



Dannhauser Local Municipality
(Registration number KZN 254)
Annual Financial Statements
for the year ended June 30, 2024

Dannhauser Local Municipality

(Registration number KZN 254)

Annual Financial Statements for the year ended June 30, 2024

General Information

Legal form of entity

Category B Municipality in terms of section 3 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998) read with section 155 of the Constitution of the Republic of South Africa, 1996.

Nature of business and principal activities

The main business operations of the municipality is to engage in local governance activities, which includes planning, land, economic and environmental development, levying of rates and supplying of general services to the community. The municipality is also involved in demarcation and grading of land.

Mayoral committee

Mayor	Cllr B.A. Radebe
Deputy Mayor	Cllr B.T.D. Langa
Speaker	Cllr S.E. Myaka
Councillors	Cllr C.M.F. Maphisa Cllr M.S. Mkhumane Cllr M. Kunene Cllr S.M. Mthembu Cllr R.S. Langa Cllr M. Nkabinde Cllr S.W. Ndlela Cllr R.F. Simelane Cllr R.N. Made Cllr N. Mthembu Cllr S. Sikhakhane Cllr M.P. Mathebula Cllr K.B. Khanye Cllr G.V. Ngcane Cllr M.S. Kunene Cllr M.T. Mabaso Cllr N.P. Kumalo Cllr E.N. Buthelezi

Chief Finance Officer (CFO)

D. Mohapi

Accounting Officer

M.S. Sithole - Municipal Manager

Registered office

8 Church Street
Dannhauser
3080

Business address

8 Church Street
Dannhauser
3080

Postal address

Private Bag X 1011
Dannhauser
3080

Bankers

ABSA Bank - Newcastle

Auditors

Auditor General of South Africa
Registered Auditors

Dannhauser Local Municipality

(Registration number KZN 254)

Annual Financial Statements for the year ended June 30, 2024

General Information

Attorneys

Mazibuko Z and Associates

Dannhauser Local Municipality

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Abbreviations used:

SARS	South African Revenue Services
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MIG	Municipal Infrastructure Grant
PAYE	Pay As You Earn
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MM	Municipal Manager
EPWP	Expanded Public Works Program
IT	Information Technology
FMG	Financial Management Grant
CLLR	Councillor
UIF	Unemployment Insurance Fund
FV	Fair Value

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Accounting Officers' 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 will be given unrestricted access to all financial records and related data.

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

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

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

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

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

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

The accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in note 24 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1996 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on pages 5 to 77, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2024.



Accounting Officer
M.S. Sithole (Municipal Manager)

Dannhauser Local Municipality

(Registration number KZN 254)

Annual Financial Statements for the year ended June 30, 2024

Audit Committee Report

We are pleased to present our report for the financial year ended June 30, 2024.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference. During the current year four number of meetings were held.

Name of member	Number of meetings attended
Sithembiso Ngwenya (Chairperson)	3
Nontobeko Khambule	4
Mthembu Siboniso	3
Velaphi Moses Kubeka	3
Samson Ngwenya	2

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the municipality during the year under review. It was however noted that municipality has improved their internal control systems.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the ;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2024

Audit Committee Report

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.



Chairperson of the Audit Committee

Date: _____

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2024

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land economic and environmental development, levying of rates and supplying of general services to the community.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

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

3. Subsequent events

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

4. Accounting policies

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

5. Accounting Officer

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

Name	Nationality
M.S. Sithole - Municipal Manager	South African

6. Corporate governance

General

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. They discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

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

Internal audit

The municipality has outsourced its internal audit function to Abacwaningi Business Solutions for the period of 11 months, thereafter it was insourced up until year end. This is in compliance with the Municipal Finance Management Act 56 of 2003.

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Annual Financial Statements for the year ended June 30, 2024

Accounting Officer's Report

7. Auditors

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



Accounting Officer
M.S. Sithole (Municipal Manager)

Dannhauser Local Municipality

(Registration number KZN 254)

Annual Financial Statements for the year ended June 30, 2024

Statement of Financial Position as at June 30, 2024

Figures in Rand

Note(s)	2024	2023 Restated*
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Assets

Current Assets

Inventories	3	969,652	3,884,189
Receivables from non-exchange transactions	4	18,748,505	19,052,307
VAT receivable	5	1,829,209	2,306,572
Receivables from exchange transactions	6	966,715	3,004,439
Cash and cash equivalents	7	19,594,104	7,787,844
		42,108,185	36,035,351

Non-Current Assets

Investment property	8	9,113,000	8,838,000
Property, plant and equipment	9	519,718,344	524,689,410
Heritage assets	10	106,000	106,000
		528,937,344	533,633,410

Total Assets

		571,045,529	569,668,761
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Liabilities

Current Liabilities

Other financial liabilities	15	5,195,529	5,184,881
Payables from exchange transactions	11	40,690,656	45,342,414
Employee benefit obligation	12	547,000	551,000
Unspent conditional grants and receipts	13	1,636,173	1,421,117
Provision for Landfill site	14	1,552,904	1,333,602
		49,622,262	53,833,014

Non-Current Liabilities

Other financial liabilities	15	12,988,820	18,194,995
Employee benefit obligation	12	7,613,000	6,945,000
Provision for Landfill site	14	11,452,989	9,369,466
		32,054,809	34,509,461

Total Liabilities

		81,677,071	88,342,475
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Net Assets		489,368,458	481,326,286
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Accumulated surplus		489,368,458	481,326,286
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Total Net Assets		489,368,458	481,326,286
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* See Note 50

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2024

Statement of Financial Performance

Figures in Rand

Note(s) 2024

2023
Restated*

Revenue

Revenue from exchange transactions

Sale of goods and rendering of services	16	498,057	313,527
Service charges	16	1,349,162	1,345,288
Rental of facilities and equipment	17	47,649	19,357
Interest on receivables		93,060	104,589
Agency services	18	1,195,434	1,397,331
Other revenue from exchange transactions	19	1,108,002	35,820
Interest received	20	2,079,830	1,149,864
Total revenue from exchange transactions		6,371,194	4,365,776

Revenue from non-exchange transactions

Taxation revenue

Property rates	21	43,410,762	30,853,236
Licences and Permits	41	445,267	468,889
Interest on receivables		1,290,620	745,140

Transfer revenue

Government grants & subsidies	22	147,791,944	139,097,259
Construction contract	43	-	3,078,261
Fines, Penalties and Forfeits	23	888,616	1,375,841
Donation received in kind		372,406	1,084,626
Other revenue from non-exchange transactions		78,500	26,533
Total revenue from non-exchange transactions		194,278,115	176,729,785

