162 490 309) | (926 340 914) |
| | <u>65 044 789</u> | <u>47 984 452</u> |
| Less: Allowance for impairment | | |
| 31 - 60 days | (27 183 219) | (25 554 647) |
| 61 - 90 days | (26 195 041) | (19 963 635) |
| 91 - 120 days | (24 764 338) | (19 626 227) |
| 121 - 365 days and longer | (1 084 235 425) | (861 196 405) |
| Consumer agreements | (112 286) | - |
| | <u>(1 162 490 309)</u> | <u>(926 340 914)</u> |

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Annual Financial Statements for the year ended 30 June 2024

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| Figures in Rand | 2024 | 2023 |
|---|------------------------|----------------------|
| 14. Consumer debtors (continued) | | |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | (926 340 914) | (768 140 871) |
| Contributions to allowance | (236 149 395) | (158 200 043) |
| | (1 162 490 309) | (926 340 914) |
| Fair value of consumer debtors | | |
| Total net consumer debtors at year end | 65 044 789 | 47 984 452 |
| 15. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | 12 400 | 12 400 |
| Bank balances | 4 657 637 | 8 452 317 |
| Short-term deposits | 1 045 141 | 5 032 998 |
| | 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 trackeraccount 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 | - | - | - | - |
| Total | 5 702 777 | 13 485 315 | 5 702 777 | 13 485 315 |

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

Annual Financial Statements for the year ended 30 June 2024

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

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|---|---------------|-------------------|
| Municipal Infrastructure Grant (MIG) | - | 7 990 235 |
| Municipal Water & Sanitation Infrastructure Grant WSIG) | - | 5 648 484 |
| Local Government Sector Education and Training Authority Grant (LGSETA) | - | 26 583 |
| Rural Road Asset Management Grant (RRAM) | 99 113 | - |
| | 99 113 | 13 665 302 |

Movement during the year

| | | |
|--------------------------------------|---------------|-------------------|
| Balance at the beginning of the year | 13 665 301 | 15 797 599 |
| Additions during the year | 288 776 715 | 260 475 246 |
| Income recognition during the year | (298 494 420) | (250 507 907) |
| Roll over applications declined | (3 848 483) | (11 976 000) |
| Unspent grants returned to funders | - | (123 636) |
| | 99 113 | 13 665 302 |

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

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

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

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

17. Provisions

Reconciliation of provisions - 2024

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

Reconciliation of provisions - 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.

18. Other liability - sundry debtors with credit balances

Credit balances

| | | |
|-------------------|---------|--------|
| Current liability | 112 829 | 99 996 |
|-------------------|---------|--------|

The table below represents the age analysis of sundry debtors with credit balances.

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

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|--|----------------------|----------------------|
| 18. Other liability - sundry debtors with credit balances (continued) | | |
| Ageing of sundry debtors with credit balances | | |
| Current (0 - 30 days) | 9 148 | 20 646 |
| 31 - 60 days | 779 | 6 330 |
| 61 - 90 days | 1 687 | 4 070 |
| 91 - 120 days | - | 4 322 |
| 121 - 365 days | 101 215 | 64 628 |
| | 112 829 | 99 996 |
| 19. Other liabilities - consumer debtors with credit balances | | |
| Credit balances | | |
| Current liability | 15 781 592 | 16 386 326 |
| 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 |
| 31 - 60 days | 490 518 | 390 115 |
| 61 - 90 days | 531 806 | 289 521 |
| 91 - 120 days | 286 152 | 309 217 |
| 120 - 365 days | 14 131 867 | 14 139 434 |
| | 15 781 592 | 16 386 326 |
| 20. 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 |
| Salaries control | 21 704 | - |
| | 329 997 | 409 783 |
| 21. Revenue | | |
| Service charges | 287 363 693 | 225 919 459 |
| Interest received (trading) | 62 379 178 | 49 201 177 |
| Other income | 979 920 | 2 354 248 |
| Proceeds from sale of assets | 133 300 | - |
| Interest received - investment | 11 078 696 | 7 328 864 |
| Government grants & subsidies | 877 733 904 | 790 419 908 |
| Fines, Penalties and Forfeits | 41 700 | 31 200 |
| | 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 |
| Interest received (trading) | 62 379 178 | 49 201 177 |
| Other income | 979 920 | 2 354 248 |
| Proceeds from sale of assets | 133 300 | - |
| Interest received - investment | 11 078 696 | 7 328 864 |
| | 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

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21. Revenue (continued)

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

Taxation revenue

Transfer revenue

| | | |
|-------------------------------|--------------------|--------------------|
| Government grants & subsidies | 877 733 904 | 790 419 908 |
| Fines, Penalties and Forfeits | 41 700 | 31 200 |
| | <u>877 775 604</u> | <u>790 451 108</u> |

22. Service charges

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

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.

23. Fines, Penalties and Forfeits

| | | |
|-------------------------------|---------------|---------------|
| Fines, Penalties and Forfeits | <u>41 700</u> | <u>31 200</u> |
|-------------------------------|---------------|---------------|

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).

24. Lease rentals on operating lease

Premises

| | | |
|---------------------|-----------|-----------|
| Contractual amounts | 3 438 217 | 1 762 527 |
|---------------------|-----------|-----------|

Equipment

| | | |
|---------------------|-------------------|-------------------|
| Contractual amounts | 14 323 044 | 19 455 470 |
| | <u>17 761 261</u> | <u>21 217 997</u> |

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.

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.

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Notes to the Annual Financial Statements

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|------------------------------|------------------|------------------|
| 25. Other revenue | | |
| Other income | 979 920 | 2 354 248 |
| Proceeds from sale of assets | 133 300 | - |
| | 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.

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

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

26. Investment revenue

Interest revenue

| | | |
|--|-------------------|------------------|
| Interest earned on investment accounts | 8 557 289 | 5 957 578 |
| Interest earned - other | 2 521 407 | 1 371 286 |
| | 11 078 696 | 7 328 864 |

27. Transfer and subsidies

Grants paid to ME's

| | | |
|--------------------------------------|-----------|-----------|
| uThukela Economic Development Agency | 3 285 000 | 3 120 000 |
|--------------------------------------|-----------|-----------|

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

Provision for this was made in the approved budget.

