



Mkhambathini Municipality  
Annual Financial Statements  
for the year ended 30 June 2024

# Mkhambathini Municipality

KZN 226

Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Legal form of entity</b>	Municipality
<b>Nature of business and principal activities</b>	Delivering of basic services to the community (refuse removal, road and electricity infrastructure and other community activities)
<b>Mayoral committee</b>	Cllr NW Ntombela (Mayor and EXCO Chair) Cllr NP Maphanga (Deputy Mayor and EXCO Member) Cllr TA Gwala (Speaker)
<b>Councillors</b>	Cllr KR Mofokeng (Executive Member) Cllr S Ngidi (Chief Whip) Cllr MN Maphumulo (MPAC Member) Cllr M Cele (MPAC Chair) Cllr N Ndlovu (MPAC Member) Cllr PM Lushaba (MPAC Member) Cllr LZ Lembethe Cllr MM Mkhize (MPAC Member) Cllr S Mkhize Cllr SM Mdladla (MPAC Member) Cllr MA Ngcongo (MPAC Member)
<b>Chief Finance Officer (CFO)</b>	Mr TE Gambu
<b>Municipal Website</b>	<a href="http://www.mkhambathini.gov.za">www.mkhambathini.gov.za</a>
<b>Business address</b>	18 Old Main Road Camperdown 3720
<b>Postal address</b>	Private Bag X04 Camperdown 3720
<b>Contact number</b>	031 785 9300
<b>Auditors</b>	Auditor-General
<b>Bank</b>	First National Bank

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The reports and statements set out below comprise the Annual Financial Statements presented to the Provincial Legislature:

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COID	Compensation for Occupational Injuries and Diseases
MPAC	Municipal Public Accounts Committee
DBSA	Development Bank of South Africa
UMDM	Umgungundlovu District Municipality
GRAP	Generally Recognised Accounting Practice
MSCOA	Municipal Standard Chart Of Account
HDF	Housing Development Fund
IAS	International Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax
SALGA	South African Local Government Association

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## Accounting Officer Responsibilities and Approval

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The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officers 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 that ended. The external auditors are engaged to express an independent opinion for the Annual Financial Statements and were 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 places considerable importance on maintaining a strong controlled environment. To enable the Accounting Officers to meet these responsibilities, he 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, they are satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 24 of these Annual Financial Statements are within the upper limit of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearer Act 20 of 1998 and the Minister of Provincial and Local Government determination in accordance with this Act.

The Annual Financial Statements set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 June 2024 and were signed on his behalf by.

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**Accounting Officer**  
**Mr S Mngwengwe**

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## Accounting Officer Report

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The Accounting Officer submit their report for the year ended 30 June 2024.

### 1. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year.

### 2.

The Accounting Officer details during the year and to the date of this report:

Name

Mr S Mngwengwe

Nationality

South African

# Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	7	72 740	37 638
Receivables from exchange transactions	8&11	2 723 536	2 358 025
Receivables from non-exchange transactions	9&11	1 314 907	1 114 833
VAT receivable	10	-	6 346 466
Cash and cash equivalents	12	36 774 166	44 062 954
		<b>40 885 349</b>	<b>53 919 916</b>
<b>Non-Current Assets</b>			
Investment property	3	14 765 000	14 765 000
Property, plant and equipment	4	254 442 742	242 567 587
Intangible assets	5	70 935	120 989
		<b>269 278 677</b>	<b>257 453 576</b>
<b>Total Assets</b>		<b>310 164 026</b>	<b>311 373 492</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange	15	5 169 331	6 855 651
VAT payable	16	8 234 350	-
Unspent conditional grants and receipts	13	2 548 830	9 112 285
Provisions	14	3 610 406	3 600 471
Employee benefit	6	577 000	-
		<b>20 139 917</b>	<b>19 568 407</b>
<b>Non-Current Liabilities</b>			
Employee benefit	6	7 784 000	6 823 000
<b>Total Liabilities</b>		<b>27 923 917</b>	<b>26 391 407</b>
<b>Net Assets</b>		<b>282 240 109</b>	<b>284 982 085</b>
Reserves			
Revaluation reserve		1 253 400	1 253 400
Accumulated surplus		280 986 709	283 728 685
<b>Total Net Assets</b>		<b>282 240 109</b>	<b>284 982 085</b>

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## Statement of Financial Performance as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	18	630 172	596 060
Construction contracts	20	97 808 221	27 805 740
Agency Services	19	3 889 516	2 650 688
Other income	22	1 826 673	703 295
Interest received - investment		4 664 618	3 702 602
Actuarial gains		-	196 000
<b>Total revenue from exchange transactions</b>		<b>108 819 200</b>	<b>35 654 385</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	23	25 116 614	23 937 227
<b>Transfer revenue</b>			
Government grants & subsidies	24	106 834 000	134 775 000
Public contributions and donations		-	3 800 000
Licenses and Permits		4 166 329	4 338 681
<b>Total revenue from non-exchange transactions</b>		<b>136 116 943</b>	<b>166 850 908</b>
<b>Total revenue</b>	17	<b>244 936 143</b>	<b>202 505 293</b>
<b>Expenditure</b>			
Employee related costs	25	(55 935 712)	(50 814 204)
Remuneration of councillors	26	(6 819 516)	(6 288 192)
Depreciation and amortisation	27	(12 327 191)	(11 830 640)
Assets impairments	28	(1 270 268)	(1 137 448)
Debt Impairment	29	(3 068 967)	(2 172 567)
Construction contract cost	30	(97 808 221)	(27 805 741)
Loss on disposal of assets and liabilities / (Transfers to organ of state)		-	(642 295)
Actuarial losses		(1 538 000)	-
General Expenses	31	(66 938 893)	(61 361 584)
External Auditors		(1 971 354)	(1 663 224)
<b>Total expenditure</b>		<b>(247 678 122)</b>	<b>(163 715 895)</b>
<b>(Deficit) surplus for the year</b>		<b>(2 741 979)</b>	<b>38 789 398</b>

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## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 July 2022</b>	<b>1 253 400</b>	<b>244 939 287</b>	<b>246 192 687</b>
Changes in net assets			
Surplus for the year	-	38 789 398	38 789 398
Total changes	-	38 789 398	38 789 398
<b>Restated* Balance at 01 July 2023</b>	<b>1 253 400</b>	<b>283 728 688</b>	<b>284 982 088</b>
Changes in net assets			
Surplus for the year	-	(2 741 979)	(2 741 979)
Total changes	-	(2 741 979)	(2 741 979)
<b>Balance at 30 June 2024</b>	<b>1 253 400</b>	<b>280 986 709</b>	<b>282 240 109</b>

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## Cash Flow Statement as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		129 727 663	57 184 777
Grants		100 270 545	121 243 217
Interest income		4 664 618	3 702 602
		<u>234 662 826</u>	<u>182 130 596</u>
<b>Payments</b>			
Employee costs		(55 925 776)	(50 441 715)
Remuneration of Councillors		(6 819 516)	(6 288 192)
Cash paid to Suppliers		(153 859 074)	(91 597 244)
		<u>(216 604 366)</u>	<u>(148 327 151)</u>
<b>Net cash flows from operating activities</b>	34	<b><u>18 058 460</u></b>	<b><u>33 803 445</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	<u>(25 422 587)</u>	<u>(43 982 798)</u>
<b>Cash flows from financing activities</b>			
Other cash item		<u>75 339</u>	<u>1 000 964</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(7 288 788)</u></b>	<b><u>(9 178 389)</u></b>
Cash and cash equivalents at the beginning of the year		44 062 954	53 241 343
<b>Cash and cash equivalents at the end of the year</b>	12	<b><u>36 774 166</u></b>	<b><u>44 062 954</u></b>

