



**Mandeni Municipality
Annual Financial Statements
for the year ended 30 June 2024**

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)

Nature of business and principal activities

The provision of services (electricity and refuse) to communities in a sustainable manner to promote social and economic development, and to promote a safe and a healthy environment.

MEMBERS OF EXECUTIVE COUNCIL

Mayor and Chairman of the Executive Committee

Cllr TP Mdlalose

Deputy Mayor

Cllr BL Magwaza

Speaker (Ex-Officio)

Cllr PM Sishi

Members of the Executive Committee

Cllr SZ Mdletshe

Cllr ST Magwaza

Cllr MS Mdunge

Cllr M Shelembe

Cllr SC Mdletshe

Other councillors

Cllr NO Dladla

Cllr SF Gina

Cllr BA Khumalo

Cllr NH Khuzwayo

Cllr SA Mabhida

Cllr SJ Mathonsi

Cllr XH Mathonsi

Cllr S Mathonsi

Cllr MC Mkhali

Cllr BA Mchunu

Cllr ST Thwala

Cllr SS Mdunge

Cllr CT Mhlongo

Cllr CL Mthembu

Cllr DGP Mthembu

Cllr LS Mthembu

Cllr LS Zungu

Cllr SP Naicker

Cllr MT Ncanana

Cllr NS Ncube

Cllr MB Ngidi

Cllr N Mathunjwa

Cllr ME Ndwandwe

Cllr S Ntuli

Cllr NR Dladla

Cllr ZM Nxumalo

Cllr SW Shandu

Mandeni Municipality

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General Information

Senior management	SG Khuzwayo - Municipal Manager NZ Guzana - Chief Financial Officer (Acting from 01 July 2023) VP Zulu - Director: Corporate Services RS Dlamini - Director: Technical Services B Sithole - Director: Public Safety and Community Services WD Mbongwa - Director: Economic Development
Auditors	Auditor-General South Africa
Bankers	First National Bank Nedbank
Attorneys	Phumlani Ngubane Tembe Kheswa Nxumalo Incorporated Mhlanga Incorporated Bhekisisa Goqo & Co Memela and Associates Matthew Francis Inc.
Registered office	Mandeni Municipal Office 2 Kingfisher Road Mandeni 4490
Business address	2 Kingfisher Road Mandeni 4490
Postal address	P O Box 144 Mandeni 4490
Telephone number	032 - 456 8200
Fax number	032 - 456 2504
Email address	info@mandeni.gov.za
Grading of local authority	3
Jurisdiction	Mandeni Boundary (as determined by the Demarcation Board)
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Constitution of the Republic of South Africa (Act 108 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)

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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
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
LGSETA	Local Government Sector Education and Training Authority
SALGA	South African Local Government Association
SARS	South African Revenue Service
SCM	Supply Chain Management
MIG	Municipal Infrastructure Grant
MEC	Member of Executive Committee

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Accounting Officer's Responsibilities and Approval

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

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

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 31 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance and Traditional Affairs' determination in accordance with this Act.

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

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

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

The annual financial statements set out on pages 7 to 95, which have been prepared on a going concern basis, were approved by the accounting officer on 30 August 2024 and were signed by:

SG Khuzwayo
Accounting Officer

30 August 2024

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

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

1. Going concern

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

2. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the year.

3. Accounting Officers' interest in contracts

The accounting officer has no interest in contracts awarded, either direct or indirect.

4. Accounting policies

The annual financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Non-current assets

There were no changes in the policy relating to the use of non-current assets.

6. Accounting Officer

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

Name
SG Khuzwayo

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	42,734,144	42,751,851
Receivables from exchange transactions	4	22,713,751	25,709,058
Receivables from non-exchange transactions	5	2,745,945	3,669,055
Statutory receivables	6	28,744,473	27,926,956
Call and investment deposits	7	199,451,615	244,203,556
Cash and cash equivalents	8	9,356,268	10,321,268
		305,746,196	354,581,744
Non-Current Assets			
Investment property	9	41,913,000	40,529,000
Property, plant and equipment	10	669,291,315	561,888,006
Intangible assets	11	2,371,690	330,671
		713,576,005	602,747,677
Total Assets		1,019,322,201	957,329,421
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	64,698,652	47,342,009
Consumer deposits	13	185,196	216,464
Employee benefit obligation	15	1,125,558	894,403
Unspent conditional grants and receipts	14	9,028,438	25,788,956
		75,037,844	74,241,832
Non-Current Liabilities			
Employee benefit obligation	15	25,769,737	21,693,073
Total Liabilities		100,807,581	95,934,905
Net Assets		918,514,620	861,394,516
Reserves			
Housing Development fund		2,133,415	1,986,085
Accumulated surplus	16	916,381,205	859,408,431
Total Net Assets		918,514,620	861,394,516

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Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023
Revenue			
Revenue from exchange transactions			
Service charges	18	74,930,090	61,433,607
Construction contracts	19	10,560,568	6,815,022
Rental of facilities and equipment	20	294,366	354,021
Interest income - Service charges	21	919,269	1,228,720
Licences and permits	22	984,777	547,007
Other income	23	2,764,386	3,586,648
Interest received - investment	24	26,748,038	20,010,444
Total revenue from exchange transactions		117,201,494	93,975,469
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	57,778,536	51,761,585
Interest income - Property rates	26	3,459,757	2,627,819
Transfer revenue			
Government grants & subsidies	27	297,059,542	263,259,332
Fines, penalties and forfeits	28	1,583,588	1,001,853
Donated assets income	29	14,200	5,234,331
Total revenue from non-exchange transactions		359,895,623	323,884,920
Total revenue	17	477,097,117	417,860,389
Expenditure			
Employee related costs	30	(130,711,296)	(116,925,166)
Remuneration of councillors	31	(14,563,808)	(14,325,359)
Bad debts written off	32	(4,388,493)	(1,918,671)
Depreciation and amortisation	33	(31,488,912)	(30,062,529)
Finance costs	39	(3,134,616)	(3,322,630)
Lease rentals on operating lease	38	(2,272,751)	(1,175,012)
Debt impairment	37	(29,387,143)	(13,103,576)
Inventory consumed	34	(3,834,651)	(4,371,235)
Bulk purchases	35	(52,474,725)	(45,292,594)
Contracted services	40	(86,359,034)	(62,255,231)
General expenses	41	(60,092,620)	(42,496,847)
Total expenditure		(418,708,049)	(335,248,850)
Operating surplus		58,389,068	82,611,539
Loss on disposal/scraping of assets	42	(500,517)	(6,079,512)
Fair value adjustments	43	1,541,000	30,180,500
Actuarial gains/losses	15	(217,970)	3,169,090
Impairment loss	36	(2,238,807)	(2,374,266)
		(1,416,294)	24,895,812
Surplus for the period		56,972,774	107,507,351

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Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Other NDR	Accumulated surplus	Total net assets
Balance at 01 July 2022	1,878,425	751,901,080	753,779,505
Changes in net assets			
Surplus for the year	-	107,507,351	107,507,351
Interest on reserves	107,660	-	107,660
Total changes	107,660	107,507,351	107,615,011
Balance at 01 July 2023	1,986,085	859,408,431	861,394,516
Changes in net assets			
Surplus for the year	-	56,972,774	56,972,774
Interest on reserves	147,330	-	147,330
Total changes	147,330	56,972,774	57,120,104
Balance at 30 June 2024	2,133,415	916,381,205	918,514,620

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Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Taxation		64,109,849	48,915,720
Sale of goods and services		71,947,348	62,814,135
Grants		293,790,675	288,141,000
Interest income		36,501,202	13,978,362
		<u>466,349,074</u>	<u>413,849,217</u>
Payments			
Employee costs		(141,802,002)	(130,376,808)
Suppliers		(226,773,235)	(162,240,095)
Other payments		(136,746)	(324,760)
		<u>(368,711,983)</u>	<u>(292,941,663)</u>
Net cash flows from operating activities	45	<u>97,637,091</u>	<u>120,907,554</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(142,727,127)	(75,545,053)
Proceeds from sale of property, plant and equipment	10	1,192,678	1,086,867
Proceeds from sale of investment property	9	157,000	-
Purchase of intangible assets	11	(2,123,913)	-
Net cash flows from investing activities		<u>(143,501,362)</u>	<u>(74,458,186)</u>
Cash flows from financing activities			
Finance lease payments		-	(13,719)
Interest on reserves capitalised		147,330	107,660
Net cash flows from financing activities		<u>147,330</u>	<u>93,941</u>
Net increase in cash and cash equivalents		<u>(45,716,941)</u>	<u>46,543,309</u>
Cash and cash equivalents at the beginning of the year		254,524,824	207,981,515
Cash and cash equivalents at the end of the year	7&8	<u>208,807,883</u>	<u>254,524,824</u>

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Annual Financial Statements for the year ended 30 June 2024

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
Figures in Rand					
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	63,657,010	9,130,436	72,787,446	74,930,090	2,142,644
Sale of goods and rendering of services	617,796	12,244,653	12,862,449	10,560,568	(2,301,881)
Rental of facilities and equipment	192,215	50,139	242,354	294,366	52,012
Interest earned on service charges	917,821	-	917,821	919,269	1,448
Licences and permits	737,332	-	737,332	984,777	247,445
Other income	395,652	1,615,908	2,011,560	2,764,386	752,826
Interest received - investment	10,500,000	13,000,000	23,500,000	26,748,038	3,248,038
Total revenue from exchange transactions	77,017,826	36,041,136	113,058,962	117,201,494	4,142,532
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	59,329,448	-	59,329,448	57,778,536	(1,550,912)
Interest earned on property rates	2,836,738	-	2,836,738	3,459,757	623,019
Transfer revenue					
Government grants & subsidies	290,356,000	12,088,100	302,444,100	297,059,542	(5,384,558)
Fines, Penalties and Forfeits	1,210,000	-	1,210,000	1,583,588	373,588
Donated assets income	-	-	-	14,200	14,200
Total revenue from non-exchange transactions	353,732,186	12,088,100	365,820,286	359,895,623	(5,924,663)
Total revenue	430,750,012	48,129,236	478,879,248	477,097,117	(1,782,131)
Expenditure					
Employee related costs	(141,420,149)	-	(141,420,149)	(130,711,296)	10,708,853
Remuneration of councillors	(15,460,013)	-	(15,460,013)	(14,563,808)	896,205
Depreciation and amortisation	(35,534,499)	-	(35,534,499)	(31,488,912)	4,045,587
Impairment loss/ Reversal of impairments	-	-	-	(2,238,807)	(2,238,807)
Finance costs	(100,000)	(3,200,000)	(3,300,000)	(3,134,616)	165,384
Lease rentals on operating lease	(1,521,739)	-	(1,521,739)	(2,272,751)	(751,012)
Debt Impairment	(37,302,618)	-	(37,302,618)	(29,387,143)	7,915,475
Bad debts written off	(7,499,999)	-	(7,499,999)	(4,388,493)	3,111,506
Inventory consumed	(7,410,653)	3,952,623	(3,458,030)	(3,834,651)	(376,621)
Bulk purchases	(43,602,976)	(8,260,870)	(51,863,846)	(52,474,725)	(610,879)
Contracted Services	(64,092,094)	(20,792,006)	(84,884,100)	(86,359,034)	(1,474,934)
General expenses	(46,675,819)	(7,957,921)	(54,633,740)	(60,092,620)	(5,458,880)
Total expenditure	(400,620,559)	(36,258,174)	(436,878,733)	(420,946,856)	15,931,877
Operating surplus	30,129,453	11,871,062	42,000,515	56,150,261	14,149,746
Loss on disposal/scraping of assets	(1,500,000)	-	(1,500,000)	(500,517)	999,483
Fair value adjustments	-	-	-	1,541,000	1,541,000
Actuarial gains/losses	-	-	-	(217,970)	(217,970)
	(1,500,000)	-	(1,500,000)	822,513	2,322,513
Surplus before taxation	28,629,453	11,871,062	40,500,515	56,972,774	16,472,259
Actual Amount on Comparable Basis as Presented	28,629,453	11,871,062	40,500,515	56,972,774	16,472,259

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

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
Figures in Rand					

Material budget differences are disclosed in note 55 - budget variances.