Uthukela District Municipality

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Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|--------------------|--------------------|
| 28. Government grants & subsidies | | |
| Operating grants | | |
| Equitable share | 579 239 484 | 539 912 000 |
| Finance Management Grant (FMG) | 2 100 000 | 1 845 288 |
| Expanded Public Works Program Grant (EPWP) | 1 816 000 | 2 881 000 |
| Local Government Sector Education and Training Authority Grant (LGSETA) | 677 298 | 913 288 |
| | 583 832 782 | 545 551 576 |
| Capital grants | | |
| Municipal Infrastructure Grant (MIG) | 204 528 235 | 163 493 765 |
| Municipal Water & Sanitation Infrastructure Grant (WSIG) | 86 800 000 | 79 194 567 |
| Rural Road Asset Management Grant (RRAM) | 2 572 887 | 2 180 000 |
| | 293 901 122 | 244 868 332 |
| | 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 |
| Unconditional grants received | 579 239 484 | 539 912 000 |
| | 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 | - |
| Current-year receipts | 196 538 000 | 171 484 000 |
| Conditions met - transferred to revenue | (204 528 235) | (163 493 765) |
| | - | 7 990 235 |
| Conditions still to be met - remain liabilities (see note 16). | | |
| 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. | | |
| 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. | | |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|--------------|------------------|
| 28. Government grants & subsidies (continued) | | |
| Municipal Water & Sanitation Infrastructure Grant (WSIG) | | |
| Balance unspent at beginning of year | 5 648 483 | 15 224 050 |
| Current-year receipts | 85 000 000 | 80 800 000 |
| Conditions met - transferred to revenue | (86 800 000) | (79 194 567) |
| Roll over application declined - recovered from equity share | (3 848 483) | (11 181 000) |
| | <u>-</u> | <u>5 648 483</u> |

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

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 |
| Current-year receipts | 650 714 | 548 246 |
| Conditions met - transferred to revenue | (677 297) | (913 288) |
| | <u>-</u> | <u>26 583</u> |

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

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 |
| Unspent portion of the grant as at 1 July 2022 was returned to the funder | - | (26 636) |
| | <u>-</u> | <u>-</u> |

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

The funding was provided for COVID-19 response intervention measures.

NODAL PLan Grant

| | | |
|---|----------|----------|
| Balance unspent at beginning of year | - | 95 000 |
| Unspent portion of the grant as at 1 July 2022 was returned to the funder | - | (95 000) |
| | <u>-</u> | <u>-</u> |

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

Uthukela District Municipality

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28. Government grants & subsidies (continued)

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 |
| Conditions met - transferred to revenue | 2 672 000 | (2 180 000) |
| Roll over application declined - recovered from equity share | (2 572 887) | (482 000) |
| | <u>99 113</u> | <u>-</u> |

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

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 |
| Current-year receipts | 2 100 000 | 2 100 000 |
| Conditions met - transferred to revenue | (2 100 000) | (1 845 288) |
| Roll over application declined - recovered from equity share | - | (313 000) |
| | <u>-</u> | <u>-</u> |

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

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> |

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

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.

Uthukela District Municipality

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| Figures in Rand | 2024 | 2023 |
|--|--------------------|--------------------|
| 29. Employee related costs | | |
| Basic | 245 105 651 | 237 828 165 |
| Bonus | 20 131 306 | 18 853 173 |
| Medical aid - employers contributions | 10 215 439 | 9 500 100 |
| UIF | 1 593 328 | 1 633 203 |
| SDL | 3 037 117 | 2 860 931 |
| Bargaining Council | 103 055 | 101 035 |
| Leave pay | (979 900) | 11 305 729 |
| Standby allowances | 8 958 153 | 5 865 606 |
| Defined contribution plans | 694 000 | 1 180 000 |
| Travel, motor car, accommodation, subsistence and other allowances | 8 286 260 | 6 144 992 |
| Overtime payments | 14 934 770 | 10 371 798 |
| Acting allowances | 1 861 062 | 1 814 387 |
| Car allowance | 18 237 704 | 15 265 437 |
| Housing benefits and allowances | 1 053 002 | 1 183 072 |
| Surcharge pension funds | 38 393 753 | 35 823 723 |
| Shift allowances | 2 600 159 | 2 085 233 |
| | 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 | - |
| Car Allowance | 75 000 | - |
| Subsistence and travelling | 12 181 | - |
| Contributions to UIF | 886 | - |
| SDL | 6 596 | - |
| | 689 962 | - |

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

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

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

Remuneration of Chief Finance Officer - B.B. Sithole

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

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

| | | |
|----------------------------|---------|---|
| Salary | 209 650 | - |
| Subsistence and travelling | 9 415 | - |
| Contributions to UIF | 531 | - |

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|---|----------------|----------|
| 29. Employee related costs (continued) | | |
| Backpay | 114 929 | - |
| SDL | 3 479 | - |
| Leave paid out | 20 207 | - |
| | 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 |
| Contributions to UIF | - | 1 417 |
| Backpay | - | 2 120 690 |
| SDL | - | 29 013 |
| Leave paid out | - | 3 906 |
| | - | 2 931 766 |

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

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

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

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

30. Remuneration of councillors

| | | |
|---------------------------|------------------|------------------|
| Mayor | 548 979 | 543 544 |
| Deputy Mayor | - | 25 900 |
| Mayoral Committee Members | 1 336 057 | 385 659 |
| Speaker | 712 584 | - |
| Councillors | 3 705 227 | 5 652 269 |
| | 6 302 847 | 6 607 372 |

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.

Uthukela District Municipality

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|--|--------------------|--------------------|
| 31. Depreciation and amortisation | | |
| Property, plant and equipment | 85 686 079 | 83 904 995 |
| Intangible assets | 18 168 | 18 118 |
| | <u>85 704 247</u> | <u>83 923 113</u> |
| 32. Impairment loss | | |
| Impairments | | |
| Property, plant and equipment | <u>779 590</u> | <u>3 428 622</u> |
| The main classes of assets affected by impairment losses are: | | |
| Infrastructure assets. | | |
| Motor vehicles. | | |
| 33. Interest incurred | | |
| Other interest paid | <u>16 352 222</u> | <u>8 614 049</u> |
| The amount of R8,614,049 (2022/2023) and R16,352,222 (2023/2024) relates to interest charges on the late payment of creditors. | | |
| 34. Auditors' remuneration | | |
| Fees | <u>5 667 842</u> | <u>3 905 556</u> |
| 35. Debt impairment | | |
| Contributions to debt impairment provision | <u>237 174 114</u> | <u>159 793 197</u> |
| 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

Annual Financial Statements for the year ended 30 June 2024

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| Figures in Rand | 2024 | 2023 |
|---|--------------------|--------------------|
| 36. General expenses | | |
| Advertising | 214 197 | 323 614 |
| Auditors remuneration | 5 667 842 | 3 905 556 |
| Bank charges | 1 374 358 | 1 134 855 |
| Cleaning | 119 078 | 281 261 |
| Computer expenses | 8 356 308 | 12 700 836 |
| Consulting and professional fees | 5 821 755 | 7 680 945 |
| Hire | 13 100 838 | 13 318 094 |
| Insurance | 3 052 | 4 348 |
| Conferences and seminars | 824 505 | 913 288 |
| IT expenses | - | 25 650 |
| Fleet | - | 373 576 |
| Medical expenses | - | 118 660 |
| Motor vehicle expenses | 1 015 503 | 2 693 422 |
| Fuel and oil | 10 737 420 | 10 698 152 |
| Printing and stationery | 262 742 | 609 106 |
| Protective clothing | 3 220 785 | 898 495 |
| Subscriptions and membership fees | - | 8 060 184 |
| Telephone and fax | 1 951 473 | 2 453 713 |
| Assets expensed | - | 17 696 |
| Electricity - water purification and pump stations | 72 708 075 | 62 965 804 |
| Electricity and water - internal use (municipal services) | 50 752 406 | 42 353 055 |
| Audit Committee | 353 183 | 324 133 |
| Grant expenditure | 29 150 687 | 57 779 065 |
| Chemicals | 54 116 136 | 20 163 005 |
| Other expenses | 50 000 | 1 099 250 |
| | 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 |
| VAT audit - Maxprof (Maximum Profit Recovery (Pty) Ltd | 5 821 755 | 7 113 461 |
| PMU support (Ilungelo Lami Consulting) | - | 535 279 |
| | 5 821 755 | 7 680 945 |

Consulting and professional fees are included in general expenditure above.