Total revenue

32 **200,649,309** **181,095,561**

Expenditure

Employee related costs	24	(40,859,531)	(40,140,764)
Remuneration of councillors	25	(12,921,476)	(10,805,555)
Depreciation and amortisation	26	(28,161,266)	(44,520,326)
Finance costs	27	(4,564,676)	(4,960,518)
Lease rentals on operating lease	38	(575,489)	(882,862)
Construction contracts	44	-	(3,078,261)
Contracted services	28	(45,705,917)	(51,392,211)
Inventory expensed		(3,179,820)	(4,465,681)
General Expenses	29	(28,988,509)	(23,317,064)
Total expenditure		(164,956,684)	(183,563,242)

Operating surplus (deficit)

Loss on disposal of assets and liabilities	37	35,692,625	(2,467,681)
Fair value adjustments		(1,307,695)	(526,305)
Actuarial gain or loss	30	275,000	489,000
Impairment loss	42	158,000	1,409,000
	31	(26,775,757)	(51,887,662)
Surplus (deficit) for the year		(27,650,452)	(50,515,967)

8,042,173 **(52,983,648)**

* See Note 50

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2024

Statement of Changes in Net Assets

Figures in Rand

	Accumulated surplus / deficit	Total net assets
Balance at July 1, 2022	538,828,381	538,828,381
Changes in net assets		
Other changes	265	265
Net income (losses) recognised directly in net assets	265	265
Surplus for the year	(52,766,884)	(52,766,884)
Total recognised income and expenses for the year	(52,766,619)	(52,766,619)
Total changes	(52,766,619)	(52,766,619)
Opening balance as previously reported	486,061,764	486,061,764
Adjustments		
Prior year error - Inventory	(216,766)	(216,766)
Prior year error - PPE 50	(4,518,713)	(4,518,713)
Restated* Balance at July 1, 2023 as restated*	481,326,285	481,326,285
Changes in net assets		
Surplus for the year	8,042,173	8,042,173
Total changes	8,042,173	8,042,173
Balance at June 30, 2024	489,368,458	489,368,458

Note(s)

* See Note 50

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2024

Cash Flow Statement

Figures in Rand

Note(s) 2024

2023
Restated*

Cash flows from operating activities

Receipts

Receipts from Taxpayers Rendering of services and other	37,406,749	24,870,894
Grants	148,007,000	137,091,597
Interest income	2,079,830	1,149,864
	<u>187,493,579</u>	<u>163,112,355</u>

Payments

Employee costs	(52,627,750)	(49,395,190)
Suppliers	(80,173,066)	(68,978,997)
Finance costs	(2,353,074)	(2,845,674)
	<u>(135,153,890)</u>	<u>(121,219,861)</u>

Net cash flows from operating activities

36 **52,339,689** **41,892,494**

Cash flows from investing activities

Purchase of property, plant and equipment	9	(35,337,902)	(43,875,742)
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Cash flows from financing activities

Repayment of other financial liabilities		(5,195,527)	(5,195,528)
Net cash flows from financing activities		(5,195,527)	(5,195,528)

Net increase/(decrease) in cash and cash equivalents

Cash and cash equivalents at the beginning of the year		11,806,260	(7,178,776)
Cash and cash equivalents at the end of the year	7	19,594,104	7,787,844

* See Note 50

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	101,797	-	101,797	498,057	396,260	Refer to note 62
Service charges	1,966,511	-	1,966,511	1,349,162	(617,349)	
Rental of facilities and equipment	11,609	-	11,609	47,649	36,040	
Interest on receivables	-	-	-	93,060	93,060	
Agency services	2,361,427	(500,000)	1,861,427	1,195,434	(665,993)	
Other income	7,108,378	2,000,000	9,108,378	1,108,002	(8,000,376)	
Interest received - investment	1,848,000	-	1,848,000	2,079,830	231,830	
Total revenue from exchange transactions	13,397,722	1,500,000	14,897,722	6,371,194	(8,526,528)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	42,227,869	2,288,005	44,515,874	43,410,762	(1,105,112)	
Interest on receivables	-	-	-	1,290,620	1,290,620	
Licences and Permits	540,384	-	540,384	445,267	(95,117)	
Transfer revenue						
Government grants & subsidies	147,663,000	2,464,000	150,127,000	147,791,944	(2,335,056)	
Fines, Penalties and Forfeits	424,764	-	424,764	888,616	463,852	
Donation received	-	-	-	372,406	372,406	
Other revenue from non-exchange transactions	1,089,224	-	1,089,224	78,500	(1,010,724)	
Total revenue from non-exchange transactions	191,945,241	4,752,005	196,697,246	194,278,115	(2,419,131)	
Total revenue	205,342,963	6,252,005	211,594,968	200,649,309	(10,945,659)	
Expenditure						
Employee related Cost	(49,638,000)	(4,101,077)	(53,739,077)	(40,859,531)	12,879,546	
Remuneration of councillors	(11,752,798)	(1,535,933)	(13,288,731)	(12,921,476)	367,255	
Depreciation and amortisation	(37,760,000)	-	(37,760,000)	(28,161,266)	9,598,734	
Finance costs	(3,500,000)	-	(3,500,000)	(4,564,676)	(1,064,676)	
Lease rentals on operating lease	(705,025)	-	(705,025)	(575,489)	129,536	
Contracted Services	(25,197,240)	(20,311,760)	(45,509,000)	(45,705,917)	(196,917)	
General Expenses	(27,772,617)	(5,596,359)	(33,368,976)	(28,988,509)	4,380,467	
Inventory Expensed	(500,000)	300,000	(200,000)	(3,179,820)	(2,979,820)	
Total expenditure	(156,825,680)	(31,245,129)	(188,070,809)	(164,956,684)	23,114,125	
Operating surplus	48,517,283	(24,993,124)	23,524,159	35,692,625	12,168,466	
Loss on disposal of assets and liabilities	-	-	-	(1,307,695)	(1,307,695)	
Fair value adjustments	-	-	-	275,000	275,000	
Actuarial gain or loss	-	-	-	158,000	158,000	
Impairment loss	(3,500,000)	-	(3,500,000)	(26,775,757)	(23,275,757)	

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	(3,500,000)	-	(3,500,000)	(27,650,452)	(24,150,452)	
Deficit / Surplus	45,017,283	(24,993,124)	20,024,159	8,042,173	(11,981,986)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	45,017,283	(24,993,124)	20,024,159	8,042,173	(11,981,986)	

Dannhauser Local Municipality

(Registration number KZN 254)

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and in compliance with the 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.

1.1 Going concern assumption

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

1.2 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. 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 (service) 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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14.

Contingent provisions

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

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 other assets. These estimates are based on industry norms and on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality.

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post-employment 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 that reflect the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rate of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that could result in impairment. 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.

Provision for the Landfill Site

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises.

1.3 Investment property

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

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

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

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

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.