Mandeni Municipality

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2024											
Financial Performance											
Property rates	62,166,186	-	62,166,186	-		62,166,186	57,778,536		(4,387,650)	93 %	93 %
Service charges	64,574,831	9,130,436	73,705,267	-		73,705,267	74,930,090		1,224,823	102 %	116 %
Investment revenue	10,500,000	13,000,000	23,500,000	-		23,500,000	26,748,038		3,248,038	114 %	255 %
Transfers recognised - operational	241,974,850	177,000	242,151,850	-		242,151,850	240,489,001		(1,662,849)	99 %	99 %
Other own revenue	3,152,995	13,910,700	17,063,695	-		17,063,695	20,580,911		3,517,216	121 %	653 %
Total revenue (excluding capital transfers and contributions)	382,368,862	36,218,136	418,586,998	-		418,586,998	420,526,576		1,939,578	100 %	110 %
Employee costs	(141,420,149)	-	(141,420,149)	-	-	(141,420,149)	(130,711,296)	-	10,708,853	92 %	92 %
Remuneration of councillors	(15,460,013)	-	(15,460,013)	-	-	(15,460,013)	(14,563,808)	-	896,205	94 %	94 %
Depreciation and asset impairment	(35,534,499)	-	(35,534,499)			(35,534,499)	(33,727,719)	-	1,806,780	95 %	95 %
Finance charges	(100,000)	(3,200,000)	(3,300,000)	-	-	(3,300,000)	(3,134,616)	-	165,384	95 %	3,135 %
Inventory consumed and bulk purchases	(51,013,629)	(4,308,247)	(55,321,876)	-	-	(55,321,876)	(57,747,476)	-	(2,425,600)	104 %	113 %
Contracted services	(64,092,094)	(20,792,006)	(84,884,100)	-	-	(84,884,100)	(86,359,034)	-	(1,474,934)	102 %	135 %
Other expenditure	(94,500,175)	(7,957,921)	(102,458,096)	-	-	(102,458,096)	(93,880,394)	-	8,577,702	92 %	99 %
Total expenditure	(402,120,559)	(36,258,174)	(438,378,733)	-	-	(438,378,733)	(420,124,343)	-	18,254,390	96 %	104 %
Surplus/(Deficit)	(19,751,697)	(40,038)	(19,791,735)	-		(19,791,735)	402,233		20,193,968	(2)%	(2)%

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Annual Financial Statements for the year ended 30 June 2024

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	48,381,150	11,911,100	60,292,250	-		60,292,250	56,570,541		(3,721,709)	94 %	117 %
Surplus (Deficit) after capital transfers and contributions	28,629,453	11,871,062	40,500,515	-		40,500,515	56,972,774		16,472,259	141 %	199 %
Surplus/(Deficit) for the year	28,629,453	11,871,062	40,500,515	-		40,500,515	56,972,774		16,472,259	141 %	199 %
Capital expenditure and funds sources											
Total capital expenditure	(143,944,633)	4,160,869	(139,783,764)	-		(139,783,764)	(144,851,041)		(5,067,277)	104 %	101 %
Sources of capital funds											
Transfers recognised - capital	(55,597,607)	3,169,564	(52,428,043)	-		(52,428,043)	(52,428,083)		(40)	100 %	94 %
Internally generated funds	(88,347,026)	991,305	(87,355,721)	-		(87,355,721)	(92,422,958)		(5,067,237)	106 %	105 %
Total sources of capital funds	(143,944,633)	4,160,869	(139,783,764)	-		(139,783,764)	(144,851,041)		(5,067,277)	104 %	101 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	74,380,832	(7,512,161)	66,868,671	-		66,868,671	97,637,092		30,768,421	146 %	131 %
Net cash from (used) investing	(165,536,340)	4,869,998	(160,666,342)	-		(160,666,342)	(143,501,362)		17,164,980	89 %	87 %
Net cash from (used) financing	-	-	-	-		-	147,330		147,330	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	(91,155,508)	(2,642,163)	(93,797,671)	-		(93,797,671)	(45,716,940)		48,080,731	49 %	50 %
Cash and cash equivalents at the beginning of the year	207,979,210	46,545,614	254,524,824	-		254,524,824	254,524,824		-	100 %	122 %
Cash and cash equivalents at year end	116,823,702	43,903,451	160,727,153	-		160,727,153	208,807,884		(48,080,731)	130 %	179 %

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1. Presentation of Annual Financial Statements

1.1 Basis of preparation

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

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

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

These accounting policies are consistent with the previous period.

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

1.2 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. The use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 12 - Payables from exchange transactions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Mandeni Municipality

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Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

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

Effective interest rate

The municipality used the prime interest rate to discount future cash flows under GRAP 13 while the government bond rate was used to discount future cash flows under GRAP 25.

Allowance for debt impairment

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

1.3 Going concern - assumption

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

1.4 Investment property

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

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

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

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

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

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

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

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.4 Investment property (continued)

Subsequent measurement - 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 municipality 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 municipality 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.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

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

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

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. The cost also includes necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

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

Mandeni Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are connected for as property, plant and equipment.

Subsequent measurement - cost model (land and buildings)

Subsequent to initial recognition, land and buildings are carried at cost less any subsequent accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses.

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

Depreciation

Depreciation is calculated on a depreciable amount, using the straight-line basis over the estimated useful life of items of property, plant and equipment unless depreciation of certain assets is being determined using a method other than the estimated useful life.

Components of assets that are significant in relation to the whole asset and have different useful lives are depreciated separately.

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

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

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

The annual depreciation rates are based on the following estimated average useful lives of items of property, plant and equipment and are assessed as follows:

Item	Depreciation method	Average useful life in years
Buildings	Straight-line	30 years
Infrastructure	Straight-line	30 years
Community	Straight-line	30 years
Other property, plant and equipment	Straight-line	5 to 10 years

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from the previous estimate, the change is accounted for as a change in the accounting estimate. In determining the depreciation change for the current year, the residual value for all assets has been taken into account.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

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

Mandeni Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

Derecognition

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

The gain or loss arising 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.

1.6 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 municipality 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.

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

Mandeni Municipality

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Accounting Policies

1.6 Intangible assets (continued)

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

Item	Useful life
Computer software	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and impairment loss is charged to the statement of financial performance.

Derecognition

Intangible assets are derecognised when the asset is disposed off or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount and is recognised in the statement of financial performance.

1.7 Financial instruments

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

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

Class	Categories
Cash and cash equivalents	Financial asset measured at amortised cost
Call investment deposits	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non- exchange transactions	Financial asset measured at amortised cost
Other receivables	Financial asset measured at fair value

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Categories
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Other payables	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Financial instruments (continued)

Initial and subsequent measurement

Financial assets

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at Available-for-Sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial assets are recognised on the date they originated for loans and receivables and deposits and for other financial assets, initially on the trade date at which the municipality becomes a party to the contractual provision of the instrument.

Financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially accounts receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer debtors are stated at cost less a provision for bad debts. The provision is made in accordance with GRAP 104 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Financial instruments (continued)

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.8 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Accounting Policies

1.8 Statutory receivables (continued)

Impairment losses

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

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

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for statutory receivables is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivables or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

Any difference between the consideration received and the amounts derecognised is recognised in surplus or deficit.

Mandeni Municipality

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Accounting Policies

1.9 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Property, plant equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured at the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance costs and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing.

Operating leases are those leases that do not fall within the scope within the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

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.

1.10 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.

Mandeni Municipality

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Accounting Policies

1.10 Inventories (continued)

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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Redundant and obsolete inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regards to their age, condition and utility.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period. 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 is 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro-rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

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

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

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

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

After a reversal of an impairment loss is recognised, the depreciation 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.

Accounting Policies

1.12 Employee benefits

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity 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 benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.12 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) on retirement, is entitled to remain a continued member of the medical aid fund in which case the municipality is liable for a certain portion of the medical aid membership fee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.12 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected reflects the time value of money and is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Long-term service awards

The municipality has an obligation to provide long-term service awards to all of its employees who have been in service of the municipality for a certain period of time. According to the rules of the long-term service allowance scheme, which the municipality has instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liability. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.12 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

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.

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

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

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

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

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

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

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

Provisions are not recognised for future operating expenditure.

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

Mandeni Municipality

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Accounting Policies

1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47 unless the possibility of an outflow or resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefit is probable.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11.

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

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

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.13 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or services potentially during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Measurement

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

Sale of goods

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

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

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Revenue from the sale of tender documents is recognised at the point of sale.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Interest

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

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

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

1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

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

Resources arising from property rates satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

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

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

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

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

Transfers

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

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

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Fines

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

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

Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by the debtors.

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market-related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market-related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

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

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.16 Value-added tax

The municipality accounts for value-added tax (VAT) on a payment basis.

The municipality is registered with the South African Revenue Services (SARS) for VAT on a payment basis, in accordance with section 15(2) of the VAT Act (Act no. 89 of 1991).

1.17 Comparative figures

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

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

1.18 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003) and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- 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.
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraphs (b),(c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or a grant by the municipality in accordance with the Municipal Finance Management Act.

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.

Unauthorised expenditure is an expenditure that has not been budgeted for, an expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or an organ of the state. An expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 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.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is an expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including-

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

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.21 Accumulated surplus

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution (Number C30 dated 17.10.2012).

These transfers from the net surplus may only be made if they are backed by cash. The amount transferred to CRR is based on the municipality's need to finance future capital progress included in the integrated development plan. The following provisions are set for the creation and utilisation of the CRR:

- the cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- interest earned on the CRR investment is recorded as part of the total interest earned in the statement of financial performance
- the CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for maintenance of these items.
- whenever an asset is purchased out of CRR, an amount equal to the cost price of the asset purchased is transferred from the CRR into a future depreciation reserve called the Capitalisation Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The Capitalisation Reserve is used to offset depreciation charged on assets purchased out of the CRR to avoid double taxation of the consumers.
- if a gain is made on the sale of assets previously purchased out of the CRR, the gain on these assets sold is reflected in the statement of financial performance.

Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

Provisions are set out for the creation and utilisation of the Housing Development Fund. The Housing Development Fund is cash- backed, and invested in accordance with the investment policy of the municipality.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

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.

Donations and public contributions reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.21 Accumulated surplus (continued)

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant-funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant-funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

1.22 Budget information

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

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 annual financial statements and the budget are on the same basis of accounting.

1.23 Related parties

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

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

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

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

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

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

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

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

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.23 Related parties (continued)

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

1.24 Events after the reporting date

The municipality has carefully considered whether events occurring between the Statement of Financial Position date and the date of approval should be reflected in the annual financial statements. Events after the reporting period (or 'post-Statement of Financial Position events') are either adjusting events or non-adjusting events.

Adjusting events provide further evidence of conditions that existed at the statement of financial position date and the carrying amounts of assets and liabilities at the statement of financial position date are adjusted for such events. Non-adjusting events relate to conditions that arose after the statement of financial position date and should be disclosed.

The municipality adjusts the amount recognised in the annual financial statements to reflect adjusting events after the reporting date once the event occurred.

1.25 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.26 Share capital / contributed capital

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

1.27 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.

Accounting Policies

1.28 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Recognition

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

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

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

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.29 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.30 Transfers and subsidies

Transfers and subsidies include all unrequited payments made by the municipality. A payment is unrequited provided that the municipality does not receive anything of similar value directly in return for the transfer to the other party.

Transfers and subsidies are recognised in the Statement of Financial Performance as expenses in the period in which the events giving rise to the transfer occurred.

Mandeni Municipality

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 effective and adopted in the current year

In the current year, the municipality has not adopted any standards and interpretations that are effective for the current period and that are relevant to its operations.