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	653 441	-	<b>653 441</b>	630 172	<b>(23 269)</b>	a
Construction contracts	-	100 763 000	<b>100 763 000</b>	97 808 221	<b>(2 954 779)</b>	c
Agency Services	3 889 516	-	<b>3 889 516</b>	3 889 516	-	
Other income - (rollup)	685 561	673 672	<b>1 359 233</b>	1 826 673	<b>467 440</b>	d
Interest received - investment	3 100 000	-	<b>3 100 000</b>	4 664 618	<b>1 564 618</b>	b
<b>Total revenue from exchange transactions</b>	<b>8 328 518</b>	<b>101 436 672</b>	<b>109 765 190</b>	<b>108 819 200</b>	<b>(945 990)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	24 849 861	-	<b>24 849 861</b>	25 116 614	<b>266 753</b>	a
<b>Transfer revenue</b>						
Government grants & subsidies	108 064 000	(1 230 000)	<b>106 834 000</b>	106 834 000	-	
Licenses and Permits	4 071 261	-	<b>4 071 261</b>	4 166 329	<b>95 068</b>	a
<b>Total revenue from non-exchange transactions</b>	<b>136 985 122</b>	<b>(1 230 000)</b>	<b>135 755 122</b>	<b>136 116 943</b>	<b>361 821</b>	
<b>Total revenue</b>	<b>145 313 640</b>	<b>100 206 672</b>	<b>245 520 312</b>	<b>244 936 143</b>	<b>(584 169)</b>	
<b>Expenditure</b>						
Personnel	(49 690 456)	(6 245 000)	<b>(55 935 456)</b>	(55 935 712)	<b>(256)</b>	a
Remuneration of councillors	(7 329 216)	-	<b>(7 329 216)</b>	(6 819 516)	<b>509 700</b>	a
Depreciation and amortisation	(12 642 742)	253 000	<b>(12 389 742)</b>	(12 327 191)	<b>62 551</b>	a
Impairment loss/ Reversal of impairments	-	(1 280 000)	<b>(1 280 000)</b>	(1 270 268)	<b>9 732</b>	a
Debt Impairment	(11 000 000)	7 701 000	<b>(3 299 000)</b>	(3 068 967)	<b>230 033</b>	a
Contracted Services	(29 033 000)	(69 513 453)	<b>(98 546 453)</b>	(97 808 221)	<b>738 232</b>	a
General Expenses	(30 913 000)	(39 826 000)	<b>(70 739 000)</b>	(70 448 247)	<b>290 753</b>	a
<b>Total expenditure</b>	<b>(140 608 414)</b>	<b>(108 910 453)</b>	<b>(249 518 867)</b>	<b>(247 678 122)</b>	<b>1 840 745</b>	
<b>Deficit before taxation</b>	<b>4 705 226</b>	<b>(8 703 781)</b>	<b>(3 998 555)</b>	<b>(2 741 979)</b>	<b>1 256 576</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>4 705 226</b>	<b>(8 703 781)</b>	<b>(3 998 555)</b>	<b>(2 741 979)</b>	<b>1 256 576</b>	

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	33 415	41 000	74 415	72 740	(1 675)	a
Receivables from exchange transactions	2 282 494	230 599	2 513 093	2 723 536	210 443	a
Receivables from non-exchange transactions	1 500 000	-	1 500 000	1 314 907	(185 093)	a
VAT receivable	15 330 000	(15 299 000)	31 000	-	(31 000)	a
Other asset 3	88 400	-	88 400	-	(88 400)	a
Cash and cash equivalents	20 756 000	13 537 000	34 293 000	36 774 166	2 481 166	a
	<b>39 990 309</b>	<b>(1 490 401)</b>	<b>38 499 908</b>	<b>40 885 349</b>	<b>2 385 441</b>	
<b>Non-Current Assets</b>						
Investment property	10 965 000	3 800 000	14 765 000	14 765 000	-	
Property, plant and equipment	199 380 812	59 323 000	258 703 812	254 442 742	(4 261 070)	a
Intangible assets	-	86 316	86 316	70 935	(15 381)	a
	<b>210 345 812</b>	<b>63 209 316</b>	<b>273 555 128</b>	<b>269 278 677</b>	<b>(4 276 451)</b>	
<b>Total Assets</b>	<b>250 336 121</b>	<b>61 718 915</b>	<b>312 055 036</b>	<b>310 164 026</b>	<b>(1 891 010)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payable from exchange	6 521 111	1 577 000	8 098 111	5 169 333	(2 928 778)	e
Unspent conditional grant	444 000	2 156 000	2 600 000	2 548 830	(51 170)	a
VAT payable	202 000	9 292 000	9 494 000	8 234 350	(1 259 650)	g
Provision	3 228 000	372 000	3 600 000	3 610 406	10 406	a
Employee benefit	-	-	-	577 000	577 000	f
	<b>10 395 111</b>	<b>13 397 000</b>	<b>23 792 111</b>	<b>20 139 919</b>	<b>(3 652 192)</b>	
<b>Non-Current Liabilities</b>						
Employee Benefit	7 019 000	-	7 019 000	7 784 000	765 000	f
<b>Total Liabilities</b>	<b>17 414 111</b>	<b>13 397 000</b>	<b>30 811 111</b>	<b>27 923 919</b>	<b>(2 887 192)</b>	
<b>Net Assets</b>	<b>232 922 010</b>	<b>48 321 915</b>	<b>281 243 925</b>	<b>282 240 107</b>	<b>996 182</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Revaluation reserve	1 253 400	-	1 253 400	1 253 400	-	
Accumulated surplus	254 223 360	25 767 000	279 990 360	280 986 709	996 349	
<b>Total Net Assets</b>	<b>255 476 760</b>	<b>25 767 000</b>	<b>281 243 760</b>	<b>282 240 109</b>	<b>996 349</b>	

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Sales of goods and services	21 849 000	97 691 221	<b>119 540 221</b>	129 727 663	<b>10 187 442</b>	
Interest Income	3 100 000	-	<b>3 100 000</b>	4 664 618	<b>1 564 618</b>	
Grants	108 064 000	1 724 750	<b>109 788 750</b>	100 270 545	<b>(9 518 205)</b>	
	<b>133 013 000</b>	<b>99 415 971</b>	<b>232 428 971</b>	<b>234 662 826</b>	<b>2 233 855</b>	

##### Payments

Employee costs	(49 690 456)	(6 500 000)	<b>(56 190 456)</b>	(55 925 776)	<b>264 680</b>	
Remuneration for Councillors	(7 329 216)	-	<b>(7 329 216)</b>	(6 819 516)	<b>509 700</b>	
Cash Paid to Suppliers	(90 742 871)	(63 000 000)	<b>(153 742 871)</b>	(153 859 074)	<b>(116 203)</b>	
	<b>(147 762 543)</b>	<b>(69 500 000)</b>	<b>(217 262 543)</b>	<b>(216 604 366)</b>	<b>658 177</b>	

<b>Net cash flows from operating activities</b>	<b>(14 749 543)</b>	<b>29 915 971</b>	<b>15 166 428</b>	<b>18 058 460</b>	<b>2 892 032</b>	
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#### Cash flows from investing activities

Purchase of property, plant and equipment	(26 360 299)	-	<b>(26 360 299)</b>	(25 422 587)	<b>937 712</b>	
Other cash item	-	-	-	75 339	<b>75 339</b>	

<b>Net cash flows from investing activities</b>	<b>(26 360 299)</b>	<b>-</b>	<b>(26 360 299)</b>	<b>(25 347 248)</b>	<b>1 013 051</b>	
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Net increase/(decrease) in cash and cash equivalents	(41 109 842)	29 915 971	<b>(11 193 871)</b>	(7 288 788)	<b>3 905 083</b>	
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Cash and cash equivalents at the beginning of the year	53 241 343	(9 178 000)	<b>44 063 343</b>	44 062 954	<b>(389)</b>	
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<b>Cash and cash equivalents at the end of the year</b>	<b>12 131 501</b>	<b>20 737 971</b>	<b>32 869 472</b>	<b>36 774 166</b>	<b>3 904 694</b>	
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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

a) Note applicable as the difference is less than 10%

b) Interest received - The difference of an increase against the budgeted amount was mainly due to high interest rate on investment account in the current year.

c) Construction contract revenue - The difference of an increase against the budgeted amount is due to the unspent balance at the end of the financial year of R 2 548 000, which resulted to not recognising the revenue.

d) Other income - The increase in the other income as compared to the budgeted amount was mainly due to the increase in the building plans and planning application fees.

e) Payables from exchange transactions - The difference was due to the increase in the retentions in the current year, as suppliers have not claimed their retentions even for completed projects.

f) Employee benefit obligation - The difference was due to increase in the number of employees in the current year and the employees who retired in the current year.

g) VAT payable - The difference is due to the construction contract cost VAT portion which was claimed by the municipality and at the end of the year Construction contract revenue VAT portion was raised to ensure that VAT amounts net off as per National treasury INEP accounting guide.