Grant expenditure

| | | |
|--|-------------------|-------------------|
| District wide VIP (ventilated improved pit latrines) | 24 809 597 | 54 203 555 |
| Project Management RRAM (Rural Road Assesment Management System) | 2 237 250 | 2 098 309 |
| FMG (Finance Management Grant) expenditure | 2 103 840 | 1 477 201 |
| | 29 150 687 | 57 779 065 |

Grant expenditure is included in general expenditure above.

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---------------------------|-------------------|-------------------|
| 37. Bulk purchases | | |
| Water | <u>32 063 963</u> | <u>15 209 991</u> |

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

Annual Financial Statements for the year ended 30 June 2024

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37. Bulk purchases (continued)

Water losses

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

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

Comprising of:

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

Percentage Loss:

| | | | | |
|----------------------|------------|------------|-------------|-------------|
| Technical losses | - % | - % | 48 % | 50 % |
| Non-technical losses | - % | - % | 12 % | 11 % |
| Total | - % | - % | 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.

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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|--|--------------------|---|--------------------------|-----------------------------------|--------------------|
| 38. Contracted services | | | | | |
| Outsourced Services | | | | | |
| Burial Services | 50 000 | 62 500 | | | |
| Security Services | 27 365 007 | 35 773 779 | | | |
| Electrical | 11 813 | 1 411 510 | | | |
| Water Takers | 1 911 693 | 83 285 361 | | | |
| Consultants and Professional Services | | | | | |
| Legal Cost | 16 620 418 | 10 342 622 | | | |
| Contractors | | | | | |
| Maintenance of Buildings and Facilities | 34 022 | 138 557 | | | |
| Maintenance of Equipment | 49 862 221 | 37 211 863 | | | |
| Maintenance of Unspecified Assets | 59 604 008 | 59 792 251 | | | |
| Stage and Sound Crew | 48 696 | - | | | |
| | 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 |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

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| Figures in Rand | 2024 | 2023 |
|---|--------------------|--------------------|
| 39. Cash generated from operations | | |
| Surplus (deficit) | 52 802 364 | (87 019 825) |
| Adjustments for: | | |
| Depreciation and amortisation | 85 704 247 | 83 923 113 |
| (Loss) gain on sale of assets | (5 831 893) | 1 519 164 |
| (Loss) gain on actuarial valuations | 660 000 | (2 336 000) |
| Impairment deficit | 779 590 | 3 428 622 |
| Debt impairment | 237 174 114 | 159 793 197 |
| Bad debts written off | 3 123 596 | 20 446 386 |
| Movements in operating lease assets and accruals | 1 467 127 | (143 307) |
| Movements in retirement benefit assets and liabilities | (2 865 593) | 2 245 000 |
| Changes in working capital: | | |
| Inventories | 1 095 924 | (11 686 862) |
| Receivables from exchange transactions (current assets) | 5 174 528 | 47 284 631 |
| Receivables from exchange transactions (Consumer debtors) | (253 209 731) | (149 842 692) |
| Other receivables from non-exchange transactions | 85 294 | 2 501 109 |
| Payables from exchange transactions | 113 637 629 | 95 039 828 |
| Unspent conditional grants and receipts | (13 566 189) | (2 132 297) |
| Sundry debtors | 12 833 | 41 771 |
| Consumer deposits | 735 745 | 1 144 300 |
| Consumer debtors | (604 734) | 681 586 |
| Other financial liabilities | (79 786) | 54 484 |
| | 226 295 065 | 164 942 208 |

40. Operating lease

Lease rentals on operating leases

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

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.

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

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40. Operating lease (continued)