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1: Presentation of Financial Statements (Going concern)	No effective date set	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 July 2025	Unlikely there will be a material impact

3. Inventories

Land	41,744,000	42,038,000
Consumable stores	804,148	572,495
Maintenance materials	185,996	141,356
	42,734,144	42,751,851
Consumable stores		
Opening balance	572,495	566,658
Additions	1,365,417	1,000,821
Issued/(expensed)	(1,133,764)	(994,984)
	804,148	572,495
Maintenance materials		
Opening balance	141,356	240,463
Additions	518,778	111,887
Issued/(expensed)	(474,138)	(210,994)
	185,996	141,356

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Receivables from exchange transactions		
Gross balances		
Electricity	9,582,904	8,939,077
Refuse	67,045,970	58,977,145
Prepayments	2,524,281	2,529,593
Accrued investment income	-	9,753,164
Deferred VAT on liabilities (input)	4,757,289	3,115,012
	83,910,444	83,313,991
Less: Allowance for impairment		
Electricity	(2,195,976)	(3,682,694)
Refuse	(59,000,717)	(53,922,239)
	(61,196,693)	(57,604,933)
Net balance		
Electricity	7,386,928	5,256,383
Refuse	8,045,253	5,054,906
Prepayments	2,524,281	2,529,593
Accrued investment income	-	9,753,164
Deferred VAT on liabilities (input)	4,757,289	3,115,012
	22,713,751	25,709,058
Electricity		
Current (0 -30 days)	6,309,619	4,393,445
31 - 60 days	(450)	686,539
61 - 90 days	144,490	1,168,834
91 - 120 days	91,573	172,723
121 - 365 days	600,688	488,648
> 365 days	2,436,984	2,028,889
Impairment	(2,195,975)	(3,682,693)
	7,386,929	5,256,385
Refuse		
Current (0 -30 days)	2,126,436	1,892,897
31 - 60 days	(17,057)	898,404
61 - 90 days	907,511	908,925
91 - 120 days	904,405	1,701,590
121 - 365 days	6,628,265	5,738,897
> 365 days	56,496,410	47,836,433
Impairment	(59,000,717)	(53,922,239)
	8,045,253	5,054,907
Prepayments		
Current (0 -30 days)	2,524,281	2,529,593
Accrued investment income		
Current (0 -30 days)	-	9,753,164
Deferred VAT on liabilities (input)		
Current (0 -30 days)	4,757,289	3,115,012

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Receivables from non-exchange transactions		
Gross balances		
Interest	35,695,319	38,041,102
Other receivables from non-exchange transactions (not aged)	1,221,111	1,023,517
	36,916,430	39,064,619
Other receivables from non-exchange transactions (not aged) comprise of:		
Other receivables	975,541	777,947
Postage deposit	10,000	10,000
Rental deposits	235,570	235,570
	1,221,111	1,023,517
Less: Non-exchange transactions impairment		
Interest	(33,748,057)	(34,973,136)
Other	(422,428)	(422,428)
	(34,170,485)	(35,395,564)
Net balances		
Interest	1,947,262	3,067,966
Other	798,683	601,089
	2,745,945	3,669,055
Interest		
Current (0 -30 days)	747,772	666,348
31 - 60 days	-	316,895
61 - 90 days	368,664	319,520
91 - 120 days	362,656	631,688
121 - 365 days	3,159,244	2,061,756
> 365 days	31,056,983	34,044,899
Less: Impairment	(33,748,053)	(34,973,136)
	1,947,266	3,067,970
Other		
Receivables not aged	1,221,111	1,023,517
Less: Impairment	(422,428)	(422,428)
	798,683	601,089
Total		
Current (0 -30 days)	1,968,883	1,689,865
31 - 60 days	-	316,895
61 - 90 days	368,664	319,520
91 - 120 days	362,656	631,688
121 - 365 days	3,159,244	2,061,756
> 365 days	31,056,983	34,044,899
	36,916,430	39,064,623
Less: Impairment	(34,170,480)	(35,395,564)
	2,745,950	3,669,059

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Receivables from non-exchange transactions (continued)		
Households		
Current (0 -30 days)	5,112,189	3,878,617
31 - 60 days	(27,817)	2,295,678
61 - 90 days	2,051,577	2,991,561
91 - 120 days	2,854,768	3,603,879
121 - 365 days	18,921,933	11,523,180
> 365 days	130,296,372	122,444,323
Less: Impairment	(142,362,082)	(131,971,395)
	16,846,940	14,765,843
Industrial/Commercial		
Current (0 -30 days)	5,943,916	4,680,956
31 - 60 days	(5,386)	828,275
61 - 90 days	691,738	807,184
91 - 120 days	779,247	937,581
121 - 365 days	11,532,996	10,283,015
> 365 days	19,358,377	17,743,474
Less: Impairment	(30,003,672)	(22,835,903)
	8,297,216	12,444,582
National/Provincial Government		
Current (0 -30 days)	10,567,528	409,428
31 - 60 days	(14)	253,295
61 - 90 days	357,429	350,830
91 - 120 days	429,118	621,683
121 - 365 days	5,677,237	6,008,049
> 365 days	22,444,239	16,168,217
Less: Impairment	(23,939,853)	(12,979,829)
	15,535,684	10,831,673
Provision for Impairment		
Current (0 -30 days)	(4,819,160)	(4,109,655)
31 - 60 days	(123,207)	(105,068)
61 - 90 days	(1,026,476)	(875,352)
91 - 120 days	(1,062,875)	(906,392)
121 - 365 days	(24,146,966)	(20,591,909)
> 365 days	(168,427,221)	(143,630,387)
	(199,605,905)	(170,218,763)
Reconciliation of allowance for impairment for receivables		
Opening balance	(170,218,762)	(157,115,187)
Contribution for bad debt	(29,387,143)	(13,103,575)
	(199,605,905)	(170,218,762)

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. Statutory receivables		
Statutory receivables general information		
Gross balances		
Rates	125,873,944	99,871,418
Fines	4,190,036	2,877,871
VAT receivable (payment basis)	2,919,225	2,395,937
	132,983,205	105,145,226
Less: Allowance for impairment		
Rates	(101,360,861)	(75,209,062)
Fines	(2,877,871)	(2,009,208)
	(104,238,732)	(77,218,270)
Net balances		
Rates	24,513,083	24,662,356
Fines	1,312,165	868,663
VAT receivable (payment basis)	2,919,225	2,395,937
	28,744,473	27,926,956
Rates		
Current (0 -30 days)	13,652,464	2,016,312
31 - 60 days	(15,710)	1,475,410
61 - 90 days	1,680,079	1,752,297
91 - 120 days	2,704,499	2,657,141
121 - 365 days	25,744,002	19,524,944
> 365 days	82,108,611	72,445,792
Less: Impairment	(101,360,862)	(75,209,062)
	24,513,083	24,662,834
Fines		
Not aged	4,190,036	2,877,871
Less: Impairment	(2,877,871)	(2,009,208)
	1,312,165	868,663
VAT receivable (payment basis)		
Current (0 -30 days)	2,919,225	2,395,937
Total		
Current (0 -30 days)	20,761,725	7,289,638
31 - 60 days	(15,710)	1,475,410
61 - 90 days	1,680,079	1,752,297
91 - 120 days	2,704,499	2,657,141
121 - 365 days	25,744,002	19,524,944
> 365 days	82,108,611	72,445,792
Less: Impairment	(104,238,733)	(77,218,266)
	28,744,473	27,926,956

Mandeni Municipality

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. Statutory receivables (continued)

Transactions arising from statute

The following prescripts authorise the municipality to charge and collect funds to fund its mandate. The resulting receivables are therefore classified as statutory receivables and are disclosed as such as per GRAP 108 Statutory Receivables:

- Section 229(1) of the Constitution of the Republic of South Africa;
- Municipal Properties Rates Act; and
- Administrative Adjudication of Road Traffic Offences Act.

Determination of transaction amount

The municipality initially measures statutory receivables at their transaction amount. The transaction amount for the purposes of GRAP 108 Statutory Receivables means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Interest charged

Interest is accrued on the outstanding balance of statutory receivables. The municipality adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest on property rates is calculated at the rate of 2% per annum.

Interest charged on property rates is recognised in the statement of financial performance as follows:

Interest income - Property rates	3,459,757	2,627,819
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Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
7. Call and investments deposits		
Call investment deposits consist of deposits and conditional grants that are ring-fenced to be cash-backed.		
Nedbank - Mandeni branch		
Call investment deposits		
Account number - 037881155450 000020		
Cash book balance	-	65,000,000
Bank statement balance	-	65,000,000
First National Bank - Mandeni branch -		
Call investment deposits		
Account number - C061294217372		
Cash book balance	181,571,023	101,653,216
Bank statement balance	181,571,023	101,653,216
First National Bank - Mandeni branch -		
Call investment deposits		
Account number - C062028673219		
Cash book balance	2,132,564	1,985,234
Bank statement balance	2,132,563	1,985,233
First National Bank - Mandeni branch -		
Call investment deposits		
Account number - C062812286400		
Cash book balance	5,393,616	201,670
Bank statement balance	7,675,512	201,680
Nedbank - Mandeni branch -		
Call investment deposits		
Account number - 037881155450 000025		
Cash book balance	-	50,000,000
Bank statement balance	-	50,000,000
First National Bank - Mandeni branch -		
Call investment deposits		
Account number - C062113325882		
Cash book balance	473,216	390,196
Bank statement balance	473,217	390,197
First National Bank - Mandeni branch -		
Call investment deposits		
Account number - C062527527462		
Cash book balance	1	869,183
Bank statement balance	-	1,635,942
First National Bank - Mandeni branch -		
Call investment deposits		
Account number - C062538203449		
Cash book balance	5,271,757	2,898,721
Bank statement balance	5,271,757	2,898,721

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
7. Call and investments deposits (continued)		
First National Bank - Mandeni branch		
Call investment deposits -		
Account number - C062812286963		
Cash book balance	4,598,156	5,552,784
Bank statement balance	5,172,336	5,552,784
First National Bank - Mandeni branch -		
Call investment deposits		
Account number - C63048438097		
Cash book balance	11,282	15,652,552
Bank statement balance	11,282	15,652,552
Cash book balance	199,451,615	244,203,556
Split between current and non-current portions		
Current assets	199,451,615	244,203,556

The following call investment deposits have no restrictions on the use of funds:

- First National Bank - Mandeni branch - Call investment deposits
Account number - C061294217372
- First National Bank - Mandeni branch - Call investment deposits
Account number - C062113325882
- First National Bank - Mandeni branch - Call investment deposits
Account number - C062538203449
- Nedbank - Mandeni branch - Call investment deposits
Account number - 037881155450 000034.
- Nedbank - Mandeni branch - Call investment deposits
Account number - 037881155450 000033.
- Nedbank - Mandeni branch - Call investment deposits
Account number - 037881155450 0036.
- Nedbank - Mandeni branch - Call investment deposits
Account number - 037881155450 0037
- Nedbank - Mandeni branch - Call investment deposits
Account number - 037881155450 020
- Nedbank - Mandeni branch - Call investment deposits
Account number - 037881155450 025

Mandeni Municipality

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7. Call and investments deposits (continued)

The following call investment deposits have the following restrictions on the use of funds:

- First National Bank - Mandeni branch - Call investment deposits
Account number - C062028673219:
This account may only be used for housing-related expenditure.
- First National Bank - Mandeni branch - Call investment deposits
Account number - C062812286400:
This account may only be used for MIG expenditure.
- First National Bank - Mandeni branch - Call investment deposits
Account number - C062812286963
This account may only be used for housing title deeds.
- First National Bank - Mandeni branch - Call investment deposits
Account number - C062527527462
This account may only be used for electrification programmes.

Included in the amounts above are capital grants. See note 14 for additional information.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,220	1,233
Bank balances	9,350,048	10,320,035
	9,356,268	10,321,268

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

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9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	41,913,000	-	41,913,000	40,529,000	-	40,529,000

Reconciliation of investment property - 2024

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	40,529,000	-	(157,000)	1,541,000	41,913,000

Reconciliation of investment property - 2023

	Opening balance	Additions	Disposals	Transfers	Fair value adjustments	Total
Investment property	42,163,500	-	-	(31,815,000)	30,180,500	40,529,000

Pledged as security

No items of investment property have been pledged as security.

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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9. Investment property (continued)

Details of valuation

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.