# **Mkhambathini Municipality**

Annual Financial Statements for the year ended 30 June 2024

# Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

#### 1.1 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. Estimates were used on the following elements: Property, plant and equipment, Post employment benefits, defined contribution plans, employee benefits, provisions, contingencies and intangible assets

#### 1.2 Investment property

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

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

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

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. The subsequent measurement of investment properties is carried at (fair value) .

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

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.2 Investment property (continued)

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

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

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

- The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.
- The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements

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### 1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost. Property, Plant and Equipment is carried at cost less accumulated depreciation and impairment losses (Cost Model)

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, its 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.

Property, plant and equipment are depreciated on the straight line basis over their useful lives to their estimates.

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

Item	Depreciation method	Average useful life
Buildings		
• Animal pound and Parkhomes	Straight line	10-30
Plant and machinery		
• Brush cutters and Lawn Mowers	Straight line	2-20
• Tractors	Straight line	2-20
• Guardrails and Boreholes	Straight line	2-20
Furniture and fixtures		
• Chairs and Sofas	Straight line	3-10
• Bookshelves and Cabinet	Straight line	3-10
• Desks and Tables	Straight line	3-10
Motor vehicles		
• Motor Vehicles	Straight line	7 - 20
Office equipment		
• Printers	Straight line	3-5
• Cameras	Straight line	3-5
• Video Cameras	Straight line	3-5
• Airconditioners	Straight line	3-5
IT equipment		
• Laptop	Straight line	3-5
• Desktop	Straight line	3-5
• Central Processing unit	Straight line	3-5
• Computer Software	Straight line	3-5
Infrastructure		
• Roads and Paving	Straight line	10-30
• Stormwater	Straight line	10-30
Community		
• Building (Halls, change rooms, Taxi rank building and toilets)	Straight line	10-30
• Grand stand and Paved Area	Straight line	10-30
• Sportfield, combination court, fences, Water tanks	Straight line	10-30
Security Measures		
• Security Systems	Straight line	3-10
• Gates and Fencing	Straight line	3-10

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.

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## Accounting Policies

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

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

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

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

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

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

Assets which the Municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available for sale. Proceeds from sales of these assets are recognised as revenue. All the cash flows on these assets is 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 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

The exemption from applying the measurement requirements of the Standard of GRAP on Property, Plant and Equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

### 1.4 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.

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

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

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## Accounting Policies

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### 1.4 Intangible assets (continued)

Item	Useful life
Computer software, other	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

### 1.5 Financial instruments

Initial recognition and measurements

Financial instruments are recognised initially when the Municipality becomes a party to the contractual provisions of the instrument

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial assets, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Receivables from exchange transaction. Trade receivables are measured at initial recognition at fair value. Trade and other receivables are classified as receivables. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad Debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Liabilities are generally settled within the period of 30 days. Accordingly, any impairment, if any, are considered to be immaterial.

Cash and cash equivalent: Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

### 1.6 Tax

#### Income tax expense

No provision has been made for income tax as the municipality is exempt from taxation in terms of section 10 (1) (A) of the Income Tax Act.

#### VALUE ADDED TAX (VAT) :

The municipality accounts for VAT on the cash / payments basis. VAT output is paid over to SARS once the cash is received from the customer and VAT input is claimed when suppliers are paid.

### 1.7 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. Operating leases are those leases that are not finance leases. Operating lease rentals are expensed on the straight line basis.

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### 1.7 Leases (continued)

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.8 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) 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.

### 1.9 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.

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## Accounting Policies

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

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.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash generating assets are as follows:

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

#### Value in use

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

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

#### Basis for estimates of future cash flows

In measuring value in use the Municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

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## Accounting Policies

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

#### 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.

#### Reversal of impairment loss

The Municipality assess 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.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.10 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.

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## Accounting Policies

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

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

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

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

### Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service 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.

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## Accounting Policies

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

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the Municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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.

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## Accounting Policies

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

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.11 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.

### 1.12 Employee benefits

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

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

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

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

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

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

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

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

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

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### 1.12 Employee benefits (continued)

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

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

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

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

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

Contributions to Natal Joint Municipal Pension Fund ( NJMPF) and are made as follows :

- Provident 1 - 21 Members - 5 % council 9 %
- Provident 2 - 6 Members - 7 % council 18.04 %
- Provident 3 - 52 Members - 9.25 % Council 13.65%
- Retirement 1 Members - 7 % Council - 13.65 %
- Superannuation 36 Members - 9.25 % Council - 25 %

### 1.13 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.

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

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

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

Provisions are not recognised for future operating surplus.

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, 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.

### 1.14 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.

# Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.14 Commitments (continued)

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); Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases, approved and contracted commitments
- 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.
- An additional disclosure has been made for future commitments which are mainly informed by the approved budget for capital projects to be implemented in the next financial year and are disclosed as approved and not yet contracted for.

### 1.15 Revenue Recognition

Revenue is recognised at cost and no interest is recognised as a result of any time value of money adjustments.

#### Measurement

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

### 1.16 Revenue from non-exchange transactions

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

### 1.17 Borrowing costs

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

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

### 1.18 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification prior period comparative amounts are reclassified. The nature and the reason for the reclassification is disclosed.

### 1.19 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.

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

### 1.20 Fruitless and wasteful expenditure

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

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

# Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.21 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 excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.22 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.23 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

### 1.24 Presentation of budget information

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

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

The approved budget is prepared on an accrual 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.

### 1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the National sphere of government are considered to be related parties.

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

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

### 1.26 Expenditure

The municipality uses the accrual basis of accounting when expenditure items are recognised (the elements of financial statements) when they satisfy the definitions and recognition criteria for elements in the Framework for the Preparation and Presentation of Annual Financial Statements. The expenditure is recognised in terms of GRAP standards (GRAP 1) and the municipality Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

# Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.27 Segment Information

#### **A Segment is an activity of any entity:**

-that generates economic benefits or service potential (including economic benefits or services potential relating to transactions between activities of the same entity)

-whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and for which separate financial information is available.

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

#### **Measurement**

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance.

Adjustment and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by the management. Similarly, only those assets and liabilities that are included in the measures of segments' assets and segments' liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

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

# Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations not yet effective or relevant

##### GRAP 25 (as revised): Employee Benefits

###### Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14® ) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

###### Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality expects to adopt the revisions for the first time in the 2022/2023 annual financial statements.

##### iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

###### Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14® ) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality expects to adopt the revisions for the first time in the 2022/2023 01 April 2023.

#### **Guideline: Guideline on the Application of Materiality to Financial Statements**

The objective of this guideline to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality expects to adopt the guideline for the first time in the 2022/2023 annual financial statements.