1.4 Property, plant and equipment

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

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

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

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1.4 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	20 - 50 years
Plant and machinery	Straight-line	4 - 15 years
Furniture and fixtures	Straight-line	4 - 9 years
Motor vehicles	Straight-line	4 - 9 years
IT equipment	Straight-line	4 - 5 years
Infrastructure	Straight-line	10 - 30 years
Landfill site	Straight-line	10 - 20 years
Other Vehicles	Straight-line	4 - 15 years

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1.4 Property, plant and equipment (continued)

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

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

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

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

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

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.

1.5 Heritage assets

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

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

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Initial measurement

Heritage assets are measured at cost.

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

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1.5 Heritage assets (continued)

Subsequent measurement

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

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

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

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

Derecognition

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

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

1.6 Financial instruments

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or

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1.6 Financial instruments (continued)

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

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

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

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

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

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

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

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

Classification

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

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

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

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

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

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1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the amortised cost.

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

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectability of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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 directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

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

1.7 Leases

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

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

Operating leases - lessor

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

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

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

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

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

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Accounting Policies

1.7 Leases (continued)

Operating leases - lessee

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

1.8 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The municipality incurred expenditure during the year constructing prepaid meters in different households. On completion of the prepaid meters, the Municipality will hand over these meters to Eskom and Eskom will provide the Municipality with a handover certificate. Upon project completion and final handover the municipality is required to provide Eskom with a Project Close - Out Report. The Municipality needs to complete a checklist and handover to Eskom before a handover certificate is issued. These prepaid meters are treated as inventory until a handover certificate is issued by Eskom. Once a completion certificate is issued by service provider, the inventory (prepaid meters) are then expensed. These expenses are disclosed as transfer/donation inflows in the statement of financial performance.

The municipality also recognises child care facility, meter conversion and boreholes as an inventory. The portion of expenditure was funded by the Intergrated National Electrification Programme (INEP).

1.9 Construction contracts and receivables

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

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

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

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

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1.9 Construction contracts and receivables (continued)

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

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

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

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

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

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

1.10 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

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.

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1.11 Impairment of cash-generating assets (continued)

Useful life is either:

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

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

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.

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.12 Impairment of non-cash-generating assets

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

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

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

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1.12 Impairment of non-cash-generating assets (continued)

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

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

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

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

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

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

Useful life is either:

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

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1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

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 amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. An annual charge to income is made to cover both these liabilities.

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1.14 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 surplus (deficit).

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

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1.14 Provisions and contingencies (continued)

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

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

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

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

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

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

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

1.15 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.

1.16 Revenue from exchange transactions

Exchange transaction are transactions which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of service charges, rental, licences and permits, interest and other income.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, revenue is shown net of value added tax, returns rebates and discounts for the supply of services in the ordinary course of activities.

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;

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1.16 Revenue from exchange transactions (continued)

the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

the amount of revenue can be measured reliably;

it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and

the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

the amount of revenue can be measured reliably;

it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;

the stage of completion of the transaction at the reporting date can be measured reliably; and

the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of municipal assets yielding interest or similar distributions is recognised when:

it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and

the amount of the revenue can be measured reliably.

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

Service charges

Service charges relating to electricity, water and sanitation are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

Services provided on a prepaid basis.

Various services are provided on a prepaid basis in which case no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

Income from agency services

Income from agency services is recognised on a monthly basis, limited to the agency fees, once the income collected on behalf of the agents has been quantified. The income recognised is in terms of an agency agreement. Amounts collected on behalf of the principal are accounted for as liability in the statement of financial position.

Housing rental and instalments

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1.16 Revenue from exchange transactions (continued)

Income in respect of housing rental and instalments are accrued monthly in advance. Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time-proportionate basis.

Collection charges

Collection charges are recognised when such amounts are incurred/earned.

1.17 Revenue from non-exchange transactions

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises and that ratepayers have been duly notified. Interest unpaid rates is recognised on a time-proportionate basis with reference to the principal amount receivable and effective rate applicable.

Fines constitute both spot fines and summonses. The revenue is recognised when the fine is issued.

Government grants and subsidies are recognised in terms of the amount that has been received.

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.

Fines

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

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

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

Investment income

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

Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

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.

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1.17 Revenue from non-exchange transactions (continued)

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.

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

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

1.18 Borrowing costs

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

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

1.19 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;
- overspending of the total amount appropriated for a vote in the approved budget;
- 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 paragraph (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 otherwise than 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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

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

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1.22 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2023 to 6/30/2024.

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

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

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

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

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

1.24 Events after reporting date

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

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

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

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Accounting Policies

1.24 Events after reporting date (continued)

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

1.25 Statutory receivables

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.

Statutory receivables for the Municipality constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
 - the definition of an asset is met; and
 - it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - 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.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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 by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory 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;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of 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 municipality:
 - derecognises the receivable;
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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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 adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operation:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements	To be determined	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	To be determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unlikely there will be a material impact
• GRAP 105 (as revised): Transfer of Functions Between Entities Under Common Control	To be determined	Unlikely there will be a material impact
• GRAP 106 (as revised): Transfer of Functions Between Entities Not Under Common Control	To be determined	Unlikely there will be a material impact
• GRAP 107 (amended): Mergers	To be determined	Unlikely there will be a material impact
• IGRAP 22 (as revised): Foreign Currency Transactions and Advance Consideration	April 1, 2025	Unlikely there will be a material impact
• Improvements to Standards of GRAP (2023)	To be determined	Unlikely there will be a material impact

3. Inventories

Work in progress	969,652	3,884,189
Carrying value of inventories carried at fair value less costs to sell	969,652	3,884,189

The municipality assist NPO's around Dannhauser in building childcare facilities, if discovered that the NPO operates in an unsafe dwelling structures, upon completion of the facility it is handed over or distributed to the NPO. During the year under review, the childcare facility was completed and transferred to the inventory expense. The municipality also install borehole pumps around Dannhauser in response to the community needs, after installation they get transferred to Amajuba District Municipality, since the municipality is not water authority.