Fair value of investment properties

Portion 6 of Farm Lot 5 Ca No. 8440	16,000	15,000
Lot 56 of Padianager	130,000	127,000
Lot 1203 of Mandeni - Aloe Road	62,000	60,000
Portion 4 of Farm Lot 13 Tugela No. 13862	775,000	736,000
The Farm Lot 5 Ca No. 8440	3,430,000	3,330,000
Lot 1340 of Mandeni	62,000	60,000
Lot 1018 of Mandeni	247,000	240,000
Lot 175 of Padianager	258,000	250,000
Lot 48 Tugela Mouth	332,000	330,000
Portion 6 Lot 9901 Newark no. 2621	2,455,000	2,156,000
Various lots Padianagar	8,321,000	8,015,000
Various lots Tugela	400,000	461,000
Various lots Tugela Ext 3	2,134,000	1,997,000
Various lots Mandini Ext 7	348,000	338,000
Various lots Mandini Ext 8	22,943,000	22,414,000
	41,913,000	40,529,000

Investment properties transferred

The following investment properties were transferred by the municipality from investment property to property, plant and equipment.

The Remainder of Farm Lot Inyoni no. 13890 now registered as ERF 412 Isithebe Industrial Estate was transferred to Land under Property Plant and Equipment (PPE) for an amount of R11,800,000 as per the Property Valuation for the year ended 30 June 2023. This is due to new Township registration of Portion 1, 2 & 3 of ERF 412 that took place during the 2022-23 Financial Year.

Remainder of Farm Lot 30 Inyoni No. 13890 (ERF 412, Isithebe Industrial Estate)	-	11,800,000
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Investment properties disposals

Lot 1409 Mandini Ext 8	157,000	-
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Vacant Land, Lot 1409 Mandini Ext 8 disclosed as investment property was sold and transferred to Mr. LS Magwaza.

Mandeni Municipality

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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10. 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	51,998,320	-	51,998,320	51,998,320	-	51,998,320
Buildings	73,808,345	(5,234,090)	68,574,255	45,587,738	(4,308,304)	41,279,434
Infrastructure	594,273,129	(219,586,906)	374,686,223	528,306,305	(206,904,964)	321,401,341
Community	124,736,885	(32,303,939)	92,432,946	117,352,785	(28,549,833)	88,802,952
Other property, plant and equipment	111,495,666	(29,896,095)	81,599,571	84,294,406	(25,888,447)	58,405,959
Total	956,312,345	(287,021,030)	669,291,315	827,539,554	(265,651,548)	561,888,006

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	WIP Transferred	Disposals	Depreciation	Impairment loss	Total
Land	51,998,320	-	-	-	-	-	51,998,320
Buildings	41,279,434	28,220,607	-	-	(925,786)	-	68,574,255
Infrastructure	321,401,341	136,683,452	(61,845,259)	-	(19,314,506)	(2,238,805)	374,686,223
Community	88,802,952	10,811,630	(2,677,971)	(423,928)	(4,079,737)	-	92,432,946
Other property, plant and equipment	58,405,959	31,548,868	-	(1,269,267)	(7,085,989)	-	81,599,571
	561,888,006	207,264,557	(64,523,230)	(1,693,195)	(31,406,018)	(2,238,805)	669,291,315

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	WIP Transferred	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	19,890,000	379,320	-	(86,000)	31,815,000	-	-	51,998,320
Buildings	31,773,003	10,591,478	-	(195,848)	-	(889,199)	-	41,279,434
Infrastructure	320,217,547	34,789,692	(11,438,129)	(45,293)	-	(19,962,442)	(2,160,034)	321,401,341
Community	73,247,245	39,267,813	(19,498,155)	(407,343)	-	(3,592,376)	(214,232)	88,802,952
Other property, plant and equipment	39,660,160	26,687,409	-	(2,360,161)	-	(5,581,449)	-	58,405,959
	484,787,955	111,715,712	(30,936,284)	(3,094,645)	31,815,000	(30,025,466)	(2,374,266)	561,888,006

Pledged as security

No items of property, plant and equipment were pledged as security.

Mandeni Municipality

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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10. Property, plant and equipment (continued)

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

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

Nyoni Phase 3A - Underpass & Intersection	-	6,283,246
The project was 90% complete as at 30 June 2023. The underpass requires lighting, stormwater, palisade fencing, handrails and kerbing.		

-	6,283,246
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Reconciliation of Work-in-Progress - 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	37,953,139	7,183,610	18,386,860	63,523,609
Additions/capital expenditure	74,216,518	8,118,459	28,220,607	110,555,584
	-	-	-	-
Transferred to completed items	(61,845,258)	(2,677,971)	-	(64,523,229)
	50,324,399	12,624,098	46,607,467	109,555,964

Reconciliation of Work-in-Progress - 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	29,101,164	12,765,670	7,795,424	49,662,258
Additions/capital expenditure	22,450,138	14,130,327	10,591,436	47,171,901
WIP impaired	(2,160,034)	(214,232)	-	(2,374,266)
Transferred to completed items	(11,438,129)	(19,498,155)	-	(30,936,284)
	37,953,139	7,183,610	18,386,860	63,523,609

Expenditure incurred to repair and maintain property, plant and equipment

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

Buildings	180,705	191,538
Infrastructure	11,990,021	9,083,517
Community	1,043,413	881,425
Other property, plant and equipment	5,799,449	3,751,627
	19,013,588	13,908,107

Mandeni Municipality

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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11. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3,256,922	(885,232)	2,371,690	1,133,009	(802,338)	330,671

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	330,671	2,123,913	(82,894)	2,371,690

Reconciliation of intangible assets - 2023

	Opening balance	Disposals	Amortisation	Total
Computer software	476,853	(109,075)	(37,107)	330,671

Pledged as security

No items of intangible assets were pledged as security.

12. Payables from exchange transactions

Trade payables	26,127,528	17,817,921
Retention	11,711,684	7,315,639
Other payables	1,318,676	3,210,216
Unallocated deposits	2,049,978	1,975,493
Leave accrual	14,762,019	12,220,751
Bonus accrual	3,446,446	2,921,073
Deferred VAT on receivables (output)	5,311,658	1,968,850
	64,727,989	47,429,945
Cashier's collections	(29,337)	(87,936)
	64,698,652	47,342,009

13. Consumer deposits

Electricity	185,196	216,464
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No guarantees are held in lieu of Electricity Deposits.

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprise of:		
Library KZNPA grant	118	119
Economic Development grant	150,000	-
Sport and recreation grant	57,961	57,961
MIG	5,377,559	-
Housing Title Deed grant	3,442,800	4,789,797
Massification Grant	-	4,760,653
INEP grant	-	624,326
Municipal Disaster Relief grant	-	15,556,100
	9,028,438	25,788,956
Movement during the year		
Balance at the beginning of the period	25,788,956	8,705,120
Additions during the period	294,415,000	281,103,240
Income recognition during the period	(311,175,518)	(264,019,404)
	9,028,438	25,788,956

See note 27 for reconciliation of grants from and receipts.

The capital grants are invested in a ring-fenced investment until utilised. See note 7 for additional information.

Mandeni Municipality

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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15. Employee benefit obligations

Post-retirement medical benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The municipality operated on five accredited medical aid schemes, namely Keyhealth, LA Health, SAMWU, Bonitas and Hosmed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by 1Pangaea Expertise Solutions. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

Multi-employer pension funds

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the pension fund for municipal councillors.

Employees belong to a variety of approved pension and provident funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements is compiled for each fund and the financial statements set is not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided in sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors/employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

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

Carrying value

Present value of the defined benefit obligation-partly or wholly funded	(26,895,295)	(22,587,476)
Non-current liabilities	(25,769,737)	(21,693,073)
Current liabilities	(1,125,558)	(894,403)
	(26,895,295)	(22,587,476)

Mandeni Municipality

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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15. Employee benefit obligations (continued)

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

Opening balance	18,389,112	18,002,747
Net expense recognised in the statement of financial performance	3,414,297	386,365
	21,803,409	18,389,112

Net expense recognised in the statement of financial performance

Current service cost	1,657,531	1,139,027
Interest cost	2,544,533	2,544,533
Benefits paid	(685,518)	(688,870)
Actuarial (gains) losses	(102,249)	(2,608,325)
	3,414,297	386,365

Key assumptions used

Assumptions used at the reporting date:

Expected retirement age	63	63
Discount rates used	13.35 %	14.09 %
Medical cost trend rates	9.24 %	10.05 %
Consumer price inflation	7.74 %	8.55 %
Net effective discount rate	3.76 %	3.68 %

Percentage of in-service members withdrawing before retirement

	Female	Male
Age 20 - 24	24.0 %	16.0 %
Age 25 - 29	18.0 %	12.0 %
Age 30 - 34	15.0 %	10.0 %
Age 35 - 40	10.0 %	8.0 %
Age 40 - 44	6.0 %	6.0 %
Age 45 - 49	4.0 %	4.0 %
Age 50 - 54	2.0 %	2.0 %
Age 55 - 59	1.0 %	1.0 %
Age 60+	- %	- %

It is difficult to predict future investment returns and healthcare cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. The discount rate at 30 June 2024 is 13,35% which represents the average yield from the zero-coupon government bond curve over a 15 to 20-year term.

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement.

General Salary Inflation: This assumption is more stable relative to the growth in consumer Price Index (CPI) than in the absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The implied inflation assumption is 7,74% per annum which represents the market's pricing of inflation by comparing the yields on index-linked government bonds and long-term government bonds with a duration of 15 to 20 years, adjusting for an inflation risk premium of 1% per annum.

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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15. Employee benefit obligations (continued)

It has been assumed that the next salary increase will take place on 1 July 2024.

The next contribution increase was assumed to occur with effect from 1 January 2024.

Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at the retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Long service awards and retirement gifts

The independent valuers, 1Pangaea Expertise Solutions, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	11.11 %	11.11 %
General salary inflation (long-term)	6.70 %	7.08 %
Net effective discount rate	4.03 %	3.76 %

Examples of mortality rates used were as follows:

Average retirement age	63	63
Mortality during employment	SA 85-90	

Membership summary

Number of members	303	257
Average age of members (years)	40.79	40.91
Average past service (years)	7.50	8.18
Average salary (annual)	286,796	301,49

Benefit Structure

Service years

	Award (Number of days)	Award (Number of days)
5	5	5
10	10	10
15	20	20
20	30	30
25	30	30
30	30	30
35	30	30
40	30	30
45	30	30

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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15. Employee benefit obligations (continued)

Movement in the defined benefit obligation is as follows:

Balance at the beginning of the year	4,198,364	4,792,470
Current service cost	475,124	475,124
Interest cost	453,337	453,337
Expected benefit payments	(355,158)	(961,802)
Recognised actuarial (gains) / losses	320,219	(560,765)
Balance at the end of year	5,091,886	4,198,364

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	475,124	475,124
Interest cost	453,337	453,337
Benefit payment	(355,158)	(961,802)
Actuarial (gains) / loss	320,219	(560,765)
	893,522	(594,106)

In conclusion:

Statement of Financial Position obligation for

Long service award liability	5,091,886	4,198,364
Retirement benefit liability	21,803,409	18,389,112
	26,895,295	22,587,476

Statement of Financial Performance obligation for

Long service award expense	893,522	594,106
Retirement benefit expense	3,414,297	(386,365)
	4,307,819	207,741

Key assumptions used

In estimating the liability for long service awards (LSA) a number of assumptions are required. GRAP 25 statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA - this is determined by the actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

It is difficult to predict future investment returns and healthcare cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high-quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. The discount rate is 11% which represents the average yield from the zero-coupon government bond curve over nine years which is consistent with the cash flow weighted average of the liabilities of nine years.