#### **GRAP 104 (as revised): Financial Instruments**

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

#### **GRAP 2020: Improvements to the standards of GRAP 2020**

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

#### GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

#### GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
  - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
  - Added clarification that investment property is measured at fair value at earliest of:
    - o completion of construction or development; or
    - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - o property meets, or ceases to meet definition of investment property and
    - o evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive
- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
  - Land has an unlimited useful life and cannot be consumed through its use

#### GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
  - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
  - Management services are services where employees of management entity perform functions as “management” as defined

#### GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
  - Primary financial statements amended to “financial statements” or “face of the financial statements”

#### GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
  - Both under cost model or revaluation model

#### GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB’s Amendments to IAS 1.

Summary of amendments are:

#### Materiality and aggregation

The amendments clarify that:

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

### Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

### Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

### Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	14 765 000	-	14 765 000	14 765 000	-	14 765 000

#### Reconciliation of investment property - 2024

	Opening balance	Total
Investment property	14 765 000	14 765 000

#### Reconciliation of investment property - 2023

	Opening balance	Additions	Total
Investment property	10 965 000	3 800 000	14 765 000

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

# Mkhambathini 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	728 000	-	728 000	728 000	-	728 000
Buildings	13 073 468	(5 273 866)	7 799 602	13 073 468	(4 918 401)	8 155 067
Furniture and Fixtures	2 793 587	(1 204 208)	1 589 379	1 741 150	(1 051 414)	689 736
Capital Work in Progress	30 612 176	-	30 612 176	59 833 435	-	59 833 435
Motor vehicles	10 422 889	(4 998 146)	5 424 743	9 016 848	(4 167 231)	4 849 617
Office equipment	2 307 939	(1 192 581)	1 115 358	1 528 125	(1 055 688)	472 437
IT equipment	3 401 170	(1 936 678)	1 464 492	2 703 720	(1 656 418)	1 047 302
Infrastructure	144 344 372	(40 095 324)	104 249 048	120 180 900	(33 711 829)	86 469 071
Community	144 900 677	(44 015 031)	100 885 646	118 334 730	(38 730 064)	79 604 666
Other property, plant and equipment	1 808 810	(1 234 512)	574 298	1 808 810	(1 090 554)	718 256
<b>Total</b>	<b>354 393 088</b>	<b>(99 950 346)</b>	<b>254 442 742</b>	<b>328 949 186</b>	<b>(86 381 599)</b>	<b>242 567 587</b>

# Mkhambathini 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 (continued)

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

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	728 000	-	-	-	-	728 000
Buildings	8 155 067	-	-	(355 465)	-	7 799 602
Furniture and Fixtures	689 736	1 052 435	-	(143 494)	(9 298)	1 589 379
Capital Work in Progress	59 833 435	21 486 816	(50 708 075)	-	-	30 612 176
Motor vehicles	4 849 617	1 406 042	-	(830 916)	-	5 424 743
Office equipment	472 437	779 844	-	(125 495)	(11 428)	1 115 358
IT equipment	1 047 302	697 450	-	(209 497)	(70 763)	1 464 492
Infrastructure	86 469 071	24 163 471	-	(5 350 510)	(1 032 984)	104 249 048
Community	79 604 666	26 544 603	-	(5 170 602)	(93 021)	100 885 646
Other property, plant and equipment	718 256	-	-	(91 183)	(52 775)	574 298
	<b>242 567 587</b>	<b>76 130 661</b>	<b>(50 708 075)</b>	<b>(12 277 162)</b>	<b>(1 270 269)</b>	<b>254 442 742</b>

# Mkhambathini 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 (continued)

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

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	728 000	-	-	-	-	-	728 000
Buildings	8 540 553	14 128	(10 678)	-	(388 936)	-	8 155 067
Furniture and Fixtures	805 032	4 620	-	-	(119 916)	-	689 736
Capital Work in Progress	48 111 915	42 001 698	-	(30 280 178)	-	-	59 833 435
Motor vehicles	4 587 231	1 077 947	-	-	(815 561)	-	4 849 617
Office equipment	430 199	210 542	(7 010)	-	(161 294)	-	472 437
IT equipment	1 031 530	354 420	(7 937)	-	(330 711)	-	1 047 302
Infrastructure	69 464 459	22 853 827	(507 756)	-	(5 341 459)	-	86 469 071
Community	77 554 949	7 551 864	-	-	(4 364 699)	(1 137 448)	79 604 666
Other property, plant and equipment	854 990	193 930	(108 918)	-	(221 746)	-	718 256
	<b>212 108 858</b>	<b>74 262 976</b>	<b>(642 299)</b>	<b>(30 280 178)</b>	<b>(11 744 322)</b>	<b>(1 137 448)</b>	<b>242 567 587</b>

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

	Included within Infrastructure	Included within Community	Total
Opening balance	14 602 484	45 230 952	59 833 436
Additions/capital expenditure	14 771 736	6 715 081	21 486 817
Transferred to completed items	(24 163 472)	(26 544 603)	(50 708 075)
	<b>5 210 748</b>	<b>25 401 430</b>	<b>30 612 178</b>

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

	Included within Infrastructure	Included within Community	Total
Opening balance	24 637 299	23 474 618	48 111 917
Additions/capital expenditure	20 245 363	21 756 334	42 001 697
Transferred to completed items	(30 280 178)	-	(30 280 178)
	<b>14 602 484</b>	<b>45 230 952</b>	<b>59 833 436</b>

# Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>4. Property, plant and equipment (continued)</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Buildings and Facilities	3 321 697	4 723 475
Road Infrastructure	16 706 586	17 832 652
Motor Vehicle	1 076 254	782 097
	<b>21 104 537</b>	<b>23 338 224</b>

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

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 271 555	(1 200 620)	70 935	1 271 555	(1 150 566)	120 989

#### Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	120 989	(50 054)	70 935

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	207 305	(86 316)	120 989

# Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 6. Employee benefit obligations

#### Defined benefit plan

#### Post retirement benefit plan

The municipal personnel are member of the Natal Joint Municipal Pension Fund, mainly Superannuation, Retirement and Provident Funds and there are few members who contributes to GEPP due to the fact that they were employed before the local government establishment. As the aforementioned funds multi-employer funds, the allocation of any surplus/ deficit to individuals funds cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific fund and is of no relevance to users of the Annual Financial Statements.

#### Post retirement medical aid plan

#### POST RETIREMENT MEDICAL BENEFITS

The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post -retirement medical benefits are offered to all employees by subsidising a portion of the medical aid contribution after retirement.

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

#### Carrying value

Employee benefit obligation	5 022 000	3 837 000
Non-current liabilities	(7 784 000)	(6 823 000)
Current liabilities	(577 000)	-
	<b>(8 361 000)</b>	<b>(6 823 000)</b>

#### Entity's own financial instruments [state each category]

Number of in -service members	72	74
<b>Assets used by the entity</b>		
Average Age	41.2	41.5
Average past service	9.2	10.5
Average present value of subsidy at retirement	R 4 985 R	2 467

#### Summary of the in-service membership

	Female	Male	Total
Number of in-service members	40	32	72
Average age	38.9	43.3	41.2
Average past service cost	9.4	9.1	9.2
	-	-	-

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouse.

#### Decremental withdrawal rates

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 %
	-	-

# Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 6. Employee benefit obligations (continued)

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

Opening Accrued Liability	3 837 000	4 014 000
Current service cost	319 000	335 000
Interest cost	483 000	452 000
Actuarial (gains) losses	383 000	(964 000)
	<b>5 022 000</b>	<b>3 837 000</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12.60 %	12.60 %
Expected rate of return on assets	8.30 %	8.30 %
Expected rate of return on reimbursement rights	3.97 %	3.97 %
Actual return on reimbursement rights	5.85 %	5.85 %
Medical cost trend rates	6.38 %	6.38 %

#### Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits.

#### Pre-retirement Mortality

SA 85 - 90 ultimate table, adjusted for female lives.

#### Post retirement Mortality

PA (90) ultimate table-1 with a 1% mortality p.a from 2010

#### Average Retirement Age

The normal retirement age of employees is 65 for both male and females. It has been assumed that in-service members will retire at age 62 on average, which effectively implies that the expected rates of ill-health and early retirement are nil.

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 6. Employee benefit obligations (continued)

#### Long Service Awards and Retirement Gifts

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service.