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

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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|---|-------------|-------------|
| 41. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment - infrastructure | 520 798 771 | 417 273 266 |
| Infrastructure grants - MIG and WSIG | | |
| Water supply to Ekvukeni sitting, drilling, testing and equipping of boreholes - Nickelodia Trading PTY LTD | 17 021 969 | - |
| Ezakheni E sanitation refurbishment - TZDN Training Construction Services | 1 421 393 | - |
| Ezakheni AC pipe replacement (phase 2 Ezakheni C section subzone 3) - Perfect Defects | 26 402 068 | - |
| Ladysmith AC pipe replacement phase 1 - DLV Consultants | 1 185 056 | 4 313 243 |
| Loskop abstraction and commissioning of the water treatment - Yimpie Projects | 28 144 220 | - |
| Loskop abstraction and commissioning of the water treatment - Owethu Owabo | 3 121 759 | - |
| Ntabamhlophe community water supply scheme Bosch reservoir - Siyajuluka Trading Enterprise | 4 139 667 | - |
| Ntabamhlophe community water supply scheme Bosch reservoir - JG Africa | - | 769 839 |
| Okhahlamba wards 2, 3 & 14 water supply - Amangwe water reticulation 01-west - R and D Contractors | 728 333 | 9 194 011 |
| Okhahlamba 2, 3 and 14 water supply Amangwe water reticulation 01-west and east - ECA Consulting | - | 3 032 553 |
| Okhahlamba wards 2, 3 & 14 water sitting, drolling, testing and equiping of boreholes - Yimpie Projects | 2 085 144 | 25 476 690 |
| Upgrade of Bergville water treatment works | 9 772 667 | 6 212 839 |
| Kwanobamba/Ezitendeni water project - rising main for new abstaraction point - Sinethemba Construction | 194 083 | 766 202 |
| Kwanobamba/Ezitendeni water project rising main for new abstraction - ECA Consulting | 279 533 | 279 533 |
| Kwanobamba/Ezitendeni sanitation project sewer reticulation and pump station phase 1B - Sinethemba Construction | 12 095 277 | - |
| Kwanobamba/Ezitendeni sanitation project sewer reticulation and pump station phase 1B - ECA Consulting | 1 121 530 | 1 121 530 |
| Kwanobamba/Ezitendeni refurbishment of network - ECA Consulting | 331 815 | - |
| Okhahlamba wards 2,3 and 14 water supply - Amanwane water reticulation 01-east - R and D Contractors | 494 487 | 8 386 495 |
| Okhahlamba LM water - ECA Consulting | 3 135 471 | 10 158 561 |
| Weenen/Ezitendeni sewerage treatment works - Klomac Engineering | 2 609 547 | 5 547 283 |
| Weenen/Ezitendeni sewerage treatment works - ECA Consulting | 724 072 | 902 314 |
| Construction of Estcourt Industrial Area water network upgrade | - | 82 043 |
| Weenen/Ezitendeni sanitation project - Maxode Trading | 510 001 | 510 001 |
| Weenen/Ezitendeni sanitation project - ECA Consulting | 2 202 069 | 2 202 069 |
| Construction of Wembezi water conservation and demand management phase 1 | - | 31 971 216 |
| Construction of Fitty Park community water supply scheme phase 2 - R and D JV Mrazane | 16 823 996 | 12 895 130 |
| Ekuvukeni refurbishment of the Oliphantskop water treatment works - ECA Consulting | - | 821 968 |
| Construction of Loskop (Mqedanda) water reticulation ward 4 phase 1 - Sanoqwabe Consultants | - | 5 796 335 |
| Construction of Loskop (Mqedanda) water reticulation ward 4 phase 1 - Owetthu Owabo | 1 478 901 | - |
| Construction of Inkuzini bulk water feeder main stage 3A | - | 2 372 442 |
| Upgrade of Langkloof package plant & bulk supply ward 10 | - | 32 307 475 |
| Upgrade of Langkloof package plant & bulk supply phase 1 - Sinethemba Construction | 22 004 445 | - |
| Upgrade of Langkloof package plant & bulk supply phase 1 - TLS Engineering Consultants | 91 454 | - |
| Steadville water conservation and demand management phase 1 - Mela Okuhle Trading Enterprise | 30 015 745 | - |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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|---|--------------------|--------------------|
| 41. Commitments (continued) | | |
| Steadville water conservation and demand management phase 1 - DLV Consultants | 1 323 538 | 4 719 523 |
| Steadville WCDM | - | 40 124 166 |
| Ladysmith AC replacement phase 1 - Sinethemba Construction | 26 038 980 | 37 198 905 |
| Sanitation coverage VIP toilets phase 2 - DLV Consultants | 346 382 | 20 657 761 |
| Sanitation coverage VIP toilets phase 3 - DLV Consultants | 25 841 074 | - |
| Wembezi WCDM phase 1 - JG Africa | 9 742 908 | 9 742 908 |
| District wide springs and boreholes - Sydwalt Consultants | 25 565 487 | 16 323 642 |
| Upgrade of Bergville WTW - Impande Consulting | - | 10 744 413 |
| Upgrade of Bergville WTW - ICON Construction | 25 850 017 | 11 806 385 |
| Upgrade of Langkloof WTW | - | 19 682 970 |
| Ntabamhlophe WSS | - | 560 419 |
| Weenen/Ezitendeni sanitation AFA wetlands - Sinethemba Construction | 14 118 652 | - |
| Weenen/Ezitendeni sanitation AFA wetlands - ECA Consulting | 1 095 607 | - |
| Ekuvukeni water supply - ECA Consulting | - | 223 535 |
| Winterton water supply - ECA Consultants | 981 426 | 3 274 718 |
| Winterton sanitation - ECA Consultants | 608 259 | 4 594 097 |
| Okhahlamba wards 2, 3 & 14 Amanwane reticulation west | - | 1 129 959 |
| Okhahlamba wards 2, 3 & 14 groundwater program - ECA Consulting | 3 613 872 | 7 581 897 |
| Okhahlamba wards 2, 3 & 14 Amangwane reticulation east | - | 1 109 652 |
| Okhahlamba wards 2, 3 & 14 Vimbukhalo water reticulation 03 - Zamisanani Projects | 23 804 069 | - |
| Okhahlamba wards 2, 3 & 14 Vimbukhalo water reticulation 04 - Lethokuhle Investments | 24 997 631 | - |
| Weenen/Ezitendeni water supply | - | 700 724 |
| Design of Umhlumayo bulk water supply infrastructure | - | 8 346 436 |
| Fitty Park Sundays River Umhlumayo extetion | - | 1 609 632 |
| Fitty Park Umhlumayo Sunday River and upgrade to Tugela Estate water treatment works - Royal Haskoning/RDHV | 1 473 172 | 11 380 128 |
| KwaMkhize water supply | - | 944 597 |
| Roosboom and Colenso water supply - DLV Consultants | 20 598 | - |
| Ezakheni WCDM phase 1 - DLV consultants | - | 944 |
| Ezakheni WCDM phase 2 - DLV Consultants | 1 120 224 | - |
| Repairs and refurbish phase 3 - Pawacons | 15 630 830 | 39 696 083 |
| Construction of a water supply to Ekuvukeni bulk pipeline - R and D Contractors | 24 438 784 | - |
| Water supply to Ekuvukeni ground water - ECA Consulting | 1 693 076 | - |
| Amangwe abstraction and water treatment works - Owethu Owabo | 82 786 269 | - |
| Completion of outstanding work to ward 2 (C-side) - Owethu Owabo | 21 573 214 | - |
| | 520 798 771 | 417 273 266 |
| Total capital commitments | | |
| Already contracted for but not provided for | 520 798 771 | 417 273 266 |
| Authorised operational expenditure | | |
| Already contracted for but not provided for | | |
| • Provision of asset management system | 2 751 745 | 3 120 659 |
| • Accredited service provider to provide laboratory space | 10 446 834 | 2 412 768 |
| • Service provider for the management of the rural road asset management system | 1 253 404 | 3 028 411 |
| • Provision of insurance broker services | 8 220 934 | 8 220 934 |
| • Leasing of premises - satelite offices and workshop | 5 418 360 | 5 418 360 |
| • Provision of armed security services | 57 951 368 | 13 389 502 |
| • Leasing of photo copiers and fax machine | 905 070 | 1 232 975 |
| | 86 947 715 | 36 823 609 |
| Total operational commitments | | |

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| 41. Commitments (continued) | | |
| Already contracted for but not provided for | 86 947 715 | 36 823 609 |
| Total commitments | | |
| Total commitments | | |
| Authorised capital expenditure | 520 798 771 | 417 273 266 |
| Authorised operational expenditure | 86 947 715 | 36 823 609 |
| | 607 746 486 | 454 096 875 |

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 |
| - in second to fifth year inclusive | 7 616 453 | 319 725 |
| | 11 407 744 | 2 222 850 |

Operating lease payments represent rentals payable by the municipality 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.