Mandeni Municipality

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16. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus

	Revaluation reserve	Public contributions reserve	Accumulated surplus	Total
Balance at 01 July 2022	151,731,208	50,941,129	551,107,179	753,779,516
Surplus for the year	-	-	107,507,351	107,507,351
Reserves	-	-	107,660	107,660
Balance at 01 July 2023	151,731,208	50,941,129	658,722,190	861,394,527
Surplus for the year	-	-	56,972,774	56,972,774
Balance at 30 June 2024	151,731,208	50,941,129	715,694,964	918,367,301

17. Revenue

Service charges	74,930,090	61,433,607
Construction contracts	10,560,568	6,815,022
Rental of facilities and equipment	294,366	354,021
Interest income - service charges	919,269	1,228,720
Licences and permits	984,777	547,007
Other income	2,764,386	3,586,648
Interest received - external investments	26,748,038	20,010,444
Property rates	57,778,536	51,761,585
Interest income - Property rates	3,459,757	2,627,819
Government grants and subsidies	297,059,542	263,259,332
Fines	1,583,588	1,001,853
Donated assets income	14,200	5,234,331
	477,097,117	417,860,389

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

Service charges	74,930,090	61,433,607
Construction contracts	10,560,568	6,815,022
Rental of facilities and equipment	294,366	354,021
Interest income - service charges	919,269	1,228,720
Licences and permits	984,777	547,007
Other income	2,764,386	3,586,648
Interest received - external investment	26,748,038	20,010,444
	117,201,494	93,975,469

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

Taxation revenue		
Property rates	57,778,536	51,761,585
Interest income - Property rates	3,459,757	2,627,819
Transfer revenue		
Government grants and subsidies	297,059,542	263,259,332
Fines	1,583,588	1,001,853
Donated assets income	14,200	5,234,331
	359,895,623	323,884,920

Mandeni Municipality

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Figures in Rand	2024	2023
18. Service charges		
Sale of electricity	62,550,237	49,863,633
Refuse removal	12,379,853	11,569,974
	74,930,090	61,433,607
19. Construction contracts		
INEP grant	6,420,870	6,575,675
Massification grant	4,139,698	239,947
	10,560,568	6,815,622
20. Rental of facilities and equipment		
Premises		
Hall hire	157,877	211,703
Municipal properties	92,201	105,941
Stalls rental	44,289	36,378
	294,367	354,022
21. Interest income - Service charges		
Interest received on service charges	919,269	1,228,720
22. Licences and permits		
Drivers licences	41,510	23,412
Business licences	52,047	22,494
Learners licences	891,220	501,101
	984,777	547,007
23. Other income		
Building plan fees	114,797	76,467
Sundry income	575,524	1,702,196
Connection fees	135,525	95,354
Swimming pool entrance fees	47,150	-
Photocopier charges	84,265	73,765
Rates clearance certificates	16,526	20,133
Town planning fees	91,897	59,856
Sale of land	230,000	393,000
LG SETA	1,054,093	760,072
Escort fees	414,609	405,805
	2,764,386	3,586,648
24. Investment revenue		
Interest revenue		
Bank and call deposits	26,748,038	20,010,444

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
25. Property rates		
Rates received		
Residential	25,465,440	21,313,255
Commercial	44,580,410	31,750,860
State	21,811,891	13,764,014
Less: Rebates	(34,079,205)	(15,066,544)
	57,778,536	51,761,585
Valuations		
Residential	1,754,532,200	1,147,644,000
Commercial	391,423,200	375,176,000
Industrial	1,083,380,600	983,459,000
Mining	11,682,000	15,000,000
Agricultural	1,665,027,600	387,217,000
Municipal	184,964,000	137,961,000
Public Services Infrastructure	184,780,200	20,343,000
Public Benefit Organisation	63,265,000	49,903,000
Vacant land	79,031,000	114,227,800
State Trust land	662,895,000	488,730,000
Place of Worship	31,875,000	15,030,000
	6,112,855,800	3,734,690,800

Commercial includes industrial, mining and agriculture.

State includes institutional and public services infrastructure.

Valuations on land and buildings are performed every 5 years in line with the provisions of the MPRA. The last General Valuation Roll came into effect on 1 July 2023. It should be noted that a new General Valuation Roll, to be implemented over the next 5 years, was prepared during the year under review. As a result, the interim valuations could not be prepared as this will serve as a duplication hence the Market values remained unchanged for the year under review

The following are the rates randage that were applied to the valuations in respect of the various categories:

Residential	0.0155	0.0155
Commercial	0.0262	0.0262
Industrial	0.0262	0.0262
Industrial Estate Special	0.0262	0.0262
Mining	0.0262	0.0262
Agriculture	0.0039	0.0039
Public Service Infrastructure	0.0039	0.0039
State	0.0245	0.0245
Municipal	0.0245	0.0245
State Trust land	0.0195	0.0195
Vacant land	0.0245	0.0245
Place of worship	0.0245	0.0245
Public benefit organisation	0.0039	0.0039

All residential property owners are exempt from paying rates on the first R15,000 value of property. All pensioners, the disabled and medically boarded owners are eligible for the rebates. Further to the statutory R15,000 reduction, council took a resolution to add another R185,000 reduction. This means that properties with a market value of less than R200,000 are exempt from paying rates. The council also took a decision not to increase the rates tariffs so as to ensure relief to all customers and deal with the rates shock resulting from the increased market values. The 40% and 80% rebates were granted to industrial and agricultural properties so as to ensure business continuity and employment creation. This was informed by a local economic analysis which identified these two categories as our strategic economic enablers which will play a meaningful role in the realisation of the municipal vision 2030.

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
26. Interest income - Property rates		
Interest received on service charges	3,459,757	2,627,819
27. Government grants and subsidies		
Operating grants		
Equitable share	230,823,000	212,818,432
Finance Management Grant	1,850,000	1,850,000
EDTEA Grant	840,000	1,000,000
Library grant	4,423,001	3,708,000
EPWP Grant	2,553,000	2,372,000
	240,489,001	221,748,432
Capital grants		
Municipal Infrastructure Grant	41,014,441	40,044,000
Municipal Disaster Relief Grant	15,556,100	1,466,900
	56,570,541	41,510,900
	297,059,542	263,259,332
EPWP Grant		
Current-year receipts	2,553,000	2,372,000
Conditions met - transferred to revenue	(2,553,000)	(2,372,000)
	-	-
Poverty alleviation programme.		
Municipal Infrastructure Grant		
Current-year receipts	46,392,000	40,044,000
Conditions met - transferred to revenue	(41,014,440)	(40,044,000)
	5,377,560	-
This grant is used to construct roads infrastructure and related community projects.		
Sports and Recreation Grant		
Balance unspent at the beginning of year	57,961	57,961
Conditions still to be met - remain liabilities (see note 14).		
To pay salaries and facility refurbishment.		
Finance Management Grant		
Current-year receipts	1,850,000	1,850,000
Conditions met - transferred to revenue	(1,850,000)	(1,850,000)
	-	-
Capacity building for the Budget and Treasury Office.		

Mandeni Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
27. Government grants and subsidies (continued)		
LGSETA		
Current-year receipts	-	760,072
Conditions met - transferred to revenue	-	(760,072)
	-	-
Capacity building for the municipality.		
Library Grant		
Balance unspent at beginning of year	119	119
Current-year receipts	4,423,000	3,708,000
Conditions met - transferred to revenue	(4,423,001)	(3,708,000)
	118	119
Conditions still to be met - remain liabilities (see note 14).		
To build a modular library.		
EDTEA Grant		
Current-year receipts	990,000	1,000,000
Conditions met - transferred to revenue	(840,000)	(1,000,000)
	150,000	-
Conditions still to be met - remain liabilities (see note 14).		
Municipal Employment Initiative Grant from Economic Development, Tourism and Environmental Affairs. The support is towards cost of supply study framework for all licensed electricity distributors from EDTEA.		
Municipal Disaster Relief Grant		
Balance unspent at beginning of year	15,556,100	-
Current-year receipts	-	17,023,000
Conditions met - transferred to revenue	(15,556,100)	(1,466,900)
	-	15,556,100
The grant is for disaster relief.		
28. Fines		
Library fines	388	553
Traffic fines	1,583,200	1,001,300
	1,583,588	1,001,853
29. Donated assets income		
Donated assets	14,200	5,234,331
In the prior year, the assets were donated by the Enterprise Ilembe (Economic Development Agency) towards the Mandeni Youth Enterprise Park. In the current year the assets were donated by the KwaZulu-Natal Department of Arts and Culture to the Mandeni municipality's libraries.		

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
30. Employee-related costs		
Basic	83,417,464	74,961,149
Bonus	6,600,548	6,078,044
Medical aid - company contributions	6,331,728	5,425,769
UIF	544,999	478,229
WCA	75,034	59,285
Leave pay accrual	3,462,284	2,636,154
Defined contribution plans	13,021,715	11,824,447
Overtime payments	3,360,594	2,387,639
Car allowance	4,738,583	4,411,949
Housing benefits and allowances	1,223,725	1,074,192
Cellphone allowance	617,383	530,120
Long service awards	1,447,137	925,281
	124,841,194	110,792,258
Remuneration of Municipal Manager		
Annual Remuneration	1,055,588	966,085
Car Allowance	188,307	188,307
Performance bonuses	104,396	128,607
Contributions to UIF, Medical and Pension Funds	48,093	459
	1,396,384	1,283,458
Remuneration of Chief Finance Officer		
Annual Remuneration	72,231	819,551
Car Allowance	12,000	260,082
Performance Bonuses	-	95,034
Contributions to UIF, Medical and Pension Funds	3,843	238
	88,074	1,174,905
Remuneration of Director Corporate Services		
Annual Remuneration	1,011,975	1,079,037
Performance Bonuses	97,885	95,034
Contributions to UIF, Medical and Pension Funds	54,445	238
	1,164,305	1,174,309
Remuneration of Director Community Services		
Annual Remuneration	815,072	413,577
Car Allowance	180,000	105,000
Performance Bonuses	-	84,487
Contributions to UIF, Medical and Pension Funds	34,848	151
	1,029,920	603,215
Remuneration of Director Technical Services		
Annual Remuneration	825,811	678,370
Car Allowance	169,261	164,649
Performance Bonuses	-	84,487
Contributions to UIF, Medical and Pension Funds	451	946
	995,523	928,452

Mandeni Municipality

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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30. Employee-related costs (continued)

Remuneration of Director EDPHS

Annual Remuneration	816,856	685,445
Car Allowance	178,215	187,520
Performance Bonuses	79,629	95,034
Contributions to UIF, Medical and Pension Funds	23,308	416
	1,098,008	968,415

Remuneration of Former CFO

Performance Bonuses	97,885	-
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The employee related costs have been unbundled and the bonuses and contributions to UIF and WCA relating to key management have been disclosed separately in the current and prior years. The disclosure has no impact on the overall employee related costs.

Mandeni Municipality

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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31. Remuneration of the councillors

Mayor	963,579	963,579
Deputy Mayor	779,504	779,504
Mayoral Committee Members	2,730,466	2,555,844
Speaker	779,504	779,504
Councillors	7,758,696	7,657,939
Councillors allowances	1,552,059	1,588,989
	14,563,808	14,325,359

In-kind benefits

The Mayor

The Mayor has access to the office and secretarial support at the cost of Council and is provided with the following:

2 bodyguards.

1 driver.

2 Municipal vehicles purchased.

Tools of trade as Gazette 49142: Determination of upper limit on Office bearers.

The Speaker

The Speaker has access to the office and secretarial support at the cost of Council and is provided with the following:

1 driver.

1 vehicle purchased.

Tools of trade as Gazette 49142: Determination of upper limit on Office bearers.

The Deputy Mayor

The Deputy Mayor has access to the office at the cost of Council and is provided with the following:

1 driver.

1 vehicle purchased.

Tools of trade as Gazette 49142: Determination of Upper Limit of Office Bearers.