Carrying amount	3 339 000	2 986 000
<b>Key Financial Assumptions</b>		
Discount rate	11.3 %	11.9 %
General earnings inflation rate (long term)	5.4 %	7.2 %
Net effective discount rate	6.4 %	4.4 %
Average retirement age	62	62
Eligible employees	123	124
Annual average earnings	250 100	236 913
Average age	41.2	41.3
Average past service	9.2	8.9
Average retirement age	62	
Pre-retirement mortality	SA 85 - 90	
<b>Withdrawals rates</b>		
Age 20-24	9 %	5 %
Age 25-29	8 %	4 %
Age 30-34	6 %	3 %
Age 35-39	5 %	2 %
Age 40-44	5 %	1 %
Age 45-49	4 %	0 %
Age 50-54	3 %	0 %
Age 55+	0 %	0 %
	-	-
<b>Past year and future projected liability</b>		
Opening balance	2 986 000	3 005 000
Current service costs	334 000	328 000
Interest cost	339 000	291 000
Benefit vesting	(281 000)	(379 639)
Actuarial gain /loss	(39 000)	(258 361)
	<b>3 339 000</b>	<b>2 986 000</b>

### 7. Inventories

Stores, materials and fuels	72 740	37 638
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### 8. Receivables from exchange transactions

Deposits	964 896	964 896
Other debtors	713 714	407 816
Consumer debtors - Refuse	925 083	865 470
Other Debtors UMDM	119 843	119 843
	<b>2 723 536</b>	<b>2 358 025</b>

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<b>9. Receivables from non-exchange transactions</b>		
Consumer debtors - Rates	1 314 907	1 114 833
<b>Statutory receivables included in receivables from non-exchange transactions above are as follows:</b>		
Rates	1 314 907	1 114 833
<b>Total receivables from non-exchange transactions</b>	<b>1 314 907</b>	<b>-</b>
<b>10. VAT receivable</b>		
VAT	-	6 346 466
<b>11. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	38 060 732	34 594 765
Consumer debtors - Refuse	977 190	919 310
Other Debtor - UMDM	119 843	119 843
	<b>39 157 765</b>	<b>35 633 918</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(36 625 982)	(33 479 932)
Consumer debtors - Refuse	(52 107)	(53 840)
	<b>(36 678 089)</b>	<b>(33 533 772)</b>
<b>Net balance</b>		
Consumer debtors - Rates	1 314 907	1 114 833
Consumer debtors - Refuse	925 083	865 470
Consumer debtors - Other 1	119 843	119 843
	<b>2 359 833</b>	<b>2 100 146</b>
<b>Rates</b>		
Current (0 -30 days)	1 666 136	1 561 423
31 - 60 days	723 814	599 090
61 - 90 days	556 904	486 953
91 - 120 days	527 865	445 701
121 - 365 days	34 586 013	31 516 993
	<b>38 060 732</b>	<b>34 610 160</b>
<b>Refuse</b>		
Current (0 -30 days)	76 255	47 617
31 - 60 days	46 027	26 326
61 - 90 days	36 552	19 523
91 - 120 days	40 777	16 638
121 - 365 days	777 853	16 638
	<b>977 464</b>	<b>126 742</b>
<b>Other Debtors -UMDM</b>		
> 365 days	119 843	119 843

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Figures in Rand	2024	2023
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### 11. Consumer debtors disclosure (continued)

#### Reconciliation of allowance for impairment

Balance at beginning of the year	(33 533 772)	(31 361 205)
Contributions to allowance	(3 068 967)	(2 172 567)
	<b>(36 602 739)</b>	<b>(33 533 772)</b>

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand /Float	4 000	4 000
Bank balances - FNB 6282 9533 000	29 768 349	33 078 104
FNB Call Account - Account number - 6283 1920 766	7 001 817	10 980 850
	<b>36 774 166</b>	<b>44 062 954</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
Cash on hand -Petty cash	4 000	4 000	4 000	4 000	4 000	4 000
FNB Call Account	7 001 817	10 980 850	30 175 753	7 001 817	10 980 850	30 175 753
FNB-6282953300(Primary Bank Account)	29 504 869	33 076 476	23 062 590	29 768 349	33 078 104	23 061 590
<b>Total</b>	<b>36 510 686</b>	<b>44 061 326</b>	<b>53 242 343</b>	<b>36 774 166</b>	<b>44 062 954</b>	<b>53 241 343</b>

### 13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

EPWP grant	-	-
Housing grant	444 068	444 068
Department of Transport Grant	2 082 129	8 668 217
Electrification COGTA	22 633	-
	<b>2 548 830</b>	<b>9 112 285</b>

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### 13. Unspent conditional grants and receipts (continued)

#### Movement during the year

##### Library Grant

Current year receipts	2 004 000	2 004 000
Expenditure	(2 004 000)	(2 004 000)
<b>Conditions still to be met - transfer to liabilities</b>	<b>-</b>	<b>-</b>

The purpose of the grant is to address the Constitutional mandate whereby public libraries are an exclusive provincial competency. The funding assists the municipalities with the provision of library services. The condition of the grant was 100% spent in 2023/24 financial year.

##### Municipal Excellence Award

Current year receipts	-	500 000
Expenditure	-	(500 000)
<b>Conditions still to be met - transfer to liabilities</b>	<b>-</b>	<b>-</b>

The Municipality did not get this grant for this financial year.

##### Department of Transport Grant

Opening balance	8 668 218	-
Current year receipts	55 161 000	18 387 000
Expenditure	(61 747 089)	(9 718 782)
<b>Conditions still to be met - transfer to liabilities</b>	<b>2 082 129</b>	<b>8 668 218</b>

The Department of Transport allocated a grant to municipality to assist the municipalities with the implementation of the roads maintenance.

##### Municipal Disaster Relief Grant

Opening balance	-	8 200 000
Expenditure	-	(8 200 000)
<b>Conditions still to be met - transfer to liabilities</b>	<b>-</b>	<b>-</b>

The municipality did not get this grant for this financial year.

##### Financial management Grant

Current year receipts	3 000 000	3 000 000
Expenditure	(3 000 000)	(3 000 000)
<b>Conditions still to be met - transfer to liabilities</b>	<b>-</b>	<b>-</b>

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act. The municipality submitted the activity plan to National Treasury which was later approved. The approved activity plan was 100% implemented and the conditions of the grants were met in full.

##### Housing Grant

Opening balance	444 068	444 068
Current year receipts	-	-
<b>Conditions still to be met - transfer to liabilities</b>	<b>444 068</b>	<b>444 068</b>

The Department of Human Settlement allocated a grant to municipality to assist municipalities to implement the provision of housing to the community. The municipality implemented the project prior years and there was an amount which remained unspent and the municipality wrote the motivation letter to the transferring department requesting to utilize the funding, no response was provided.

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### 13. Unspent conditional grants and receipts (continued)

#### Small Town Development Grant

Opening balance	-	14 000 000
Expenditure	-	(14 000 000)
<b>Conditions still to be met - transfer to liabilities</b>	<b>-</b>	<b>-</b>

The purpose of this grant is to assist the municipality to develop Mkhambathini Town , the municipality submitted the business plan to KZN COGTA . The grant was expected to be spent within 6 months as per signed MOA between the Accounting Officer and KZN COGTA

#### Municipal Infrastructure Grant

Current year receipts	17 162 000	27 881 000
Expenditure	(17 162 000)	(27 881 000)
<b>Conditions still to be met - transfer to liabilities</b>	<b>-</b>	<b>-</b>

The purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. The municipality implemented infrastructure projects in line with the conditions of the grant and the condition for this grant were fully met.

#### Expanded Public Works Programme Grant

Current year receipts	1 456 000	1 671 000
Expenditure	(1 456 000)	(1 671 000)
<b>Conditions still to be met - transfer to liabilities</b>	<b>-</b>	<b>-</b>

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines. The grant was 100% implemented and the conditions of the grants were met in full.

#### Electrification COGTA Grant

Current year receipts	20 700 000	-
Conditions met - transfer to revenue	(20 677 367)	-
<b>Conditions still to be met - transfer to liabilities</b>	<b>22 633</b>	<b>-</b>

The purpose of the grant is to assist the municipality to address the electrification backlog for ward ward 2 .The municipality met the condition for the grant .The amount of R 22 633 was the savings the the municipality get on the appointment for the service provider for this project and the municipality will use this fund for the maintenance

#### Electrification

Curr	30 055 000	20 800 000
Expenditure	(30 055 000)	(20 800 000)
<b>Conditions still to be met - transfer to liabilities</b>	<b>-</b>	<b>-</b>

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure. The municipality met the condition of the grant and the grant was spend in full

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;

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as a current liabilities.