Uthukela District Municipality

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| 42. 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 |
| Justin Heunis & Associates - Rosco family Trust demanding rental due | 396 294 | 1 075 537 |
| Mdledle Inc. - Pearl Ndaba Attorneys claim for assisting the Municipality with debt collection | 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 |
| 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 |
| 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 |
| Godide Engineering Services claim for unpaid invoices in respect of Fitty Park water supply scheme phase 2 | 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 |
| Ramkhelewan Inc. - S. Hlophe claim in respect of alledged damages to his car while entering the premissis of the Municipality at the Forbes Street enterance | - | 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 |
| Maree & Pace, Mpulo Attorneys - Marks Tyres (Pty) Ltd claim in respect of unpaid invoices for services rendered | 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 |
| Ilungelo Lami Trading CC. - claim in respect of unpaid invoices for a projrct in Ekuvukeni | 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 |
| Justin Heunis & Associates - RASP Consultants CC claim in respect of unpaid invoice for refurbishment at the Ezakheni water treatment works | - | 6 756 158 |
| Gule NathiInc. - Aztec Trading claim in respect of various repairs done to Municipal vehicles | 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 |
| Khumalo Masondo Attourneys - SABC (South African Broad Casting Corporation) claim in respect of a TV licence account in arrears | 15 370 | 15 370 |
| Schults Incorporated - Europcars claim in respect of unpaid car rental invoices | 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 |
| 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 |
| Dlalisa Attorneys - Dr. Makhoba for the provision of medical surveillance for a priod of 3 years invoices not paid | 131 840 | - |
| Kgolo Institute - a demand for the provision of safety representative training to be conducted to the Municipality | 199 500 | - |
| Maree & Pace , Mpulo Attorneys - 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 | - |
| Maree & Pace, Mpulo Attorneys - 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 | - |

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| 42. Contingencies (continued) | | |
| Dotcom Africa - Municipality entered into an agreement without proper SCM processes | 154 272 | - |
| Maree & Pace, Mpulo Attorneys - Quickstep 453 CC t/a Guinea Fowl Service Station for the hire of TLB - invoice not paid | 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 | - |
| Maree & Pace - Lunasis Ideas CC for plant and equipment hire for a period of 3 years, under tender 10/2021 PEF panel of service providers - invoices not paid | 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 | - |
| NJM Attorneys - Goverspride Trading was appointed on a panel of service providers for plant and equipment hire - invoices not paid | 1 200 000 | - |
| Multi Solutions - demand for outstanding payments that was submitted to the Municipality | 13 278 600 | - |
| LS Incorporated - Mashmart Holdings TLD - claim in respect of a collision between plaintiff and Municipal vehicle | 16 273 | - |
| REOYO Trading - final demand received in respect of unpaid invoices due by the Municipality | 91 141 | - |
| Nompumelelo Hadebe INC, - preparation of investigation report regarding a sewerage spillage - Municipality failed to pay the invoice submitted | 530 083 | - |
| ACE Motor spares - letter of demand received regarding unpaid invoices | 120 823 | - |
| Justin Heunis & Associates - Daves Panel Beaters - agreement entered into during the course of 2016 regarding towing and panel beating services | 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 | - |
| | 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 |
|--|-----------|-----------|

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

42. Contingencies (continued)

43. Related parties

Relationships

Controlling entity Uthukela District Municipality

Related party balances

Uthukela Economic Development Agency

| | | |
|----------------------------|-----------|-----------|
| Total expenditure incurred | 1 373 858 | 2 202 332 |
|----------------------------|-----------|-----------|

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 implementation of the RASET program (Radical Agrarian Social Economic Transformation program).

Employee related costs

| | | |
|---|---------|-----------|
| D.C.P. Mazibuko | 868 876 | 1 482 135 |
| F. Mbuyisa (Intern) | 19 647 | 102 000 |
| S. Sibisi (Superintendent) seconded to the Agency | 485 335 | 618 197 |

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 | 476 783 | 975 821 |
| Car allowance | 155 016 | 242 151 |
| Subsistence and travelling | 161 | 88 473 |
| Housing subsidy | - | 133 175 |
| Backpay | - | 26 901 |
| UIF | 2 125 | 2 125 |
| Acting allowance | 103 215 | - |
| SDL | 6 985 | 13 489 |
| Bonus | 38 634 | - |
| Provident Fund | 85 821 | - |
| SALGA BC | 136 | - |
| | 868 876 | 1 482 135 |

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 |

44. 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:

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|--|------|---------------|
| 44. Prior period errors (continued) | | |
| Statement of Financial Position | | |
| Receivables from exchange transactions | - | 242 347 879 |
| VAT receivables | - | (14 590 176) |
| Payables from exchange transactions | - | (343 087 340) |
| VAT payable | - | 47 590 028 |
| PPE (Property, Plant & Equipment) | - | (535 279) |
| Statement of financial performance | | |
| Service charges | - | 3 148 417 |
| Employee related costs | - | (1 477 201) |
| Lease rentals on operating leases | - | 381 632 |
| Contracted services | - | 52 763 070 |
| General expenditure | - | 16 072 108 |

45. 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.

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

Statement of financial position

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|---|-------------|-------------------------------|----------------------------|--------------------------|----------------------|
| 45. Prior-year adjustments (continued) | | | | | |
| 2023 | | | | | |
| | Note | As previously reported | Correction of error | Re-classification | Restated |
| Inventories | 11 | 19 693 454 | - | - | 19 693 454 |
| Receivables from exchange transactions (current assets) | 12 | 5 093 825 | - | 242 347 879 | 247 441 704 |
| Statutory receivables | | 14 590 176 | - | (14 590 176) | - |
| Receivables from non-exchange transactions (current assets) | 13 | 125 796 | - | - | 125 796 |
| Consumer debtors | 14 | 47 984 452 | - | - | 47 984 452 |
| Bank Reconciliation clearing account | 10 | 190 966 | - | - | 190 966 |
| Cash and cash equivalents | 15 | 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 | 12 | 1 658 406 | - | - | 1 658 406 |
| Receivables from non-exchange transactions | 13 | 178 827 | - | - | 178 827 |
| Other liabilities - sundry debtors with credit balances | 18 | (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 | 16 | (13 665 302) | - | - | (13 665 302) |
| Provisions | 17 | (41 781 164) | - | - | (41 781 164) |
| VAT payable | | (47 590 028) | - | 47 590 028 | - |
| Other liabilities - consumer debtors with credit balances | 19 | (16 386 326) | - | - | (16 386 326) |
| Other liabilities - salaries clearing suspense account | 20 | (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 misstatements 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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|---|-------|------------------------|---------------------|-------------------|---------------------|
| 45. Prior-year adjustments (continued) | | | | | |
| 2023 | | | | | |
| | Note | As previously reported | Correction of error | Re-classification | Restated |
| Service charges | 22 | 222 771 043 | 3 148 417 | - | 225 919 460 |
| Interest received (trading) | 21 | 49 201 177 | - | - | 49 201 177 |
| Other income | 21 | 2 354 248 | - | - | 2 354 248 |
| Interest received - investments | 21 | 7 328 864 | - | - | 7 328 864 |
| Actuarial gains | 9 | 2 336 000 | - | - | 2 336 000 |
| Government grants and subsidies | 28 | 790 419 908 | - | - | 790 419 908 |
| Fines, penalties and forfeits | 23 | 31 200 | - | - | 31 200 |
| Employee related costs | 29 | (363 293 785) | - | 1 477 201 | (361 816 584) |
| Remuneration of Councillors | 30 | (6 607 372) | - | - | (6 607 372) |
| Depreciation and amortisation | 31 | (83 923 113) | - | - | (83 923 113) |
| Impairment loss | 32 | (3 428 622) | - | - | (3 428 622) |
| Interest incurred | 33 | (8 614 049) | - | - | (8 614 049) |
| Lease rentals on operating leases | 24&40 | (20 836 365) | (381 632) | - | (21 217 997) |
| Debt impairment | 35 | (159 793 197) | - | - | (159 793 197) |
| Incentive discounts | 57 | (3 302 525) | - | - | (3 302 525) |
| Bad debt written off | 58 | (17 143 861) | - | - | (17 143 861) |
| Bulk purchases | 37 | (15 209 991) | - | - | (15 209 991) |
| Contracted services | 38 | (175 255 373) | (52 763 070) | - | (228 018 443) |
| Transfers and subsidies | 27 | (3 120 000) | - | - | (3 120 000) |
| Loss on disposal of assets and liabilities | 4 | (1 519 164) | - | - | (1 519 164) |
| General expenditure | 36 | (234 823 654) | (14 594 908) | (1 477 201) | (250 895 763) |
| Surplus for the year | | (22 428 631) | (64 591 193) | - | (87 019 824) |