32. Bad debts written off

Indigent relief write off	4,388,493	1,392,595
Debt relief programs write off	-	526,076
	4,388,493	1,918,671

33. Depreciation and amortisation

Property, plant and equipment	31,406,018	29,987,034
Intangible assets	82,894	75,495
	31,488,912	30,062,529

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
34. Inventory consumed		
Consumables and materials	3,834,651	4,371,235
35. Bulk purchases		
Electricity - Eskom	52,474,725	45,292,594
36. Impairment loss		
Impairments		
Property, plant and equipment	2,238,807	2,374,266
Impairment loss is due to various Internal and main collectors in Sundumbili Ward 13,14 &15 i.e. Amajuba Road, Phumula, Indumiso, Mandela Roads, Umthombothi, Umgakla, Sondeza,Mbabala, Mafunda and Bambanani Roads which were impaired to zero and derecognised because of the deconstruction and rehabilitation.		
37. Debt impairment		
Contributions to debt impairment provision	29,387,143	13,103,576
38. Lease rentals on operating lease		
Motor vehicles		
Contractual amounts	-	1,529
Equipment		
Contractual amounts	2,272,751	1,173,483
	2,272,751	1,175,012
39. Finance costs		
Trade and other payables	136,746	324,524
Finance leases	-	236
Retirement benefit obligation	2,997,870	2,997,870
	3,134,616	3,322,630

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
40. Contracted services		
Consultants and Professional Services		
Business and advisory	8,030,386	5,405,316
Legal cost	2,051,241	3,058,824
Audit committee fees	197,994	240,040
Shared services	-	276,749
Contractors		
Fire services	4,138,916	3,859,399
Repairs and maintenance	25,078,399	18,295,768
Construction contracts - INEP	6,420,870	6,575,675
Construction contracts - Internally funded	2,159,173	-
Prepaid electricity vendors	3,399,272	2,487,308
Construction contracts - Massification grant	4,139,698	239,347
Graphic designers	275,299	293,000
Outsourced Services		
Internal auditors	1,063,388	711,169
Transport services	2,035,600	859,529
Security services	15,746,749	12,321,294
Catering services	5,133,473	2,147,769
Animal care	440,938	348,750
Refuse removal	3,420,759	3,059,214
Cleaning services	340,669	306,026
Valuers	178,794	936,600
Stage and Sound Crew	1,706,595	497,580
Burial services	400,821	335,874
	86,359,034	62,255,231

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
41. General expenses		
Advertising	1,607,740	1,208,178
Auditors remuneration	2,848,920	2,361,186
Bank charges	426,080	448,930
Consulting fees	3,764,786	1,964,346
Deed search costs	26,116	35,994
Electricity - internal	2,164,250	1,703,234
Fuel and oil	9,238,297	6,487,461
Hire charges	1,679,734	785,018
LED Vuthela (SECO)	-	150,000
System development and IT management expenses	2,746,777	29,164
Insurance	1,548,401	1,978,792
Levies	1,145,112	1,024,060
Licences	5,559,960	4,565,181
Vehicle tracking expenses	249,549	190,900
Postage and courier	35,491	159,261
Printing and stationery	790,205	553,026
Free basic electricity	1,483,988	1,464,569
Roadworthy test	1,559,683	1,099,317
Subscriptions and membership fees	116,331	74,798
Subsistence and travelling	4,018,553	2,785,940
SALGA levies	1,416,794	1,215,742
Telephone	5,153,578	2,429,839
Training	2,556,879	2,862,875
Transportation	-	312,277
Uniforms	2,486,314	1,373,548
Ward committees	2,568,600	2,685,300
Water	864,278	746,578
Workmens compensation	1,905,430	510,662
Youth programs	2,130,774	1,290,671
	60,092,620	42,496,847

42. Loss on disposal/scrapping of assets

Assets at cost	(5,254,166)	(11,234,471)
Accumulated depreciation	3,403,972	4,068,092
Carrying amount	(1,850,194)	(7,166,379)
Proceeds from sale of assets	1,349,677	1,086,867
Loss on disposal/scrapping of assets	(500,517)	(6,079,512)

The loss on disposal or scrapping of assets is in respect of the assets that were either broken beyond repairs, lost, scrapped, obsolete, donated and written-off by an insurer. The following are the circumstances that led to the loss on disposal or scrapping.

Transport Assets – Traffic vehicle Toyota Corolla Quest was involved in an accident in August 2023. The insurers declared the vehicle uneconomical to repair and it was written-off. The municipality received a sum of R211,280 as the settlement. Further to that 2 TLBs, 1 Truck, 2 Isuzu Bakkies were sold during the auction on the 22nd of February 2024.

Machinery and Equipment – Cattle Trailer which was meant for the animal pound has remained unused and redundant for a considerable number of years since its procurement in 2016 was recommended for Disposal.

Investment Property - Vacant Land, Lot 1409 Mandini Ext 8 disclosed as Investment Property was sold and transferred to Mr LS Magwaza.

Furniture and office equipment – Majority of the furniture and office equipment are the folding tables at our community facilities such as halls, they are easily broken or stolen by the hall users. Further to that some of the items were destroyed by fire during the torching of Dokodweni beach facility.

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
43. Fair value adjustments		
Investment property (Fair value model)	1,541,000	30,180,500
The property valuations have been carried out in terms of GRAP 16 by an Independent Professional Valuer i.e. Umhlaba Geomatics. Market value has been undertaken in accordance with standards laid down by the International Valuations Standards Council.		
44. Auditors' remuneration		
Fees	2,848,920	2,361,186
45. Cash generated from operations		
Surplus	56,972,774	107,507,351
Adjustments for:		
Depreciation and amortisation	31,488,912	30,062,529
Loss on disposal/scrapping of assets	500,517	6,079,512
Fair value adjustments	(1,541,000)	(30,180,500)
Impairment loss	2,238,807	2,374,266
Debt impairment	29,387,143	13,103,576
Bad debts written off	4,388,493	1,918,671
Movements in retirement benefit assets and liabilities	4,307,819	(207,741)
Other non-cash items	-	(661)
Donated assets income (non-cash)	(14,200)	(5,234,331)
Changes in working capital:		
Inventories	17,707	93,270
Receivables from exchange transactions	(596,453)	(12,357,267)
Receivables from non-exchange transactions	(2,240,304)	(4,360,292)
Statutory receivables	(27,837,979)	(16,049,767)
Payables from exchange transactions	17,356,641	12,881,595
VAT	-	(1,753,104)
Unspent conditional grants and receipts	(16,760,518)	17,083,836
Consumer deposits	(31,268)	(53,389)
	97,637,091	120,907,554

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
46. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	34,205,330	22,181,809
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment - Road infrastructure	19,999,833	-
Total commitments		
Authorised capital expenditure	54,205,163	22,181,809
Finance leases - as lessee (expense)		
Minimum lease payments due		
- later than five years	-	-
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	2,333,950	-
- in second to fifth year inclusive	2,773,816	-
	5,107,766	-

Operating Leases is in respect of rental of Photocopier Machines from Konica Minolta and for the Lease of Park home office Units from Maluthuli Consulting.

There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

Mandeni Municipality

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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47. Contingencies

Contingent assets

Name of entity	Attorney	Rand value 2024	Rand value 2023	Reference
JD Biyela	Matthew Francis Inc.	30,000	30,000	47.1

47.1 A dismissed employee referred an unfair dismissal dispute to the South African Bargaining Council and lost the dispute with costs to the favour of the municipality. The award ruled that the dispute was frivolous and vexatious and therefore the applicant is held liable for costs. The matter remains pending at year-end.

Contingent liabilities

A contingent liability is a possible obligation, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event(s) not wholly within the control of the municipality or a present obligation that is not recognised because, the outflow of economic benefits or service potential is not probable or a real present obligation, that may not be recognised, either because the timing or because the measurement is not known.

The following were identified as contingent liabilities stemming from the interaction with municipal lawyers as they could result in possible claims against the municipality:

Name of entity	Attorney	Rand value 2024	Rand value 2023	Reference
Independent Ethiopian Church of SA	TKN Incorporated	180,000	500,000	47.2
The Rate Payers Association of Tugela Mouth	TKN Incorporated	124,818	300,000	47.3
TD Nxumalo	TKN Incorporated	-	295,000	47.4
S Khoza	TKN Incorporated	-	124,818	47.5
Mazibuko/Transnet	TKN Incorporated	500,000	500,000	47.6
AM Sibiya	TKN Incorporated	-	1,000,000	47.7
Amalunga Nembe & Dendewethu Taxi Association & Others	TKN Incorporated	-	500,000	47.8
Inkosi Lindokuhle Prince Ngcobo & Others	TKN Incorporated	-	500,000	47.9
MA Mthembu	TKN Incorporated	6,148,212	6,148,212	47.10
B Mnyandu	Bhekisisa Goqo & Co	300,000	236,530	47.11
MS Mthembu	TKN Incorporated	500,000	-	47.12
		7,753,030	10,104,560	

47.2 The eviction in Court has been postponed to allow for an application for registration of a servitude which is already underway and Boshoff land surveyors in Ballito have been appointed to prepare diagrams to be used for the registration of Thokoza road servitude with the Master of the High Court in Pietermaritzburg. At year end, the matter was still pending. The matter is set down for 17 October 2024.

47.3 Rate Payers Association is demanding that the municipality implements bylaws and control the influx within the Tugela Beach. An interim Court Order was granted in 2019 but the matter is yet to be heard in detail in Court for arguments. The municipality erected some boom gates in line with the Court Order but were damaged and removed by the local community members. The municipality continues to enforce access to the beach but the Ratepayers are continuously complaining and demanding the law enforcement officials to always be present at the beach. The municipality has received a new application lodged by Tugela Mouth Ratepayers Association on the same matter and it is still on pleadings stage. A notice of intention to defend the matter was served and also answering affidavit was filled and served, and the municipality is awaiting their replying affidavit. The matter was set down for 07 March 2023. The matter remains pending at year end.

47.4 Attended Court on the 15th of November 2021 at the Regional Court of Empangeni to note judgement. Our application was dismissed with reserved costs pending the finalisation of our Rule 60A application to be heard on the 14th of March 2022. Rule 60A was also dismissed. The matter was heard on 23 September 2022 where the applicant admitted to having incorrectly set the matter down and incorrectly serving the municipality a Notice of set down. Court adjourned the matter sine die (case adjourned with no specific date for resumption) and further granted the municipality wasted costs for the appearance.

Mandeni Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
47. Contingencies (continued)		
47.5	The matter awaits plea by KwaDukuza Municipality before it is set down for trial in Empangeni Regional court. KwaDukuza Municipality is not cooperative party as this is a project involving Housing Department and Macambini Housing Project which are applying to dismiss with cost against Mandeni Council.	
47.6	Application for demolition of illegal structures built on the water servitude and gas pipelines servitude. Application to demolish all illegal businesses on Thokoza road reserve heard on 23rd November 2023. Ingonyama Trust has requested a formal engagement amongst the government entities and further requests evidence that Mandeni Municipality and Transnet have servitudinal rights. The matter was therefore adjourned sine die with provision to refer matter for oral evidence. The matter remains pending at year end.	
47.7	Applicant instituted action against the Mandeni Municipality for damages allegedly sustained by him as a result of an incident during which he sustained injuries to his hands whilst he was working during the course and scope of his employment with the municipality. Received instructions not to set the matter down further with the intention of a permanent leave from the Court roll.	
47.8	The matter is between the MEC for Transport, Mandeni and Malunga of Nembe Dendethu Taxi Association to evict illegal Taxi Association. The matter is with the Pietermaritzburg High Court. Matter set down for an appeal on the 08th September 2023. Judgement was granted in municipality's favour as appeal was upheld. Decision / order of the previous court set aside.	
47.9	Application to have the respondents interdicted and restrained from selling, alienating, allocating, granting or donating properties described as ERF 1299 Padianagar, Hlomemdlini, Mandeni. Further, those persons who occupy this property to be vacated. Main application was heard on the 23rd November 2023. Application upheld. Order granted in municipality's favour to vacate and demolish. Further, 11th and 12th respondents are interdicted from selling this land.	
47.10	Plaintiff occupied a Manager position under Special projects and a disciplinary enquiry was convened where a guilty finding and sanctioned was imposed and subsequently dismissed him. Consultations were held. Notice to remove has been filed because the complaint was served and filed. Date of the 20th August 2024 for hearing on the opposed roll. Consultations were again held. Notice to remove cause of complaint served and filed on 06 July 2023. attending to setting matter down on the opposed roll. Notice of exception drafted, served and filed. Date of the 20 August 2024 for hearing on the opposed roll.	
47.11	The matter is ready for trial but yet to be certified by the presiding officer.	
47.12	Applicants allege to be unlawfully withdrawn as the PR Councillors at the Municipality on the instruction or directive of the EFF application to have them reinstated. Receive instruction to oppose application on the 29 January 2024 and further give a legal opinion on the matter. On 18 December 2023 we held first consultation with client. Attended to drafting and filing our answering affidavit. Received a replying affidavit from the applicants, awaiting the allocation of court date on the oppose roll.	