No Inventory pledged as security for liabilities

Opening balance	3,884,189	5,317,490
Inventory capitalised	265,284	3,032,380
Inventory expensed	(3,179,820)	(4,465,681)
	969,652	3,884,189

4. Receivables from non-exchange transactions

Gross balances

Rates	69,138,667	58,230,282
Fines	3,607,320	2,728,020
	72,745,987	60,958,302

Less: Allowance for impairment

Rates	(51,115,481)	(39,587,466)
Fines	(2,882,001)	(2,318,529)
	(53,997,482)	(41,905,995)

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4. Receivables from non-exchange transactions (continued)

Net balance

Rates	18,023,186	18,642,816
Fines	725,319	409,491
	18,748,505	19,052,307

Rates

Current (0 -30 days)	2,483,464	3,773,955
31 - 60 days	2,075,982	1,449,901
61 - 90 days	1,974,817	1,285,835
91 - 120 days	1,895,213	1,213,887
121 - >365 days	60,709,192	50,506,704
Less Allowance for impairment	(51,115,481)	(39,587,466)
	18,023,187	18,642,816

Consumer Rates

Current (0 -30 days)	1,881,255	3,317,863
31 - 60 days	1,590,092	1,046,873
61 - 90 days	1,495,203	848,210
91 - 120 days	1,452,359	814,290
121 - 150 days	1,349,892	774,889
151- 180 days	1,325,872	774,876
181-365 days	7,497,958	4,238,670
> 365 days	37,242,120	32,007,834
Less Allowance for impairment	(51,024,575)	(41,489,106)
	2,810,176	2,334,399

Government debtors - Rates

Current (0 -30 days)	602,209	418,423
31 - 60 days	485,890	374,281
61 - 90 days	479,614	399,131
91 - 120 days	442,854	390,572
121 -150 days	418,052	383,168
151 -180 days	415,541	336,180
181- 365 days	1,985,847	950,203
> 365 days	10,473,909	11,500,630
Less Allowance for Impairment	(90,906)	(78,294)
	15,213,010	14,674,294

Total past due but not impaired

Current - 30days	604,823	476,431
31 - 60 days	488,493	476,184
> 61 days	14,270,990	16,987,047
	15,364,306	17,939,662

Fines

Current	348,000	388,220
150 + days	2,882,000	2,339,800
Less Allowance for Impairment	(2,882,000)	(2,318,529)
	348,000	409,491

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4. Receivables from non-exchange transactions (continued)

Statutory receivable

Transactions arising from statute: Property Rates is levied in terms of the Local Government Municipality Property Rates Act No 6 of 2004, approved Property Rate policy and by-laws.

Transactions arising from statute: fines is levied in terms of the National Road Traffic Act 1996. Section 156 (1) of the Constitution states that "A municipality has executive authority in respect of, and has the right to administer – the local government matters listed in Part B of Schedule 4 and Part B of Schedule 5" Part B of Schedule 5 includes amongst others Traffic and Parking matters. Therefore, municipalities have the executive mandate over Traffic and Parking. Determination of transaction amount: Tariffs are reviewed annually as part of the MTREF process and applied as per Property Rate policy which is guided by the Local Government Property Rate Act no 6 of 2004

Determination of transaction amount property rates: Property rates will be assessed on the market value of all rateable properties in the jurisdiction of the Municipality and for the purpose of generating revenue to balance the budget after taking into account:

a) profits generated on trading and economic services; and

b) the amounts required to finance exemptions, rebates and reductions of rates as approved by council from time to time.

Determination of transaction amount fines: Based on the guidance issued to the traffic department from Local Government.

Interest and other charges levied/charged: According to the Credit Control and Debt Collection policy, interest is levied on arrear municipal debt in excess of 120 days. Interest is levied at 2.54% per month.

Interest on other charges levied/charged Traffic fines: No interest is charged on outstanding traffic fines.

Basis used to test and assess whether a statutory receivable is impaired for rate: GRAP 108 statutory receivables sets out the requirements and guidelines for the impairment of financial assets subsequently carried at mortised cost. (Refer to the impairment methodology)

Basis used to test and assess whether a statutory receivable is impaired for traffic fines: The municipality receives the schedule for all traffic fines issued for the financial year and compare these schedules with the previous years issued and the income received. Refer to detailed Impairment methodology for traffic fines.

Discount rate applied to the estimated future cash flow of traffic fines: The municipality does not estimate future cash flow. It applies an impairment rate based on past recoveries.

Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivable rate: Recognition is as per GRAP 108 requirement and guidelines. Reversal will be due to the amount being settle which will automatically be excluded from future impairment calculations.

Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivable fines: There was no reversal of traffic fines impairments.

Significant impairment losses recognized rates: The impairment loss recognized for the year ended 30 June 2024 is R51 903 885.

Significant impairment losses recognized traffic fines: The impairment loss for traffic fines recognized for the year ended 30 June 2024 is R2 882 000.

Rates	17,242,715	18,642,817
Fines	348,000	409,491

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5. VAT receivable

VAT	1,829,209	2,306,572
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Value Added Tax is accounted for on an accrual basis and declared to SARS on a payment basis. All VAT returns were submitted throughout the year.

Statutory receivables general information:

Included in the VAT receivables amount is statutory receivable of R1 829 209, (2023: R2 306 572) application of Value Added Tax Act No. 89 of 1991.

Transactions arising from statute:

The municipality is required to levy or pay tax at a rate of 15% as per requirements of section 7 of the No. 89 of 1991. VAT amount is based on the supply of good or service by the municipality in the company enterprises conducted by the municipality.

Determination of the transaction amount:

The transaction amount is determine by application of 15% on all taxable supplies incurred by the amount between the amount actually received from sale of taxable goods or services and acquisition services will be submitted to SARS as the amount receivable / payable. A receivable arises when VAT paid is more than output amount received from customers.

Basis used to assess and test whether statutory receivables is impaired:

Upon declaration, SARS is required by the Act to refund the municipality by the filling of the return, refunds have been made on time unless if there is an audit assessment. This guarantees recoverability of the amount declared to SARS and not impairment.

Discount Rate applied to estimate future cash flows:

No discounting applied as this amount declared to SARS represents the present value of the future received from SARS.

6. Receivables from exchange transactions

Gross balances

Property Rental	630,180	610,581
Refuse	7,424,667	6,588,801
Sundry Debtors	561,364	586,612
	8,616,211	7,785,994

Less: Allowance for impairment

Refuse	(6,679,334)	(3,960,270)
Property Rental	(490,124)	(460,065)
Sundry Debtors	(480,038)	(361,220)
	(7,649,496)	(4,781,555)

Net balance

Property Rental	140,056	150,516
Refuse	745,334	2,628,531
Sundry Debtors	81,325	225,392
	966,715	3,004,439

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6. Receivables from exchange transactions (continued)

Refuse removal

Current (0 -30 days)	131,168	128,249
31 - 60 days	120,706	127,139
61-90 days	116,807	113,764
91 - 120 days	114,386	110,735
121 - >365 days	6,941,601	6,108,914
Less Allowance for impairment	(6,679,334)	(3,960,270)
	745,334	2,628,531

Property Rental

Current (0 -30 days)	9,540	11,817
31 - 60 days	8,370	11,805
61 - 90 days	8,360	11,800
91 - 120 days	8,350	11,783
121 - > 365 days	595,559	563,376
Less allowance for impairment	(490,124)	(460,065)
	140,055	150,516

Sundry Debtors

Current (0 -30 days)	2,542	2,359
31 - 60 days	2,513	3,474
61 - 90 days	2,489	2,448
91 - 120 days	2,458	3,125
121 - 365 days	551,362	575,205
Less allowance for impairment	(480,038)	(361,220)
	81,326	225,391