Cash flow statement

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) | 21 | 49 201 177 | - | - | 49 201 177 |
| Grants | 28 | 790 419 908 | - | - | 790 419 908 |
| Interest income | 21 | 7 328 864 | - | - | 7 328 864 |
| Other cash items | 21 | 2 385 448 | - | - | 2 385 448 |
| Employee costs | 29&30 | (369 901 157) | - | 1 477 201 | (368 423 956) |
| Suppliers | | (354 718 151) | (4 232 496) | - | (358 950 647) |
| Interest incurred | 33 | (8 614 049) | - | - | (8 614 049) |
| Transfer payments | 27 | (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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|-----------------|------|------|

45. 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.

46. Risk management

Liquidity risk

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

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 | 2024 | 2023 |
|---|---------------|-------------|
| Bank balance and cash | 5 715 178 | 13 497 715 |
| Consumer debtors from exchange transactions | 1 227 535 098 | 974 325 366 |
| Receivables from exchange transactions | 243 925 582 | 249 100 110 |
| Receivables from non-exchange transactions | 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.

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47. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an operating surplus of R52,802,364 and that the municipality's total assets exceed its liabilities by R2,657,591,835.

Furthermore the municipality's current liabilities (R1,032,036,405) far exceeds current assets (R331,892,519).

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

The 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 will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The 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 its liabilities and improving revenue collection in the forthcoming financial years.

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 an 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 its 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.

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47. Going concern (continued)

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.

48. 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.

49. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

| | | |
|------------------------------------|---------------------------|-----------------------------|
| Unauthorised expenditure | 256 334 920 | 293 171 448 |
| Irregular expenditure | 385 199 722 | 772 631 018 |
| Fruitless and wasteful expenditure | 56 101 412 | 62 709 186 |
| Closing balance | <u>697 636 054</u> | <u>1 128 511 652</u> |

50. Unauthorised expenditure

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

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.

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50. Unauthorised expenditure (continued)

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

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

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 |
| Impairment loss | 779 590 | 3 428 622 |
| Debt impairment provision | 80 208 114 | 10 727 197 |
| Incentive discounts | 3 123 596 | 3 302 525 |
| Bad Debt write offs | - | 17 143 861 |
| Loss on disposal of assets | - | 1 519 164 |
| Actuarial losses | 660 000 | - |
| | <u>74 866 547</u> | <u>38 744 482</u> |

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

Analysed as follows: cash

| | | |
|----------------------------------|--------------------|--------------------|
| Employee related costs | 20 502 859 | 9 537 785 |
| Remuneration of Councillors | 138 847 | 236 372 |
| Interest incurred | 15 852 222 | 8 611 049 |
| Lease rental on operating leases | 17 761 261 | 20 836 365 |
| Bulk purchases | (16 019 037) | (18 866 009) |
| Contracted services | 19 723 878 | 16 073 373 |
| Transfers and subsidies | (2 200 000) | - |
| General expenditure | 125 708 343 | 80 276 654 |
| | <u>181 468 373</u> | <u>116 705 589</u> |

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 |
| Community and Public Safety | (7 435 843) | (4 941 883) |
| Planning, Economic Development and Social Services | 83 832 | 1 023 978 |
| Trading Services (water management) | 109 175 143 | 78 341 419 |
| | <u>256 334 920</u> | <u>155 450 071</u> |

Recoverability steps taken/criminal proceedings

No recoverability steps or criminal proceedings has been instituted.

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50. Unauthorised expenditure (continued)

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 -

51. Fruitless and wasteful expenditure

| | | |
|--|-------------------|-------------------|
| Opening balance as previously reported | 62 709 186 | 14 186 396 |
| Add: Fruitless and wasteful expenditure identified - current | 11 797 950 | 48 522 790 |
| Less: Amount written off - prior period | (18 405 724) | - |
| Closing balance | 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.

Expenditure identified in the current year

| | | |
|---|-------------------|-------------------|
| Eskom | 346 789 | 61 302 |
| Alfred Duma Local Municipality | 318 292 | 45 907 |
| Auditor General | 48 880 | 51 730 |
| SAPO (South African Post Office) | - | 45 078 |
| Shula Construction | - | 96 782 |
| Umgeni Pumps | - | 44 303 462 |
| DLV Contractors | 730 327 | 232 377 |
| Munsoft | 3 667 | 35 311 |
| DWS (Department of Water and Sanitation) | 8 554 377 | 3 650 841 |
| Justin Heunis & Associates (ROSCO Family Trust) | 25 276 | - |
| Justin Heunis & Associates (RASP) | 1 530 122 | - |
| PHZ Kubheka | 56 347 | - |
| Macaulay & Riddel (Compu Supplies) | 1 471 | - |
| Mason Incorporated (Wolcocks Reed and Kotze) | 180 997 | - |
| Telkom | 1 405 | - |
| | 11 797 950 | 48 522 790 |

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51. 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 |
| Fruitless and wasteful expenditure - 2023/2024 | No disciplinary steps and no criminal proceedings instituted | 11 797 950 - |
| | | 11 797 950 48 522 790 |

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51. 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 | - |

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.