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### 14. Provisions

#### Reconciliation of provisions - 2024

	Opening Balance	Additions	Total
Provision for leave	3 600 471	9 935	3 610 406

#### Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Provision for leave	3 227 982	372 489	3 600 471

The leave provision represents managements best estimate of the municipality's liability under one period based on prior experience.

### 15. Payables

Trade payables	419 092	2 072 408
Payments received in advanced -debtors	319 534	327 471
Other creditors	186 971	185 801
Retention	4 243 734	4 269 971
	<b>5 169 331</b>	<b>6 855 651</b>

### 16. VAT payable

Tax refunds payables	8 234 350	-
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### 17. Revenue

Service charges	630 172	596 060
Construction contracts	97 808 221	27 805 740
Commissions received	3 889 516	2 650 688
Other income	1 826 673	703 295
Interest received - investment	4 664 618	3 702 602
Property rates	25 116 614	23 937 227
Government grants & subsidies	106 834 000	134 775 000
Public contributions and donations	-	3 800 000
Licenses and permits	4 166 329	4 338 681
Actuarial gain	-	196 000
	<b>244 936 143</b>	<b>202 505 293</b>

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

Service charges	630 172	596 060
Construction contracts	97 808 221	27 805 740
Commissions received	3 889 516	2 650 688
Other income	1 826 673	703 295
Interest received - investment	4 664 618	3 702 602
	<b>108 819 200</b>	<b>35 458 385</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>17. Revenue (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	25 116 614	23 937 227
<b>Transfer revenue</b>		
Government grants & subsidies	106 834 000	134 775 000
Public contributions and donations	-	3 800 000
Licenses and Permits	4 166 329	4 338 681
	<b>136 116 943</b>	<b>166 850 908</b>
<b>18. Service charges</b>		
Refuse removal	630 172	596 060
<b>19. Agency services</b>		
Vehicle Registration	3 889 516	2 650 688
Income from Agency Services is made up of commission earned from administering the Motor licensing section on behalf of Department of Transport on an agency basis .Only the commision on 10% received is recognised as income .The main cost related to this arrangement is the employee cost for the section .		
<b>20. Construction contracts</b>		
INEP	26 134 783	27 805 740
Eletrification ward 2	17 980 319	-
Department of Transport	53 693 119	-
	<b>97 808 221</b>	<b>27 805 740</b>
<b>21. Other revenue</b>		
Commissions received	3 889 516	2 650 688
Other income - (rollup)	1 826 673	703 295
	<b>5 716 189</b>	<b>3 353 983</b>

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Figures in Rand	2024	2023
<b>22. Other income</b>		
Library income	20 402	1 474
Clearance Certificate	15 267	13 525
Other income 4	40	-
Tender Fees	56 447	274 484
Building Plan (Plan Fees)	903 712	131 203
Insurance claims refund	297 803	124 912
UMDM and DSD Receipts	-	16 940
Planning Application Fee	217 483	62 413
Skills Development Refund	310 421	78 344
Billboard Income	5 098	-
	<b>1 826 673</b>	<b>703 295</b>
<b>23. Property rates</b>		
<b>Rates received</b>		
Residential	4 983 603	4 696 583
Commercial	2 828 212	2 679 655
State and Education	4 984 046	4 734 101
Agriculture	4 146 965	3 945 604
Other Properties	9 407 499	9 057 605
Less: Income forgone	(1 233 711)	(1 176 321)
	<b>25 116 614</b>	<b>23 937 227</b>
<b>Valuations</b>		
Residential	471 040 000	471 040 000
Commercial	186 723 000	186 723 000
State and Education	247 470 000	247 470 000
Municipal	24 330 000	24 330 000
Agriculture	3 175 312 000	3 175 312 000
Public service infrastructure	21 620 000	21 620 000
Other Properties	137 048 000	137 048 000
Industrial	757 465 000	757 465 000
	<b>5 021 008 000</b>	<b>5 021 008 000</b>
Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019.		
<b>24. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	83 212 000	77 519 000
Library Grant	2 004 000	2 004 000
Municipal Excellence Award	-	500 000
Municipal Disaster Response Grant	-	8 200 000
Financial Management Grant	3 000 000	3 000 000
EPWP Grant	1 456 000	1 671 000
	<b>89 672 000</b>	<b>92 894 000</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	17 162 000	27 881 000
Small Town Rehabilitation Grant	-	14 000 000
	<b>17 162 000</b>	<b>41 881 000</b>

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

106 834 000	134 775 000
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### 25. Employee related costs

Acting allowances	148 602	-
Bargaining Council Contributions	17 610	15 691
Basic	37 672 842	33 921 518
Bonus	3 336 579	2 245 655
Defined contribution plans	5 739 159	5 343 500
Housing benefits and allowances	235 729	232 730
Leave pay provision charge	1 511 035	1 794 357
Long-service awards	301 193	379 639
Medical aid - company contributions	2 652 251	2 403 889
Overtime payments	895 275	717 639
Phone Allowance	323 304	359 600
SDL	601 971	452 619
Stipend - Ward Committee	778 000	754 000
Travel, motor car, accommodation, subsistence and other allowances	1 127 526	1 544 171
UIF	303 933	272 011
WCA	290 703	377 185
	<b>55 935 712</b>	<b>50 814 204</b>

### Remuneration of Municipal Manager

Annual Remuneration	768 500	735 420
Car Allowance	167 776	167 776
Performance Bonuses	75 045	-
Cellphone Allowance	104 400	104 400
Housing Allowance	84 000	84 000
Rural Allowance	120 000	120 000
Non Pensionable allowance	1 695	-
Medical Aid	120 000	120 000
Leave Paid	32 176	142 570
Backpay	100 606	-
	<b>1 574 198</b>	<b>1 474 166</b>

The total payment to Municipal Manager is R 1 574 198 as per Upper limits of remuneration for Municipal Managers and Managers Accountable to the Municipal Manager (Senior Managers ) and Other Allowances approved by Council.

The performance bonuses for the amount of R75 045 for 2022/2023 financial year was paid to the Municipal Manager

### Remuneration of Chief Financial Officer

Annual Remuneration	614 451	587 289
Car Allowance	120 000	120 000
Medical Aid	120 000	120 000
Leave payout	25 821	24 699
Rural Allowance	60 000	60 000
Cellphone Allowance	54 000	54 000
Non Pensionable Allowance and Backy pay	91 275	-
Performance Bonus Allowance	61 616	-
Pension Allowance	60 000	60 000
	<b>1 207 163</b>	<b>1 025 988</b>

The total payment to Chief Financial Officer is R 1 207 163 as per Upper limits of the Remuneration for Municipal Manager and Managers Accountable to the Municipal Manager (Senior Managers )and Other Allowances approved by Council

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### 25. Employee related costs (continued)

The performance bonus for the amount of R 61 616 for 2022/2023 financial year was paid to the Chief Financial Officer

#### Remuneration of Manager Technical Services

Annual Remuneration	427 063	707 289
Car Allowance	70 000	120 000
Contributions to Medical	35 000	60 000
Acting allowance	108 912	-
Cellphone Allowance	31 500	54 000
Leave Payout	83 920	151 466
Rural Allowance	35 000	60 000
Back Pay	45 159	-
	<b>836 554</b>	<b>1 152 755</b>

The total remuneration payment to Manager Technical Services during the financial year is R 727 642 as per Remuneration for Municipal Manager and Managers Accountable to Municipal Manager (Senior Managers) and Other Allowances approved by council. The manager Technical resigned in January 2024 and council appoint the PMU Manager to act till the Appointment for the New Manager

#### Remuneration of Manager of Corporate Services

Annual Remuneration	734 451	707 289
Car Allowance	120 000	120 000
Performance Bonuses	51 126	-
Contributions to UIF, Medical and Pension Funds	60 000	60 000
Rural Allowance	60 000	60 000
Cellphone Allowance	54 000	54 000
Back Pay	89 580	-
Leave Payout	25 821	24 699
Non-Pension Allowance	1 695	-
	<b>1 196 673</b>	<b>1 025 988</b>

The total payment to Corporate Services Manager is R 1 196 673 as Remuneration for Municipal Manager and Managers Accountable to the Municipal Manager (Senior Managers) and Other Allowances approved by council

The performance bonus for the amount of R 51 126 for 2022/2023 financial year was paid to the Manager : Corporate services

#### Remuneration of Manager of Community Services

Annual Remuneration	698 451	671 289
Car Allowance	156 000	156 000
Medical Aid Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	-	123 066
Rural Allowance	60 000	60 000
Cell Phone Allowance	54 000	54 000
Leave Paid	25 821	-
Performance Bonus	44 011	-
Back Pay	89 580	-
Non-Pensionable Allowance	1 695	-
	<b>1 189 558</b>	<b>1 124 355</b>

Total remuneration of the Manager : Community Services payment during the year is R 1 189 558 as per Remuneration for Municipal Manager and Manager Accountable to the Municipal Manager (Senior Manager) and Other Allowances.