48. Related parties

The key management remuneration is disclosed in note 30 - Employee-related costs and note - 31 Remuneration of councillors.

Mandeni Municipality

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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49. Risk management

Financial risk management

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

Liquidity risk

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

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

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	59,386,994	-	-	-
Consumer deposits	185,196	-	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	45,373,159	-	-	-
Consumer deposits	216,464	-	-	-

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The municipality's level of borrowing and consequently the debt servicing costs are closely monitored and controlled by the EXCO having regard to the prevailing and projected interest rates and the municipality's capacity to service such debt from future earnings and allocations however the long-term loan's interest rate is fixed throughout the term of repayment. Balances exposed to the interest rate risk. The municipality's policy is to further manage interest rate risks so that fluctuations in interest rates do not have a material impact on the net surplus/ deficit.

Investments	199,451,615	244,203,556
Cash and cash equivalents	9,356,268	10,321,268
	208,807,883	254,524,824

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:

Trade and other receivables from exchange transactions	15,432,181	20,064,453
Receivables from non-exchange transactions	2,745,945	3,669,055
	18,178,126	23,733,508

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Figures in Rand	2024	2023
50. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	660,494	613,998
Fruitless and wasteful expenditure current year	136,741	324,524
Written off by Council - prior year	(660,494)	(278,028)
Written off by Council - current year	(136,741)	-
Fruitless and wasteful expenditure at year-end	-	660,494

Fruitless and wasteful expenditure incurred by the municipality relates to interest charged by suppliers on late payments.

The amount that was written-off by Council relates to the interest charged by suppliers on late payments.

51. Irregular expenditure

Opening balance as previously reported	1,334,645	1,624,101
Prior period adjustment	(402,750)	-
Opening balance as restated	931,895	1,624,101
Add: Irregular expenditure - current	2,057,320	13,656,419
Add: Irregular expenditure - prior period	-	646,102
Less: Amount written off - current	(2,057,320)	(12,967,876)
Less: Amount written off - prior period	(931,895)	(1,624,101)
Closing balance	-	1,334,645

All investigations were undertaken by the MPAC prior to write off.

52. Unauthorised expenditure

Opening balance	6,242,581	-
Add: Expenditure identified - current	8,672,326	6,242,581
Less: Amount written off - prior year	(6,242,581)	-
Closing balance	8,672,326	6,242,581

Unauthorised expenditure incurred in the 2024 financial year of R8,276,326 relates to bulk purchases of R610,879, contracted services of R1,474,934, lease rentals on operating leases of R751,012, inventory consumed of R376,621 and operational costs of R5,458,880.

Unauthorised expenditure incurred in the 2023 financial year of R6,242,581 relates to Bulk Purchases which was due to electricity demand by Umngeni Water. The Council has written off this unauthorised expenditure in the current financial year.

MPAC will still undertake investigation on the unauthorised expenditure balance.

Mandeni Municipality

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53. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	1,416,794	1,215,742
Amount paid - current year	(1,416,794)	(1,215,742)
Balance unpaid (included in payables)	-	-
Material losses through electricity distribution		
Current year subscription / fee	1,043,822	1,064,248
Audit fees		
Opening balance	-	-
Current year subscription/fee	2,848,920	2,361,186
Amount paid - current year	(2,848,920)	(2,361,186)
Balance unpaid (included in payables)	-	-
PAYE and UIF		
Opening balance	-	-
Current year subscription / fee	21,875,834	21,134,950
Amount paid - current year	(21,875,834)	(21,134,950)
Balance unpaid (included in payables)	-	-
Pension and Medical Aid Deductions		
Opening balance	-	-
Current year subscription / fee	19,513,860	17,230,699
Amount paid - current year	(19,513,860)	(17,230,699)
Balance unpaid (included in payables)	-	-

Mandeni Municipality

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Figures in Rand	2024	2023
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53. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2024:

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr NR Dludla	677	13,184	677
Cllr NS Ncube	841	12,974	841
Cllr LS Zungu	1,424	83,558	1,424
Cllr NO Dladla	206	-	206
Cllr MB Ngidi	855	51,235	855
Cllr BA Khumalo	2,378	17,651	2,378
Cllr BA Mchunu	1,803	38,724	1,803
Cllr LS Mthembu	206	-	206
Cllr SP Naicker	2,179	9,596	2,179
Cllr MT Ncanana	628	3,052	628
Cllr MS Mdunge	2,710	654	2,710
Cllr S Mdunge	954	-	954
Cllr Z Mdletshe	245	-	245
	15,106	230,628	15,106

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr NR Dludla	649	12,370	13,019
Cllr NS Ncube	752	14,411	15,163
Cllr LS Zungu	981	77,235	78,216
Cllr NO Dladla	195	-	195
Cllr MB Ngidi	838	49,203	50,041
Cllr BA Khumalo	1,765	12,108	13,873
Cllr BA Mchunu	1,734	30,783	32,517
Cllr LS Mthembu	195	-	195
Cllr SP Naicker	351	1,579	1,930
Cllr MT Ncanana	663	2,866	3,529
	8,123	200,555	208,678

54. Deviation from supply chain management regulations

In the current period, there were no contract awards made in terms of Section 36(1) of the SCM policy.

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

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55. Budget differences

Material differences between budget and actual amounts

The material differences between the approved budget and actual result are the consequence of activities during the financial period. The changes between the approved and final budget are due to changes in the overall budget parameters.

Variances of more than 10% are considered material and are explained below:

	Budget	Actual	Variance	% Variance	References
Service charges	72,787,446	74,930,090	2,142,644	3 %	
Property rates	59,329,448	57,778,536	(1,550,912)	(3)%	
Interest earned on property rates	2,836,738	3,459,757	623,019	22 %	55.1
Interest earned on service charges	917,821	919,269	1,448	- %	
Investment revenue	23,500,000	26,748,038	3,248,038	14 %	55.2
Transfers recognised - operational	242,151,850	240,489,001	(1,662,849)	(1)%	
Transfers recognised - capital	60,292,250	56,570,541	(3,721,709)	(6)%	
Other own revenue	17,063,695	16,201,885	(861,810)	(5)%	
	478,879,248	477,097,117	(1,782,131)		
Employee related costs	(141,420,149)	(130,711,296)	10,708,853	(8)%	
Remuneration of councillors	(15,460,013)	(14,563,808)	896,205	(6)%	
Depreciation and asset impairment	(35,534,499)	(33,727,719)	1,806,780	(5)%	
Finance charges	(3,300,000)	(3,134,616)	165,384	(5)%	
Debt impairment	(37,302,618)	(29,387,143)	7,915,475	(21)%	55.3
Bad debts written off	(7,499,999)	(4,388,493)	3,111,506	(41)%	55.4
Bulk purchases	(51,863,846)	(52,474,725)	(610,879)	1 %	
Inventory consumed	(3,458,030)	(3,834,651)	(376,621)	11 %	55.5
Contracted services	(84,884,100)	(86,359,034)	(1,474,934)	2 %	
Other expenditure	(57,655,479)	(61,542,858)	(3,887,379)	7 %	55.6
	40,500,515	56,972,774	16,472,259		

- 55.1 The actual interest earned on service charges is more than the budgeted amount. This is due to the implementation of the new general valuation roll which resulted in a significant increase in the property rate revenue. Consequently, property rate debt and the resulting interest charges increased.
- 55.2 The actual interest earned on investments is more than the budgeted amount. This is due to higher interest rates as well as additional funds being invested.
- 55.3 The actual provision for debt impairment is less than the budgeted amount. There has been a significant increase in the collection rate of Electricity, this is due to the credit control interventions (Meter audits, disconnections, removal of illegal connections, and replacement of faulty meters) that management has since implemented. The increase in the collection of this line item resulted in a decrease in provision for debt impairment. Subsequently, this reduced the provision for impairment expense.
- 55.4 The actual bad debt written off is less than the budgeted amount. At the beginning of the financial year, the council took a decision to suspend all debt relief programs, with an exception of the indigent relief program. The suspension therefore resulted in a decrease in the actual debt write offs as there were no additional debt incentives.
- 55.5 The budgeted inventory consumed is less than the actual amount. This is due to the materials procured during the year for repairs and maintenance.
- 55.6 The budgeted general expenses are less than the actual amount. This is mainly due to increased fuel costs due to additional fleet procured by the municipality. Workmen's compensation costs also increased due to an audit that was undertaken by Department of Labour for COIDA which identified additional councillors and EPWP beneficiaries which were not previously included.

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56. MFMA disclosure on SCM Regulation 45				
Supplier name	Employee name	Employee capacity	2024	2023
Sodube Sotobe	NT Sibiya	Public Participation and OSS Officer	56,300	39,300
Fana Manufacturing	N Reddy	Prosecutor - Verulam Magistrate Court	675,380	762,289
Mecom Trading Enterprise	M Msweli	Accountant - Receipting and Deposit	357,217	-
Mzimela Legacy	PZ Sibisi	LED Manager	-	60,300
Conlog Pty Ltd	N Moodley	Director - KZN Department of Health	3,785,190	2,487,308
Adapt IT Pty Ltd	D Mbambo	Operation Maintenance Manager- SANRAL	-	168,466
Taurus Hydraulics and Eng Pty Ltd	T Ramlall	PMS Clerk	890,729	1,380,882
Tasveer Trading	S Jwalapursad	Registry Clerk	-	41,696
			5,764,816	4,940,241

57. Events after the reporting date

The Accounting Officer is not aware of any significant events after the reporting date.

Mandeni Municipality

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58. Comparative figures

VAT, Statutory receivables and receivables from exchange transactions

Certain comparative figures have been reclassified. VAT has been classified according to the principles outlined in GRAP 104 on Financial Instruments and GRAP 108 on Statutory Receivables.

Contracted services and general expenses

Certain comparative figures between contracted services and general expenses have been reclassified due to their nature. Items of contracted services and general expenses have been aligned with MSCOA.

Bad debts written off and debt impairment

Bad debts written off and debt impairment were aggregated in the previous financial year. However, in the current financial year these were disclosed separately in order to enhance the presentation and to align with MSCOA.

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

Statement of financial position

2023

	Note	As previously reported	Reclassification	Restated
VAT		3,542,099	(3,542,099)	-
Receivables from exchange transactions	4	22,594,046	3,115,012	25,709,058
Statutory receivables	6	25,531,019	2,395,937	27,926,956
Payables from exchange transactions	12	(45,373,159)	(1,968,850)	(47,342,009)
		6,294,005	-	6,294,005

Statement of financial performance

2023

	Note	As previously reported	Reclassification	Restated
General expenditure - Youth programs	41	1,302,671	(12,000)	1,290,671
Contracted services - Stage and Sound Crew	40	456,980	40,600	497,580
General expenditure - Hire charges	41	813,618	(28,600)	785,018
Bad debts written off		-	1,918,671	1,918,671
Debt impairment		15,022,247	(1,918,671)	13,103,576
		17,595,516	-	17,595,516

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59. Change in estimate

Property, plant and equipment

At the beginning of the financial year the municipality reviewed remaining useful lives of certain items of Property, Plant and Equipment. The remaining useful lives were reassessed based at the beginning of the financial year based on the expected useful lives of those assets. The useful lives of property, plant and equipment were initially estimated between 3 and 15 years. For property, plant and equipment the remaining useful lives were estimated to be between 5 and 20 years. This is considered a change in accounting estimate and the effect is treated prospectively.