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10,615	8,175
Bank balances	1,306,007	1,288,313
Short-term deposits	18,277,482	6,491,356
	19,594,104	7,787,844

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7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2024	June 30, 2023	June 30, 2022
FNB Bank - Primary Bank Account - 62369194106	682,527	1,025,119	2,981,962	682,527	1,025,119	2,981,962
Standard Bank - Savings Account - 060032073	112,311	234,125	247,347	112,311	234,125	247,347
ABSA Bank new Primary Bank Account - 4108323641	182,587	51	-	182,587	51	-
ABSA Revenue Account - 4108655193	328,580	41,482	-	328,580	41,482	-
FNB - Call Account - 62392884659	-	-	3,847	-	-	3,847
Standard Bank - Notice Deposit - 068480520-003	-	-	20,590	-	-	20,590
Standard Bank - Call Account - 068480520001	1,998,110	33,406	36,452	1,998,110	33,406	36,452
FNB Bank - Call Account - 62084062894	-	-	754	-	-	754
STANDARD BANK - Equitable Share -068480520 - 002	-	-	1,055	-	-	1,055
ABSA BANK - Housing Call Account - 9259916188	656,562	611,877	580,501	656,562	611,877	580,501
ABSA BANK - Fixed Deposit Account - 2072034421	4,442,694	4,116,904	3,982,776	4,442,694	4,116,904	3,982,776
FNB Bank -Municipal Infrastructure Grant - 62392885855	43,459	1,819	2,053,301	43,459	1,819	2,053,301
FNB - Call Account - 62422725682	40	40	9,939	40	40	9,939
NEDBANK - Call Account - 7165020829	-	-	75,812	-	-	75,812
STANDARD BANK - Call account - 268436894001	1,868,888	1,723,021	1,614,007	1,868,888	1,723,021	1,614,007
Nedbank - Call Account - 7165022015	-	-	3,149	-	-	3,149
Std Bank call account (068480520-004)	-	-	3,348,214	-	-	3,348,214
Nedbank call account (7881147458)	-	-	6,914	-	-	6,914
Standard Bank - Call Account - 068480520-009	2,655,745	-	-	2,655,745	-	-
Standard Bank - Call Account - 06880520-015	1,885,645	-	-	1,885,645	-	-
ABSA Bank - Call Account - 9388225547	29,965	-	-	29,965	-	-
ABSA Bank - Call Account - 9380605305	1,982,322	-	-	1,982,322	-	-
ABSA Bank - Call Account - 9381556185	2,714,054	-	-	2,714,054	-	-
Total	19,583,489	7,787,844	14,966,620	19,583,489	7,787,844	14,966,620

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7. Cash and cash equivalents (continued)

Restricted cash balances

STANDARD BANK - Call account - 268436894001	1,868,888	1,723,021
Housing account for human settlement		
ABSA BANK - Housing Call Account - 9259916188	656,562	611,877
Housing account for human settlement		
ABSA BANK - Fixed Deposit Account - 2072034421	4,442,694	4,116,904
DBSA loan cessions		

8. Investment property

	2024			2023		
	Cost / Valuation	Fair Value adjustment	Revalued Amount	Cost / Valuation	Fair Value Adjustment	Revalued Amount
Investment property	8,838,000	275,000	9,113,000	8,349,000	489,000	8,838,000

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	8,838,000	275,000	9,113,000

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	8,349,000	489,000	8,838,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. No revenue was earned from or expenditure incurred on investment property.

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9. 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	43,648,700	-	43,648,700	44,056,700	-	44,056,700
Buildings	293,201,647	(175,038,865)	118,162,782	293,209,096	(156,710,031)	136,499,065
Plant and machinery	3,327,328	(2,031,308)	1,296,020	3,069,837	(1,948,052)	1,121,785
Furniture and fixtures	4,678,215	(2,298,916)	2,379,299	2,736,545	(2,017,359)	719,186
Motor vehicles	19,215,206	(13,711,433)	5,503,777	21,303,009	(13,402,493)	7,900,516
IT equipment	3,825,459	(1,795,137)	2,030,322	2,494,266	(1,341,094)	1,153,172
Infrastructure	398,468,300	(278,021,974)	120,446,326	389,890,445	(260,712,524)	129,177,921
Work-in-progress	218,850,287	(528,056)	218,322,231	196,616,876	-	196,616,876
Landfill site assets	13,031,879	(5,102,992)	7,928,887	12,062,656	(4,618,467)	7,444,189
Total	998,247,021	(478,528,681)	519,718,344	965,439,430	(440,750,020)	524,689,410

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Donations	Transfers	Value Adjustment	Depreciation	Impairment loss	Total
Land	44,056,700	-	(408,000)	-	-	-	-	-	43,648,700
Buildings	136,499,065	-	(702)	-	-	-	(7,203,490)	(11,132,091)	118,162,782
Plant and machinery	1,121,785	505,055	(28,508)	-	-	-	(290,524)	(11,788)	1,296,020
Furniture and fixtures	719,186	1,966,027	(4,789)	7,100	-	-	(306,744)	(1,481)	2,379,299
Motor vehicles	7,900,516	-	(629,528)	-	-	-	(1,767,215)	-	5,503,773
IT equipment	1,153,172	1,346,339	(2,891)	-	-	-	(414,083)	(52,215)	2,030,322
Infrastructure	129,177,921	-	(233,282)	-	9,287,076	-	(17,694,689)	(90,700)	120,446,326
Work-in-progress	196,616,876	31,520,487	-	-	(9,287,076)	-	-	(528,056)	218,322,231
Landfill Site	7,444,189	-	-	-	-	969,223	(484,525)	-	7,928,887
	524,689,410	35,337,908	(1,307,700)	7,100	-	969,223	(28,161,270)	(11,816,331)	519,718,340

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Value adjustment	Depreciation	Impairment loss	Total
Land	43,905,700	-	-	-	151,000	-	-	44,056,700
Buildings	167,306,874	-	-	-	-	(8,727,889)	(22,079,920)	136,499,065
Plant and machinery	1,306,293	26,559	-	-	-	(191,174)	(19,893)	1,121,785
Furniture and fixtures	972,928	118,976	-	-	-	(349,306)	(23,412)	719,186
Motor vehicles	8,521,254	3,950	(506,069)	983,124	-	(1,101,743)	-	7,900,516
IT equipment	1,091,169	685,034	(20,236)	101,499	-	(647,375)	(56,919)	1,153,172
Infrastructure	187,901,735	-	-	-	-	(37,350,010)	(21,373,804)	129,177,921
Work-in-progress	154,039,709	42,577,167	-	-	-	-	-	196,616,876
Landfill	9,293,819	-	-	-	(1,188,746)	(644,654)	(16,230)	7,444,189
	574,339,481	43,411,686	(526,305)	1,084,623	(1,037,746)	(49,012,151)	(43,570,178)	524,689,410

Pledged as security

No assets have been pledged with security

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9. Property, plant and equipment (continued)

Change in Estimates

During the current financial year, management conducted a review of the remaining useful lives of property, plant, and equipment in accordance with GRAP 17: Property, Plant, and Equipment. The review indicated changes in the expected usage patterns of certain assets, resulting in a revision of their remaining useful lives.