The performance bonus for the amount of R 44 011.38 for financial year was paid to the Manager : Community Services

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<b>26. Remuneration of councillors</b>		
Mayor	963 783	927 485
Deputy Mayor	779 708	750 149
Exco Members	428 501	410 599
Speaker	779 708	750 149
Councillors	3 450 678	3 048 903
Section 70 Councillors	417 138	400 907
	<b>6 819 516</b>	<b>6 288 192</b>
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	12 277 138	11 744 323
Intangible assets	50 053	86 317
	<b>12 327 191</b>	<b>11 830 640</b>
<b>28. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	1 270 268	1 137 448
The main classes of assets affected by the impairment losses was community assets and infrastructure in the previous year and the the class affected in the current financial year is infrastructure asset.		
<b>29. Debt impairment</b>		
Debt impairment	3 068 967	2 172 567
Debt Impairment for consumer debtors is R (2024 : R 3 068 967) .		
<b>30. Contruction cost</b>		
<b>Contruction cost</b>		
INEP	26 134 783	27 805 741
Eletrification	17 980 319	-
Department of Transport	53 693 119	-
	<b>97 808 221</b>	<b>27 805 741</b>
<b>31. General expenses</b>		
Advertising	997 004	977 659
Arts & Culture	667 081	508 549
Bank Charges	252 860	235 477
Business and Advisory Services	7 061 260	6 299 246
Catering services	1 903 840	2 246 801
Civic and Hospitality	1 081 095	571 398
Community development and training	267 202	6 710 338
Consumables	3 423 181	1 580 341
Disaster Management	301 962	-
Face Value- Licence Card Renewals	447 772	599 294
Hygiene Services	286 734	186 919
Indigent Relief	76 095	144 501
Information Technology Services	1 427 870	1 411 387
Infrastructure and Planning	756 395	-
Internal Auditors	1 186 393	1 083 891
Landfill Site Fees	671 025	655 820

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Figures in Rand	2024	2023
<b>31. General expenses (continued)</b>		
Legal Costs	967 472	476 543
Licence Renewal	74 136	128 951
Materials	549 993	549 482
Operating Leases	698 499	309 661
Other Contractors	13 936 296	4 516 223
Other Expenses	220 166	277 406
Postage and courier	24 000	51 000
Printing and stationery	324 015	376 378
Repairs and maintenance - Building and Facilities	4 440 769	4 723 475
Repairs and maintenance - unspecified Assets	17 233 047	18 614 749
SALGA Membership fees	1 055 150	664 033
Subsistence and Travelling	862 827	1 184 123
Training and Development	365 433	181 885
Transportation	4 457 043	5 250 310
Water and Electricity	922 278	845 744
	<b>66 938 893</b>	<b>61 361 584</b>
<b>32. Auditors' remuneration</b>		
External Audit Fees	1 971 354	1 663 224
<b>33. Leases</b>		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	724 743	334 895
- in second to fifth year inclusive	506 863	384 582
	<b>1 231 606</b>	<b>719 477</b>
Operating lease payments represent rentals payable by the municipality for certain of its office photocopying machines. Leases are negotiated between three to five years. Lease rentals escalates between 0% to 10 % per annum over the period of the lease. The municipality is also leasing a piece of land from Mrs Parak for a period of 3 years.		
<b>Rental expenses relating to operating leases</b>		
Minimum lease payments	698 499	210 870
<b>34. Cash generated from operations</b>		
(Deficit) surplus	(2 741 979)	38 789 398
<b>Adjustments for:</b>		
Depreciation and amortisation	12 327 191	11 830 640
Gain on sale of assets and liabilities	-	642 295
Impairment deficit	1 270 268	1 137 448
Debt impairment	3 068 967	2 172 567
Actuarial loss/gain	1 538 000	(196 000)
Movements in provisions	9 936	372 489
Donations / Disposal Electrification Assets	-	(3 800 000)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(245 668)	(225 823)
Consumer debtors	(3 068 967)	(2 172 567)
Other receivables from non-exchange transactions	(395 227)	(448 524)
Payables	(1 686 320)	1 882 615
Inventories	(35 101)	(4 223)
Unspent conditional grants and receipts	(6 563 455)	(13 531 783)
VAT Closing	8 234 349	(6 346 466)

# Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 34. Cash generated from operations (continued)

VAT Opening	6 346 466	3 701 379
	<b>18 058 460</b>	<b>33 803 445</b>

### 35. Capital Commitments

#### Already contracted for but not provided for

Community Assets /Facilities	10 137 093	8 004 055
Road Infrastructure assets	9 587 920	38 452 430
Other PPE	537 560	-
	<b>20 262 573</b>	<b>46 456 485</b>

### 36. Contingent Liability

The municipality does not have any litigations.

### 37. Related parties

The remuneration for councillors and salaries for key management personnel are disclosed under Note 25 and 26 and they are reported as line items on the face of Statement of Financial Performance.

#### Remuneration of management

### 38. Prior period errors

	Note	As per previously reported	Column heading	Correction of an error	Restated
Risk Management note 39 (Receivables from exchange )	-	1 492 555	-	865 470	2 358 025
Statement of Financial Position -Payables from exchange	-	7 370 918	-	(515 268)	6 855 650
Accumulated Surplus	-	283 213 420	-	515 268	283 728 688
	-	<b>292 076 893</b>	-	<b>865 470</b>	<b>292 942 363</b>

The municipality identify the error that was made in 2022/23 financial year. On the Risk Management note number 39 ,the Recievable from Exchange was disclose as R 1 492 555 instead of the correct amount of R 2 358 025

The municipality identity the error that was made in 2022/23 finanail year ,the Statement of finanail position -Payables from exchange for amount of R 7 370 918 was disclose instead of the correct amount of R 6 855 650 .The correction amount is R 515 268 relating to retention amount incorrectly disclosed

### 39. 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.

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

The amount reflected within the trade and other payables from exchange transactions are(2024:R 5 169 331 and 2023:R 6 855 651.

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### 39. Risk management (continued)

#### Credit risk

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

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

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

	2024	2023
Financial instrument		
Cash and cash equivalents	36 774 166	44 062 954
Receivables from exchange	2 723 536	2 358 025

### 40. Going concern

We draw attention to the fact that at 30 June 2024, the Municipality had an accumulated surplus of R280 986 709 and that the Municipality's total assets. exceeds its liability by R 282 240 109

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

The ability of the Municipality to continue as a going concern is dependent on a number of factors. The most significant of these factors is the ability of the Accounting Officer to continue procure funding for the ongoing operations for the Municipality.

The assumption is that the Municipality will be able to continue operating for a period of time that is sufficient to carry out its commitments, obligations, objectives, and so on. The Municipality will not have to liquidate or be forced out of business in the foreseeable future. The Municipal current cash and cash equivalent amount (R 36 774 166) is sufficient for the Municipality to pay its current obligation and continue to operate for more than six months without considering any income to be received by the Municipality during the six months period. Further the municipality expect to receive grants from government for the next financial year and in future.

### 41. Events after the reporting date

- There are no material event that occurred after the reporting date 30 June 2024.