	Old estimate	New estimate	Increase / (Decrease) in Depreciation
Depreciation : Current year	3,693,038	952,425	(2,740,613)
Depreciation : Future years	4,815,205	7,555,818	2,740,613
	8,508,243	8,508,243	-

Intangible assets

At the beginning of the financial year the municipality reviewed remaining useful lives of certain items of Intangible Assets. The remaining useful lives were reassessed based at the beginning of the financial year based on the expected useful lives of those assets. The useful lives of Intangible assets were initially estimated at 3 years. For the intangible assets, the remaining useful lives were estimated to be between 3 and 9 years. This is considered a change in accounting estimate and the effect is treated prospectively.

	Old estimate	New estimate	Increase / (Decrease) in Amortisation
Amortisation : Current year	52,178	26,089	(26,089)
Amortisation : Future years	51,892	77,981	26,089
	104,070	104,070	-

Reassessment of residual values

Property, plant and equipment

In the beginning of the financial year the municipality reviewed remaining useful lives of certain items of Property, plant and equipment. The residual values were reassessed based on the expected proceeds to be realised at the disposal date of those assets. The residual values of property plant and equipment were initially estimated at 20%. For property plant and equipment, the residual values were changed to 0%. This is considered a change in accounting estimate and the effect is treated prospectively.

	Old estimate	New estimate	Increase / (Decrease) in Depreciation
Depreciation : Current year	1,197,556	1,674,373	476,817
Depreciation : Future years	18,716,505	24,146,922	5,430,417
	19,914,061	25,821,295	5,907,234

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59. Change in estimate (continued)

Intangible assets

At the beginning of the financial year the municipality reviewed remaining useful lives of certain items of intangible assets. The residual values were reassessed based on the expected proceeds to be realised at the disposal date of those assets. The residual values of intangible assets were initially estimated at 20%. For intangible assets, the residual values were changed to 0%. This is considered a change in accounting estimate and the effect is treated prospectively.

	Old estimate	New estimate	Increase / (Decrease) in Amortisation
Amortisation : Current year	26,089	82,894	56,805
Amortisation : Future years	77,981	247,777	169,796
	104,070	330,671	226,601

60. Accounting by principals and agents

The municipality is a party to principal-agent arrangements.

Details of the arrangements

Housing Title Deed grant - Title Deeds

- There is a binding agreement with The Provincial Department of Human Settlements Kwa-Zulu Natal for the title deeds restoration programme;
- Transactions are for the benefit of another entity i.e. benefits are for The Provincial Department of Human Settlements in that the title deed activities undertaken are on behalf of the Department.
- The municipality does not have the power to determine the significant terms and conditions of the transactions.
- The municipality has limited inventory risk and therefore not exposed to the variability in the results of transactions.

Entity as agent

Grants received

The municipality does not recognise any revenue in respect of these arrangements. However, grants are provided to the municipality for the execution of the projects.

Housing Title Deed grant

Balance unspent at beginning of year	4,789,797	5,772,607
Conditions met	(1,346,996)	(982,810)
Unspent grant at year end	3,442,801	4,789,797

Mandeni Municipality

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61. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Types of goods and/or services by segment

The Municipality has several departments/functional areas and accordingly, the segments were aggregated for reporting purposes as set out below:

Reportable segment

Executive & Council

Finance & Administration

Planning & Development

Roads & Infrastructure

Community & Social Services

Energy Sources

Waste management

Public Safety

Goods and/or services

Provision of overall governance to other segments of the municipality

Provision of financial and administrative services to other segments of the municipality

Provision of economic development activities in the municipality

Construction and maintenance of roads and infrastructure owned by the municipality

Construction and maintenance of halls and cemeteries owned by the municipality

Provision of energy and electrical services to the community

Provision of waste management services to the community

Provision of pound services and public safety to the community

Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment are not used by management for decision-making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the municipality as a whole. Accordingly, the assets and liabilities per segment are not required to be disclosed.

Information about geographical areas

Although the municipality operates in a number of geographical areas (i.e. wards), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the municipality has assessed that it operates in a single geographical area.

Measurement of specific segment information

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

The municipality had no changes to the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.

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61. Segment information (continued)

Segment surplus or deficit

2024

	Executive & Council	Finance & Administration	Planning & Development	Roads & Infrastructure	Community & Social Services	Energy Sources	Waste Management	Public Safety	Total
Revenue									
Service charges	-	-	-	-	-	62,550,237	12,379,853	-	74,930,090
Rental of facilities and equipment	-	-	-	44,289	250,077	-	-	-	294,366
Interest income - service charges	-	-	-	-	-	47,865	871,404	-	919,269
Licences and permits	-	-	52,047	-	-	-	-	932,730	984,777
Other income	-	2,192,908	206,603	-	131,415	97,935	-	135,525	2,764,386
Interest received	-	26,748,038	-	-	-	-	-	-	26,748,038
Construction contracts	-	-	-	-	-	10,560,568	-	-	10,560,568
Other non-operating gains									
Fair value adjustments	-	-	-	-	-	-	-	-	-
Revenue from non-exchange transactions									
Property rates	-	57,778,536	-	-	-	-	-	-	57,778,536
Government grants and subsidies	7,806,000	224,867,000	840,000	56,570,540	6,976,001	-	-	-	297,059,541
Donations received	-	-	-	-	14,200	-	-	-	14,200
Fines	-	-	-	-	388	-	-	1,583,200	1,583,588
Interest income - property rates	-	3,459,757	-	-	-	-	-	-	3,459,757
Municipality's revenue	7,806,000	315,046,239	1,098,650	56,614,829	7,372,081	73,256,605	13,251,257	2,651,455	477,097,116

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	Executive & Council	Finance & Administration	Planning & Development	Roads & Infrastructure	Community & Social Services	Energy Sources	Waste Management	Public Safety	Total
61. Segment information (continued)									
Expenditure									
Employee costs	(15,424,184)	(30,978,151)	(11,849,970)	(19,957,416)	(33,538,732)	(3,833,536)	(8,899,293)	(6,230,014)	(130,711,296)
Remuneration of councillors	(14,563,808)	-	-	-	-	-	-	-	(14,563,808)
Depreciation and amortisation	-	(31,488,912)	-	-	-	-	-	-	(31,488,912)
Impairment losses	-	(2,238,807)	-	-	-	-	-	-	(2,238,807)
Finance costs	-	(3,134,616)	-	-	-	-	-	-	(3,134,616)
Lease rentals	-	(2,272,751)	-	-	-	-	-	-	(2,272,751)
Bad debt written off	-	(4,388,493)	-	-	-	-	-	-	(4,388,493)
Debt impairment	-	(29,387,143)	-	-	-	-	-	-	(29,387,143)
Contracted services	(14,158,602)	(8,540,138)	(2,168,648)	(19,230,082)	(23,607,347)	(12,643,301)	(1,872,000)	(4,138,916)	(86,359,034)
Inventory consumed	(2,055,927)	(9,000)	(947,970)	(36,217)	(609,786)	-	(175,750)	-	(3,834,650)
Operational costs	(13,154,603)	(33,226,696)	(817,338)	(9,476,722)	(1,321,469)	(3,650,044)	(113,742)	(332,006)	(62,092,620)
Bulk purchases	-	-	-	-	-	(52,474,725)	-	-	(52,474,725)
Loss on disposal of assets	-	(500,517)	-	-	-	-	-	-	(500,517)
Actuarial gains/losses	-	(217,970)	-	-	-	-	-	-	(217,970)
Fair value adjustments	-	1,541,000	-	-	-	-	-	-	1,541,000
Total segment expenditure	(59,357,124)	(144,842,194)	(15,783,926)	(48,700,437)	(59,077,334)	(72,601,606)	(11,060,785)	(10,700,936)	(422,124,342)
Total segmental surplus/(deficit)	(51,551,124)	170,204,045	(14,685,276)	7,914,392	(51,705,253)	654,999	2,190,472	(8,049,481)	54,972,774

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61. Segment information (continued)

2023

	Executive & Council	Finance & Administration	Planning & Development	Roads & Infrastructure	Community & Social Services	Energy Sources	Waste Management	Public Safety	Total
Revenue									
Service charges	-	-	-	-	-	49,863,633	11,569,974	-	61,433,607
Rental of facilities and equipment	-	-	36,378	105,941	211,702	-	-	-	354,021
Interest income - service charges	-	-	-	-	-	104,134	1,124,586	-	1,228,720
Construction contracts	-	-	-	6,815,022	-	-	-	-	6,815,022
Licences and permits	-	-	22,494	-	-	-	-	524,513	547,007
Other income	-	2,482,401	529,323	-	73,765	95,354	-	405,805	3,586,648
Interest received	-	20,010,444	-	-	-	-	-	-	20,010,444
Other non-operating gains									
Revenue from non-exchange transactions									
Property rates	-	51,761,585	-	-	-	-	-	-	51,761,585
Government grants and subsidies	7,806,000	206,862,432	1,000,000	41,510,900	6,080,000	-	-	-	263,259,332
Donations received	-	5,234,331	-	-	-	-	-	-	5,234,331
Fines	-	-	-	-	553	-	-	1,001,300	1,001,853
Interest income - property rates	-	2,627,819	-	-	-	-	-	-	2,627,819
Municipality's revenue	7,806,000	288,979,012	1,588,195	48,431,863	6,366,020	50,063,121	12,694,560	1,931,618	417,860,389

Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

	Executive & Council	Finance & Administration	Planning & Development	Roads & Infrastructure	Community & Social Services	Energy Sources	Waste Management	Public Safety	Total
61. Segment information (continued)									
Expenditure									
Employee costs	(17,501,830)	(29,106,516)	(10,297,198)	(19,134,232)	(23,966,250)	(2,738,223)	(5,512,878)	(8,668,039)	(116,925,166)
Remuneration of councillors	(14,325,359)	-	-	-	-	-	-	-	(14,325,359)
Depreciation and amortisation	-	(30,062,529)	-	-	-	-	-	-	(30,062,529)
Impairment losses	-	(2,374,266)	-	-	-	-	-	-	(2,374,266)
Finance costs	-	(3,322,630)	-	-	-	-	-	-	(3,322,630)
Lease rentals	-	(1,175,012)	-	-	-	-	-	-	(1,175,012)
Debt impairment	-	(15,022,247)	-	-	-	-	-	-	(15,022,247)
Contracted services	(8,926,155)	(7,874,053)	(1,807,697)	(18,873,343)	(20,453,144)	(1,186,651)	(3,093,588)	-	(62,214,631)
Inventory consumed	(388,037)	(78,204)	(2,742,002)	(14,343)	(1,148,649)	-	-	-	(4,371,235)
Operational costs	(12,766,552)	(23,790,580)	(406,695)	(1,339,567)	(845,660)	(3,194,238)	(35,284)	(158,871)	(42,537,447)
Bulk purchases	-	-	-	-	-	(45,292,594)	-	-	(45,292,594)
Loss on disposal of assets	-	(6,079,512)	-	-	-	-	-	-	(6,079,512)
Actuarial gains/losses	-	3,169,090	-	-	-	-	-	-	3,169,090
Fair value adjustments	-	30,180,500	-	-	-	-	-	-	30,180,500
Total segment expenditure	(53,907,933)	(85,535,959)	(15,253,592)	(39,361,485)	(46,413,703)	(52,411,706)	(8,641,750)	(8,826,910)	(310,353,038)
Total segmental surplus/(deficit)	(46,101,933)	203,443,053	(13,665,397)	9,070,378	(40,047,683)	(2,348,585)	4,052,810	(6,895,292)	107,507,351

Mandeni Municipality

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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62. Prior period errors

Property, plant and equipment and investment property

Following audit findings relating to municipal land raised in the 2023 financial year, the municipality has embarked on a thorough exercise to ensure that all its land and properties are accounted for in terms of GRAP and other relevant prescripts.

The Municipal Valuer (Umhlaba Geomatics) was instructed to review the values of all items of Investment Properties as of 30 June 2024 and to identify items whose market values have changed, and those that are no longer meeting the criteria to be classified as investment properties and certify them accordingly.

This exercise revealed that property, plant and equipment was understated by R31,815,000 and investment property also overstated by R31,815,000. The error was corrected retrospectively and the correction of error resulted in adjustments as follows:

Statement of financial position

Property, plant and equipment	31,815,000
Investment property	<u>(31,815,000)</u>

63. Going concern

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