Management have reassessed the useful lives of certain assets in the financial statements for the 2024 financial year. The effect of this change in accounting estimate has been applied prospectively from the current financial year. As a result, depreciation for the current period has increased by R3 858 837, and future periods will reflect the revised depreciation amounts.

Management have reassessed the useful lives of certain assets in the financial statements for the 2023 financial year.

The effect of this change has resulted in an increase in depreciation by R4 696 595 resulting in a decrease in net assets and a decrease in the Property, plant and equipment of R4 696 595 and an increase in accumulated depreciation of R 4696 595.

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	12,190,483	184,426,391	196,616,874
Additions/capital expenditure	23,290,534	8,229,954	31,520,488
Impairment	-	(528,056)	(528,056)
Transferred to completed items	(9,287,076)	-	(9,287,076)
	26,193,941	192,128,289	218,322,230

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	2,110,183	151,929,524	154,039,707
Additions/capital expenditure	10,080,300	32,496,867	42,577,167
	12,190,483	184,426,391	196,616,874

Expenditure incurred to repair and maintain property, plant and equipment

The expenditure incurred while maintaining the asset amounts to R27 120 854.

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9. Property, plant and equipment (continued)

Assets that are taking long to be completed

Construction of testing ground has been delayed due to the poor performance by the first service provider. Further the project has been impaired by R528 056 following physical damages to the project. The carrying amount of the project as at 30 June 2024 is R18 998 605.

New offices delay was initially caused by realization that the area/site the offices are built on needed a change of the structure, furthermore the municipality has been struggling to finance the project.

Sport Combo Ward 11:

The completion of the Sports Combo Ward 11 project, involving various sports courts, experienced a delay due to financial constraints. The first phase, developing a football pitch, was completed, and despite the temporary halt, the municipality intends to resume the project upon securing funding. The WIP asset underwent impairment assessment, and no impairment was identified.

Road Link Design and the Rail Bridge:

Financial constraints led to temporary halts in these projects. Upon securing funding, the municipality intends to resume them as per the original plan. Impairment assessments were conducted for each WIP asset, confirming no impairment.

LED Factory - Tsqwekelo (Incubator):

The LED Factory project is near completion, but administrative issues, including senior personnel changes within the technical department, delayed the full completion of the project and the issuance of the completion certificate. The municipality commits to finishing the factory and issuing the completion certificate before the end of the 2023/24 financial year. An impairment assessment was conducted, revealing no impairment for the WIP asset.

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.

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10. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	106,000	-	106,000	106,000	-	106,000

Reconciliation of heritage assets - 2024

Heritage assets - Mayoral Chain	Opening balance	Total
	106,000	106,000

Reconciliation of heritage assets - 2023

Heritage asset - Mayoral Chain	Opening balance	Total
	106,000	106,000

Heritage assets

Heritage assets includes mayoral chain. Heritage assets were assessed for impairment and no impairment was considered necessary. Heritage assets are not pledged as security for liabilities.

11. Payables from exchange transactions

Trade payables	20,043,293	27,419,582
Payments received in advanced	2,188,873	2,050,001
Retention liability	15,473,790	13,219,388
Leave provision	2,984,700	2,653,443
	40,690,656	45,342,414

12. Employee benefit obligations

Defined benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a members death in service or death in retirement, the surviving dependants may continue membership of medical scheme.

Eligible employee will receive a post employment subsidy of 60% of the contribution payable should there be a member of a medical scheme at retirement. Continuation members and their eligible dependants receive a 60% subsidy.

Upon a members death in service, surviving dependants are not allowed to commence receipt of the subsidy. Upon a members death in retirement, surviving dependants are allowed to continue to receive the same subsidy. All post employment subsidies are subject to a maximum of R5 007 per member per month, for the year ending 30 June 2024. The maximum subsidy amount has been assumed to increase in future at 75% of salary inflation.

Long service awards

The municipality offers employees long service for every 5 years of service completed, from 5 years of service to 45 years years of service. The provision is an estimate of the long service award based on the historical staff turnover, taking into accounts management's estimate of the likelihood that staff may leave before the long service award become due. No other long service benefit are provided to employees.

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12. Employee benefit obligations (continued)

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

Carrying value

Present value of long service award	2,754,000	2,334,000
Present value of the medical aid subsidy	5,406,000	5,162,000
	8,160,000	7,496,000

Non-current liabilities

Current liabilities	(7,613,000)	(6,945,000)
	(547,000)	(551,000)
	(8,160,000)	(7,496,000)

The council and its employees contribute to the National Joint Municipal Pension Fund's which constitute three funds providing retirement benefits to such employees.

The funds are subject to the Pension Funds Act 1956, self administered, defined benefit plans. Pensions are calculated on the average annual pensionable emoluments during the last years of service. Current contributions are charged against operating income on the basis of current service costs. Full actuarial valuations are performed every three years. Certain employees of the municipality belong to the Natal Joint Municipal Pension Fund (retirement), Natal Joint Municipal Pension Fund (provident) and Natal Joint Municipal Pension Fund (Superannuation) which are administered by the Province.

Changes in the present value of the post employment medical aid subsidy liability are as follows:

Opening balance	5,162,000	5,232,000
Pat service cost	240,000	265,000
Interest Cost	632,000	592,000
Benefits paid	(197,000)	(186,000)
Actuarial gain or loss	(431,000)	(741,000)
	5,406,000	5,162,000

Changes in the present value of the Long service awards liability

Opening balance	2,334,000	2,153,000
Current Service Cost	255,000	237,000
Actuarial gains (losses)	273,000	(117,000)
Interest Cost	246,000	225,000
Expected benefit vested	(354,000)	(164,000)
	2,754,000	2,334,000

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out as at 30 June 2024 by Independent Actuarial Consulting (Pty) Ltd, fellow of the Actuarial Society of South Africa. A long service award is payable after 5 years of continuous service and every 5 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with service of 5 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

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12. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used - Long service award	11.53 %	11.38 %
General inflation rate (long term)	6.62 %	6.62 %
Net discount rate	4.61 %	4.47 %
Discount rates used - Medical Aid	12.25 %	11.52 %
Health care costs inflation rate	7.72 %	8.00 %
Net of health care cost inflation discount rate	4.21 %	7.00 %
Maximum subsidy inflation rate	5.42 %	7.00 %
Net of maximum subsidy inflation discount rate	6.48 %	6.00 %
Other material actuarial assumptions	2.00 %	2.00 %

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	-	183,821
Library Grant	-	1,237,296
Disaster Relief Grant	1,636,173	-
	1,636,173	1,421,117

14. Provision for Landfill site

Reconciliation of provision for landfill site - 2024

	Opening Balance	Interest Cost	Change in discount factor	Total
Provision	10,703,068	1,333,602	969,223	13,005,893

Reconciliation of provision for landfill site - 2023

	Opening Balance	Interest Cost	Change in discount factor	Total
Provision	10,416,087	1,297,844	(1,010,863)	10,703,068
Non-current liabilities			11,452,989	9,369,466
Current liabilities			1,552,904	1,333,602
			13,005,893	10,703,068

Provision for rehabilitation

The Municipality engages in disposal of general waste, garden waste and garden rubble from the residents and businesses in Dannhauser and surrounding areas.