52. Irregular expenditure

| | | |
|---|--------------------|--------------------|
| Opening balance as previously reported | 772 631 018 | 435 274 826 |
| Add: Irregular expenditure - current | 385 199 722 | 337 356 192 |
| Less: Amount written off - prior period | (772 631 018) | - |
| Closing balance | 385 199 722 | 772 631 018 |

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| 52. 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 |
| Section 36 deviations | 50 961 993 | 33 680 646 |
| Non-compliance with SCM regulations | 245 649 213 | 248 690 755 |
| Expired contracts | 13 381 103 | 2 544 309 |
| Order splitting | 3 401 040 | 3 511 802 |
| Section 37 deviations | 25 196 550 | 22 423 622 |
| Section 114 deviations | 38 503 874 | 23 349 860 |
| State employees | 67 500 | 375 675 |
| Overtime payments | 7 203 319 | - |
| | <u>385 199 722</u> | <u>337 356 192</u> |

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 |
| Irregular expenditure incurred 2023/2024 | No disciplinary steps and no criminal proceedings instituted | 385 199 722 - |
| | | <u>385 199 722</u> <u>337 356 192</u> |

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 | <u>772 631 018</u> | <u>-</u> |
|--|--------------------|----------|

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

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

52. Irregular expenditure (continued)

Disciplinary steps taken/criminal proceedings

No disciplinary steps and no criminal proceedings has been instituted.

53. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 5 615 069 | 3 905 556 |
| Amount paid - current year | (5 615 069) | (3 905 556) |
| | <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 |
| Amount paid - current year | (62 460 079) | (56 966 552) |
| | <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 |
| Amount paid - current year | (74 143 576) | (69 051 573) |
| | <u>-</u> | <u>-</u> |

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

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53. 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 |
| Mgazi Engineering | - | 8 720 426 |
| Zwnzelewena | - | 5 180 180 |
| Seethal Attournies | - | 129 732 |
| Zeqele | - | 82 174 |
| Kone | 17 165 | 37 310 |
| Huge Telecom | 9 001 | 43 304 |
| Motagane | - | 4 518 000 |
| Workwear | - | 298 545 |
| Zenith Car Rental | 2 292 703 | 596 144 |
| K2 Commodities | 180 733 | 132 841 |
| Lalpersad | 21 144 | - |
| Bates motors | - | 286 303 |
| Magudulela | - | 3 408 696 |
| Laytam | 492 511 | - |
| Phakamo Holdings | 3 447 956 | - |
| Ntantana Indoda Trading | 36 756 362 | - |
| Lukhwishi Trading Enterprise | 694 548 | - |
| Okuhlenathi | 1 601 530 | - |
| MBE Construction | 313 685 | - |
| Vuyimpie Trading | 289 881 | - |
| Siyajuluka Trading | 3 954 180 | - |
| Kantech Services | 991 784 | - |
| Nguqumlithi | 105 708 | - |
| | 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 |
| UTDM - Nedbank | 7 689 | 1 204 918 |
| UTDM - Investec | 399 309 | 368 470 |
| UTDM - ABSA Bank | 219 926 | 1 557 272 |
| UTDM - Standard Bank | - | 1 362 505 |
| | 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.

54. Actual operating expenditure versus budgeted operating expenditure

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

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

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| Figures in Rand | 2024 | 2023 |
|---|------------------|----------------|
| 55. Deviation from supply chain management regulations | | |
| Supplu chain deviations | | |
| Deviations supported by approval memo's - UTDM | - | 432 902 |
| Less than three quotations | 1 060 367 | - |
| Sole suppliers | 389 751 | - |
| | <u>1 450 118</u> | <u>432 902</u> |

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

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

56. Segment information

General information

Identification of segments

The municipality 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 District Municipality

Annual Financial Statements for the year ended 30 June 2024

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56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

| | Municipal Governance and Administratio n | Community and Public Safety | Trading Services | Total |
|--------------------------------------|---|--|-----------------------------|----------------------|
| Revenue | | | | |
| Service charges | - | - | 287 363 693 | 287 363 693 |
| Interest received - trading services | - | - | 62 379 178 | 62 379 178 |
| Other income | 979 920 | - | - | 979 920 |
| Interest received on investments | 11 078 696 | - | - | 11 078 696 |
| Grants and subsidies | 583 832 782 | 2 572 887 | 291 328 235 | 877 733 904 |
| 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 | 1 245 542 284 |
| Entity's revenue | | | | 1 245 542 284 |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

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| | Municipal Governance and Administration | Community and Public Safety | Trading Services | Total |
|--|--|-----------------------------------|----------------------|----------------------|
| 56. Segment information (continued) | | | | |
| Expenditure | | | | |
| Employee related costs | 126 535 432 | 61 380 979 | 186 308 448 | 374 224 859 |
| Remuneration of Councillors | 6 302 847 | - | - | 6 302 847 |
| Depreciation and amortization | 18 168 | - | 85 686 079 | 85 704 247 |
| 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 |
| 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 | 259 800 343 |
| Total segment expenditure | 261 170 496 | 64 665 979 | 866 903 445 | 1 192 739 920 |
| Total segmental surplus/(deficit) | 340 686 095 | (62 051 392) | (225 832 339) | 52 802 364 |
| Assets | | | | |
| Current assets | 248 250 201 | - | 83 642 318 | 331 892 519 |
| Non-current assets | 40 691 575 | - | 3 366 571 146 | 3 407 262 721 |
| Total segment assets | 288 941 776 | - | 3 450 213 464 | 3 739 155 240 |
| Total assets as per Statement of financial Position | | | | 3 739 155 240 |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

| | Municipal Governance and Administratio n | Community and Public Safety | Trading Services | Total |
|---|--|-----------------------------------|---------------------|----------------------|
| 56. Segment information (continued) | | | | |
| Liabilities | | | | |
| Current liabilities | 697 723 178 | - | 284 786 227 | 982 509 405 |
| Non-current liabilities | 49 527 000 | - | - | 49 527 000 |
| Total segment liabilities | 747 250 178 | - | 284 786 227 | 1 032 036 405 |
| Total liabilities as per Statement of financial Position | | | | 1 032 036 405 |

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

2023

| | Municipal Governance and Administratio n | Community and Public Safety | Trading Services | 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 | - | - | 2 354 248 |
| Interest recieved on investments | 7 328 864 | - | - | 7 328 864 |
| Grants and subsidies | 545 551 576 | 2 180 000 | 242 688 332 | 790 419 908 |
| 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 | 1 077 590 856 |
| Entity's revenue | | | | 1 077 590 856 |

Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand

56. Segment information (continued)

Expenditure

| | | | | |
|--|--------------------|---------------------|----------------------|----------------------|
| Employee related costs | 137 457 037 | 55 060 817 | 169 298 730 | 361 816 584 |
| Remuneration of Councillors | 6 607 372 | - | - | 6 607 372 |
| Depreciation and amortization | 5 040 220 | - | 78 882 893 | 83 923 113 |
| 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 | - | - | 1 519 164 |
| General expenditure | 89 193 324 | 2 206 619 | 159 495 820 | 250 895 763 |
| Total segment expenditure | 270 709 238 | 60 490 966 | 833 410 477 | 1 164 610 681 |
| Total segmental surplus/(deficit) | 286 861 450 | (58 279 766) | (315 601 509) | (87 019 825) |