### 42. Unauthorised expenditure ( Non - cash items)

Opening balance as previously reported	-	9 692 327
<b>Opening balance</b>	-	<b>9 692 327</b>
Less: Amount written off - prior period	-	(9 692 327)
<b>Closing balance</b>	-	<b>-</b>

### 43. Fruitless and wasteful expenditure

Opening balance as previously reported	2 567	2 157
Add: Fruitless and Wasteful Expenditure - current year	4 368	4 274
<b>Opening balance as restated</b>	<b>6 935</b>	<b>6 431</b>
Less: Amount written off - current	(2 667)	(1 707)
Less: Amount written off - prior period	(2 567)	(2 157)
<b>Closing balance</b>	<b>1 701</b>	<b>2 567</b>

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### 43. Fruitless and wasteful expenditure (continued)

In terms of the exemption notice in Government gazette No 43181, The amount of R 4 368 fruitless and wasteful expenditure has been recognised for interest on late payments. The amount of R 2 567 for prior year and R 2 667 for Current year (Q1 to Q3 expenditure) was investigated and the council resolved to write off as per the recommendation from MPAC after investigation.

The amount of R 1 701 is still under investigation, this expenditure incurred in Q4 and the council sat on the 28 July 2024 and resolve that the MPAC must do the investigation for this expenditure.

### 44. Irregular expenditure

Opening balance as previously reported	1 514 558	6 157 343
Add: Irregular Expenditure - current year	995 575	8 735 387
<b>Total</b>	<b>2 510 133</b>	<b>14 892 730</b>
Add: Irregular Expenditure - prior period	81 800	-
Less: Amount written off - current	(908 775)	(7 220 829)
Less: Amount written off - prior period	(1 514 558)	(6 157 343)
<b>Closing balance</b>	<b>168 600</b>	<b>1 514 558</b>

The amount of R 1 514 558 for prior year was written off by the council after the investigation

This resulted in non-compliance with the CIDB regulations and will thus result in irregular expenditure. Payment totaling R 828 475 was made to Masakhane-mining engineering cc and payment totaling to R 80 300 was made to TNM Hygiene PTY LTD tax non-compliant during the current financial year.

The municipality trade with the service provider (Nonzila Enterprise) who is in the service of the state. The amount of R 145 000 include the expenditure of R 81 800 which was paid last financial year 2022/23 and the amount R 63 200 was paid in the current financial year 2023/24.

The municipality trade with Maxhosa Projects (PTY) LTD, this service provider was non-compliant with SARS. The total amount that was paid to the service provider for this financial year is R 23 600.

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

#### Contributions to organised local government

Amount paid - current year	1 055 150	664 033
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#### Audit fees

Amount paid - current year	1 971 354	1 663 224
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#### PAYE and UIF

Current year subscription / fee	7 540 783	7 637 043
Amount paid - current year	(7 540 783)	(7 637 043)
	-	-

The PAYE and UIF was all paid during the year no outstanding issues with SARS

#### Pension and Medical Aid Deductions

Current year subscription / fee	8 245 479	7 756 781
Amount paid - current year	(8 245 479)	(7 756 781)

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

	-	-
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The Pension and Medical Aid deduction is made by the salaries increament and the we also have new contritutions for 2023/24 Fianancail year .

#### VAT Receivable

VAT receivable	-	6 346 466
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All VAT returns have been submitted by the due date to SARS throughout the financial year .

### 46. Deviation from procurement processes

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 and includes a note to the annual financial statements. The transaction amounting to R 1 001 543.75 was incurred during the financial year and were reported to Council quarterly and all of them were approved by council.

Microsoft Volume Licensing	1 001 544	-
SA Post Officer	-	61 321
Driving Licence Card	-	498 648
	<b>1 001 544</b>	<b>559 969</b>

In terms of section 36 of the Municipal Supply Chain Management Regulation any deviation from Supply Chain Management Policy needs to be approved /condoned by the Municipal Manager and note by Council. These deviations refer to the instances as stipulated in the regulation and relates mainly to emergencies and instances where it was impractical to follow SCM processes:

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### 46. Deviation from procurement processes (continued)

#### SA Post Office

-	61 321
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-	-
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#### Microsoft Volume Licensing

1 001 544	-
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#### Driving licence License Card

-	498 648
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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 47. Segment information

#### General information

##### Identification of segments

The municipality renders services in all 7 wards of Mkhambathini Municipality

The municipality is organised and operate in four key functional segments (business units) .The management monitoring the operating results of these business units for the purpose of making decision about resource allocations and assessment of performance .Revenue and Expenditure relating to these business units are allocated at transactional level . The below are the key business units

Government and Administration which includes municipal managers office,councillors and finance department

Community and public safety which includes community and social services,sport and recreation ,public safety ,health and housing

Economic and environmental services which includes planing and development , road ,transport and environmental protection services

Trading services which includes energy sources ,waste management and rates services

The general information and geographical information was only done on the 7 wards that the municipality rendered a service on during the financial year

##### Aggregated segments

The municipality operates under Umgungundlovu District Municipality and it has 7 wards . Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Mkhambathini Local Municipality were sufficiently similar to warrant aggregation.

##### 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

Government and Administration  
Community and Public Safety  
Economic and Ennviroment Services  
Trade Services

##### Goods and/or services

Government and administration services  
Social services delivery  
Economic development services  
Energy,water and forestry services

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### 47. Segment information (continued)

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

2024

	Government and Administration	Community and public Safty	Economic and Trade Services Eviromental Services		Total
<b>Revenue</b>					
Revenue from non-exchange transactions	109 544 329	1 456 000	-	-	111 000 329
Property Rates	25 116 614	-	-	-	25 116 614
Revenue for exchange transections	5 697 075	19 114	97 808 221	-	103 524 410
Service Charges	-	-	-	630 172	630 172
Interest on short Term Investment	4 664 618	-	-	-	4 664 618
<b>Total segment revenue</b>	<b>145 022 636</b>	<b>1 475 114</b>	<b>97 808 221</b>	<b>630 172</b>	<b>244 936 143</b>
<b>Entity's revenue</b>					<b>244 936 143</b>
<b>Expenditure</b>					
Salaries and wages	33 347 496	16 602 473	5 985 742	-	55 935 711
Remuneration for councillors	6 819 516	-	-	-	6 819 516
Depreciation and Amortisation	12 389 801	-	-	-	12 389 801
Other expenses	39 177 839	15 830 105	116 347 456	671 025	172 026 425
<b>Total segment expenditure</b>	<b>91 734 652</b>	<b>32 432 578</b>	<b>122 333 198</b>	<b>671 025</b>	<b>247 171 453</b>
<b>Total segmental surplus/(deficit)</b>					<b>(2 235 310)</b>
<b>Assets</b>					
Current Assets	39 960 266	925 083	-	-	40 885 349
Non Current Assets	33 531 807	102 244 947	134 902 490	-	270 679 244
<b>Total segment assets</b>	<b>73 492 073</b>	<b>103 170 030</b>	<b>134 902 490</b>	<b>-</b>	<b>311 564 593</b>
<b>Total assets as per Statement of financial Position</b>					<b>311 564 593</b>

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## Notes to the Annual Financial Statements

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	Government and Administration	Community and public Safty	Economic and Trade Services Eviromental Services	Total
<b>47. Segment information (continued)</b>				
<b>Liabilities</b>				
Current liabilities	19 000 254	-	2 548 830	- 21 549 084
Non Current Liabilities	7 784 000	-	-	- 7 784 000
<b>Total segment liabilities</b>	<b>26 784 254</b>	<b>-</b>	<b>2 548 830</b>	<b>- 29 333 084</b>
<b>Total liabilities as per Statement of financial Position</b>				<b>29 333 084</b>

### 48. Award to close family member of persons in the service of state

The Municipal Finance Management Act ,2003 (Act no 56 of 2003 );Municipal Supply Chain Mangegement Regulation 45 states that the particulars of any award more that R 2 000 made to a person who is a spouse, child or parent of a person in the service of the state,or has been in the service of the state in the previous twelve (12) months must be disclosed as a note in the financaill statement . The details are below for the year ended 30 June 2024 :

Name of a person : Nombili Mbambo

Relation :Spouse

Capacity :Employee at SANRAL

Service provider : Adapt IT (PTY)Ltd :

Number of Transaction : 1

Total Amount : R 225 241.45

Declaration by Supplier : MBD4, Annexure D .