A new Waste Management Licence for operation of Dannhauser waste disposal facility was issued in terms of section 49(1) of the National Environment Management Waste Act 29 of 2008. The waste management licence was issued to Dannhauser local municipality on the second of February 2017 for continued operation of the landfill site at the above subject to the conditions stated in section 5 of the licence. The amount of the rehabilitation on future cost technology, inflation and site consumption.

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15. Other financial liabilities

At amortised cost

DBSA Loan

The above is funding capital project for the period of ten years and paid quarterly at the fixed interest rate of 10.685%.

18,184,349

23,379,876

The municipality has entered into a new finance loan agreement with DBSA during the 2017/ 2018 financial year. The above loan is funding capital project for the period of ten year and paid quartely at the fixed interest rate of 10.685%. The municipality expenses borrowing cost incurred on qualifying assets only when the commencement date for the capitalisation is on or after the effective date of GRAP 5 for any assets acquired after the initial adoption of this Standard. No withdrawals may be made from the debt service reserve account by the Cedent, excepct only in respect of making debt service payments due to the Cessionary, as and when such payments become due and payable as per provisions of the loan agreement.

Non-current liabilities

At amortised cost

12,988,820

18,194,995

Current liabilities

At amortised cost

5,195,529

5,184,881

16. Service charges

Refuse removal

1,349,162

1,345,288

17. Rental of facilities and equipment

Premises

Rental income

47,649

19,357

18. Agency services

Driver's Licenses

151,414

177,890

Vehicle Registration

1,044,020

1,219,441

1,195,434

1,397,331

19. Other revenue from exchange transactions

Insurance Refunds claims

1,108,002

35,820

20. Investment received

Interest revenue

Interest received from investment

2,079,830

1,149,864

21. Property rates

Rates received

Property rates

43,410,762

30,853,236

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22. Government grants & subsidies

Operating grants

Equitable share	113,791,000	108,935,000
Expanded Public Works Program Grant	950,000	950,000
Cyber Cadet Grant	254,000	254,000
KwaMdakane Library	1,237,296	664,079
Library Provincialisation Grant	981,000	981,000
Financial Management Grant (FMG)	1,950,000	1,950,000
	119,163,296	113,734,079

Capital grants

Municipal Infrastructure Grant	23,764,821	25,363,180
Disaster Relief Grant	4,863,827	-
	28,628,648	25,363,180
	147,791,944	139,097,259

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	183,821	6,183,408
Current-year receipts	23,581,000	19,363,592
Conditions met - transferred to revenue	(23,764,821)	(25,363,179)
	-	183,821

Conditions still to be met - remain liabilities (see note 13).

The purpose of the municipal infrastructure grant is to provide basic residential infrastructure for poor households. The grant can be used for new infrastructure, upgrading bulk and connector infrastructure, or the rehabilitation of existing infrastructure. The balance of the grant whose conditions have not yet been met has been transferred to liabilities.

Kwamdkane Library

Balance unspent at beginning of year	1,237,296	783,374
Current-year receipts	-	1,118,000
Conditions met - transferred to revenue	(1,237,296)	(664,078)
	-	1,237,296

Conditions still to be met - remain liabilities (see note 13).

The grant is from the Department of Arts and Culture for the library, which will incur costs of employing staff, connection of municipal services, security, photocopying, cleaning services, stationery and procurement of protective clothing.

Financial Management Grant

Current-year receipts	1,950,000	1,950,000
Conditions met - transferred to revenue	(1,950,000)	(1,950,000)
	-	-

The purpose of the community library services grant, administered by Department of Co-operative governments and traditional affairs, is to help South Africans access knowledge and information, so that their socioeconomic situation can be improved. The grant is allocated to the relevant provincial department and either administered by that department or through a service level agreement with municipalities.

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22. Government grants & subsidies (continued)

Expanded Public Works Program (EPWP)

Current-year receipts	950,000	950,000
Conditions met - transferred to revenue	(950,000)	(950,000)
	-	-

The purpose of the grant is to incentivise municipalities to expand job creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Program (EPWP) guidelines: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure); other economic and social infrastructure.

Cyber Cadet Grant

Current-year receipts	254,000	254,000
Conditions met - transferred to revenue	(254,000)	(254,000)
	-	-

The purpose of the Cyber Cadet grant, which is administered by the Department of Co-operative Governance and Traditional Affairs, is to assist in the cost of appointing a library computer assistant for the Dannhauser Community Library

Library Provincialisation Grant

Current-year receipts	981,000	981,000
Conditions met - transferred to revenue	(981,000)	(981,000)
	-	-

The purpose of the grant is, administered by the Department of Co-operative Governance and Traditional Affairs, is to help South Africans access knowledge and information, so that their socioeconomic situation can be improved. The grant is allocated to the relevant provincial department and either administered by that department or through a service-level agreement with municipalities.

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22. Government grants & subsidies (continued)

Disaster Relief Grant

Current-year receipts	6,500,000	-
Conditions met - transferred to revenue	(4,863,827)	-
	1,636,173	-

Conditions still to be met - remain liabilities (see note 13).

The purpose of the Disaster Relief Grant is provide for immediate release of funds for disaster responses if an occurrence cannot be adequately addressed in line with 2(1) (b) of the Disaster Management Act. Emergency repair of critical infrastructure and provision of critical goods and services.