Assets

| | | | | |
|--|--------------------|----------|----------------------|----------------------|
| Current assets | 261 256 181 | - | 67 677 906 | 328 934 087 |
| Non-current assets | 37 170 413 | - | 3 217 917 471 | 3 255 087 884 |
| Total segment assets | 298 426 594 | - | 3 285 595 377 | 3 584 021 971 |
| Total assets as per Statement of financial Position | | | | 3 584 021 971 |

Liabilities

| | | | | |
|---|--------------------|----------|--------------------|--------------------|
| Current liabilities | 464 305 066 | - | 470 710 584 | 935 015 650 |
| Non-current liabilities | 39 722 407 | - | - | 39 722 407 |
| Total segment liabilities | 504 027 473 | - | 470 710 584 | 974 738 057 |
| Total liabilities as per Statement of financial Position | | | | 974 738 057 |

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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Annual Financial Statements for the year ended 30 June 2024

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| Figures in Rand | 2024 | 2023 |
|---|------------------|------------------|
| 57. Incentive discounts | | |
| Incentive discounts (consumer debtors) | | |
| 50% discount (50 percent) | - | 2 247 702 |
| 1/3 discount (one third) | 3 123 596 | 1 054 823 |
| | 3 123 596 | 3 302 525 |

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

58. Bad debt written off

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

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.

59. Fraudulent activities

| | | |
|--|------------------|------------------|
| Fraudulent activities identified | | |
| KZN Transport - vehicle licences - fleet related | 14 775 | 14 775 |
| Various service providers - Fuel and oil - fleet related | 6 000 000 | 6 000 000 |
| | 6 014 775 | 6 014 775 |

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

Uthukela District Municipality
Uthukela District Municipality
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 (Separate for AFS purposes) | 37 618 841 | - | - | - | - | - | 37 618 841 | (9 428 092) | - | - | (1 290 004) | - | (10 718 096) | 26 900 745 |
| | 42 389 613 | - | - | - | - | - | 42 389 613 | (9 428 092) | - | - | (1 290 004) | - | (10 718 096) | 31 671 517 |
| 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
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 |
|-----------------------------|-------------------------|--------------------|---------------------|---------------------|-----------------------------------|----------------------------|----------------------------|----------------------------|-------------------|-----------------------------------|----------------------|-------------------------|----------------------------|---------------------------|
| 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 |
| | 922 279 513 | 234 210 902 | (26 381 286) | (15 561 144) | - | - | 1 114 547 985 | (74 374 432) | 26 085 414 | - | (5 022 869) | (11 185 339) | (64 497 226) | 1 050 050 759 |

Uthukela District Municipality
Uthukela District Municipality
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 |
|---|----------------------|--------------------|---------------------|----------------|-----------------------------|-------------------------|----------------------|----------------------|-------------------|-----------------------------|---------------------|----------------------|----------------------|----------------------|
| Total property plant and equipment | | | | | | | | | | | | | | |
| Land and buildings | 42 389 613 | - | - | - | - | - | 42 389 613 | (9 428 092) | - | - | (1 290 004) | - | (10 718 096) | 31 671 517 |
| 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 | 922 279 513 | 234 210 902 | (26 381 286) | (15 561 144) | - | - | 1 114 547 985 | (74 374 432) | 26 085 414 | - | (5 022 869) | (11 185 339) | (64 497 226) | 1 050 050 759 |
| | 4 327 820 181 | 238 518 082 | (26 381 286) | - | - | - | 4 539 956 977 | 1 041 180 882 | 26 085 414 | - | (85 686 080) | (34 009 726) | 1 134 791 274 | 3 405 165 703 |
| 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 | 42 389 613 | - | - | - | - | - | 42 389 613 | (9 428 092) | - | - | (1 290 004) | - | (10 718 096) | 31 671 517 |
| 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 | 922 279 513 | 234 210 902 | (26 381 286) | (15 561 144) | - | - | 1 114 547 985 | (74 374 432) | 26 085 414 | - | (5 022 869) | (11 185 339) | (64 497 226) | 1 050 050 759 |
| Intangible assets | 786 557 | - | - | - | - | - | 786 557 | (376 235) | - | - | (18 167) | - | (394 402) | 392 155 |
| | 4 328 606 738 | 238 518 082 | (26 381 286) | - | - | - | 4 540 743 534 | 1 041 557 117 | 26 085 414 | - | (85 704 247) | (34 009 726) | 1 135 185 676 | 3 405 557 858 |

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 (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 | - | - | - | - | - | 42 389 613 | (8 141 612) | - | - | (1 286 480) | - | (9 428 092) | 32 961 521 |
| 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 | | | | | | | | | | | | | | |

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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 |
|-----------------------------|-------------------------|--------------------|--------------------|---------------------|-----------------------------------|-------------------------------------|----------------------------|----------------------------|-------------------|------------------------------------|----------------------|-------------------------|----------------------------|---------------------------|
| 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 |
| | 902 537 072 | 165 967 613 | (2 199 092) | (41 444 714) | (102 581 367) | - | 922 279 512 | (72 987 717) | 2 166 962 | (21 534) | (3 493 909) | (11 257 337) | (85 593 535) | 836 685 977 |

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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 | - | - | - | - | - | 42 389 613 | (8 141 612) | - | - | (1 286 480) | - | (9 428 092) | 32 961 521 |
| 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 | 902 537 072 | 165 967 613 | (2 199 092) | (41 444 714) | (102 581 367) | - | 922 279 512 | (72 987 717) | 2 166 962 | (21 534) | (3 493 909) | (11 257 337) | (85 593 535) | 836 685 977 |
| | 4 156 550 296 | 165 967 613 | (8 369 455) | (4 969 843) | 18 641 569 | - | 4 327 820 180 | (966 480 955) | 6 850 291 | (16 360 121) | (83 904 996) | (14 549 001) | 1 074 444 782) | 3 253 375 398 |
| 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 | - | - | - | - | - | 42 389 613 | (8 141 612) | - | - | (1 286 480) | - | (9 428 092) | 32 961 521 |
| 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 | 902 537 072 | 165 967 613 | (2 199 092) | (41 444 714) | (102 581 367) | - | 922 279 512 | (72 987 717) | 2 166 962 | (21 534) | (3 493 909) | (11 257 337) | (85 593 535) | 836 685 977 |
| Intangible assets | 786 557 | - | - | - | - | - | 786 557 | (339 458) | - | - | (18 660) | - | (358 118) | 428 439 |
| | 4 157 336 853 | 165 967 613 | (8 369 455) | (4 969 843) | 18 641 569 | - | 4 328 606 737 | (966 820 413) | 6 850 291 | (16 360 121) | (83 923 656) | (14 549 001) | 1 074 802 900) | 3 253 803 837 |

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 when 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 |