23. Fines, Penalties and Forfeits

Law Enforcement Fines	883,300	1,368,950
Overdue Books Fines	226	31
Pound Fees Fines	5,090	6,860
	888,616	1,375,841

24. Employee related costs

Basic	32,576,703	31,649,866
Bonus	1,758,511	1,551,734
Medical aid, Pension and UIF	4,329,050	4,113,848
Overtime payments	430,222	578,468
Other allowance (Travelling, Cellphone)	1,144,953	1,605,953
Housing benefits and allowances	114,680	128,495
Post retirement	495,000	502,000
Bargaining and group life	10,412	10,400
	40,859,531	40,140,764

Remuneration of municipal manager

Annual Remuneration	1,032,912	1,139,510
Car Allowance	269,209	296,747
Contributions to UIF, Medical and Pension Funds	1,948	2,125
Subsistence and Travel	43,108	5,658
Skills	13,270	14,487
Other	65,875	69,480
	1,426,322	1,528,007

Remuneration of Chief Finance Officer

Annual Remuneration	1,241,282	1,732,699
Car Allowance	232,107	429,140
Bonuses	156,799	-
Contributions to UIF, Medical and Pension Funds	174,619	134,371
Telephone	18,000	34,500
Subsistence and travel	23,546	8,089
Leave	176,589	-
Skills	14,585	19,931
Other	114	33,718
Housing	12,305	12,141
	2,049,946	2,404,589

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24. Employee related costs (continued)

Remuneration of Technical Services Director

Annual Remuneration	722,633	682,287
Car Allowance	37,735	169,892
Bonuses	50,559	-
Contributions to UIF, Medical and Pension Funds	71,003	73,161
Subsistence and Travel	30,219	-
Housing	10,664	9,106
Telephone	19,500	14,295
Other	6,244	840,730
Skills	8,221	8,441
	956,778	1,797,912

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24. Employee related costs (continued)

Remuneration of Community Services Director

Annual Remuneration	584,731	862,814
Car Allowance	145,545	214,827
Performance Bonuses	-	58,809
Contributions to UIF, Medical and Pension Funds	1,417	120,034
Other	24,518	33,718
Skills	8,465	10,695
Subsistence and travel	24,572	13,453
Housing	-	5,059
Telephone	12,000	18,000
Leave	195,185	-
	996,433	1,337,409

Remuneration of Corporate Director Services

Annual Remuneration	579,335	796,960
Car Allowance	150,941	198,371
Contributions to UIF, Medical and Pension Funds	1,417	35,661
Subsistence and travel	39,635	10,386
Skills	7,455	10,007
Telephone	12,000	15,000
Other	24,428	33,295
	815,211	1,099,680

Remuneration of Planning and Development Director

Annual Remuneration	728,556	532,792
Car Allowance	37,735	132,613
Bonuses	50,559	-
Contributions to UIF, Medical and Pension Funds	97,970	76,754
Telephone	19,500	9,578
Housing	11,731	8,094
Leave	-	56,134
Other	6,244	22,258
Skills	8,099	7,107
Subsistence and travel	25,062	-
	985,456	845,330

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25. Remuneration of councillors

Executive Mayor		994,464	945,537
Deputy Executive Mayor		1,031,982	746,865
Speaker		793,382	769,709
Councillors		7,734,716	6,491,426
Executive Committee Members		2,366,932	1,852,018
		12,921,476	10,805,555

1 July 2023 to 30 June 2024	Annual Remuneration	Cellphone Allowance	Travel Allowance	Data Card allowance and other	Subsistence Allowance	Other	Total
Cllr: Mayor: BA Radebe	880,121	45,600	18,446	4,008	4,135	42,155	994,464
Cllr Deputy Mayor: BTD Langa	539,141	45,600	179,714	4,008	225,054	38,466	1,031,982
Cllr Speaker: SE Mayaka	718,856	45,600	-	4,008	160	24,759	793,382
	2,138,118	136,800	198,160	12,024	229,349	105,380	2,819,828

1 July 2023 to 30 June 2024	Annual Remuneration	Cellphone Allowance	Travel Allowance	Data Card Allowance and other	Subsistence Allowance	Other	Total
Cllr XM Nkosi	213,272	45,600	71,091	4,008	42,225	98,755	474,952
Cllr ND Makhaza	78,596	14,400	18,137	1,268	-	56,201	168,602
Cllr FR Simelane	213,272	45,600	71,091	4,008	23,760	31,683	389,414
Cllr MT Mabaso	263,776	45,600	87,925	4,008	30,975	58,805	491,089
Cllr MJ Nkabinde	254,134	45,600	30,229	4,008	33,990	31,683	399,644
Cllr EN Buthelezi	213,272	45,600	71,091	4,008	34,394	31,683	400,048
Cllr MP Mathebula	213,272	45,600	71,091	4,008	28,729	31,683	394,384
Cllr N Mthembu	284,363	45,600	-	4,008	-	31,683	365,655
Cllr NP Khumalo	284,363	45,600	-	4,008	-	31,683	365,655
Cllr BS Sikhakhane	284,363	45,600	-	4,008	-	31,683	365,655
Cllr KB Khanye	213,272	45,600	71,091	4,008	29,232	31,683	394,886
Cllr SM Kunene	195,135	42,000	65,045	3,691	40,434	31,683	377,988
Cllr SW Ndlela	213,272	45,600	71,091	4,008	24,953	31,683	390,607
Cllr MS Mthembu	213,272	45,600	71,091	4,008	21,556	31,683	387,210
Cllr ES Kunene	114,996	20,400	38,332	1,800	23,739	76,010	275,278
Cllr R.S Langa	213,272	45,600	71,091	4,008	42,710	31,683	408,365
CMF Maphisa	284,363	43,800	-	3,855	-	16,675	348,694
Cllr GV Ngcane	284,363	45,600	-	4,008	-	76,596	410,567
Cllr M Kunene	213,272	45,600	71,091	4,008	29,893	31,683	395,547
Cllr MS Mkhumane	270,695	45,600	90,232	4,008	43,418	76,524	530,476
	4,518,595	850,200	969,719	74,742	450,008	871,450	7,734,716
Cllr RN Made	505,445	45,600	168,482	4,008	34,015	37,544	795,093
Cllr S Nzuza	673,927	45,600	-	4,008	-	38,466	762,001
Cllr SEC Kunene	519,279	45,600	154,647	4,008	40,857	45,448	809,834
	1,698,651	136,800	323,129	12,024	74,872	121,458	2,366,932

1 July 2022 - 30 June 2023	Annual Remuneration	Travel Allowance	Cellphone	Data Card Allowance	Subsistence allowance	Total
Cllr Myaka SE	278,253	-	40,800	10,523	-	329,576
Cllr Dhlamini MS	68,593	22,864	13,600	1,200	7,909	114,166
Cllr Simelane FR	208,690	69,563	40,800	10,523	15,434	345,010
Cllr Mabaso MT	208,690	69,563	40,800	10,523	13,473	343,049
Cllr Nkabinde MJ	278,253	-	40,800	10,523	17,068	346,644

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25. Remuneration of councillors (continued)

Cllr Buthelezi EN	243,229	35,024	40,800	10,523	6,380	335,956
Cllr Mathebula MP	243,229	35,024	40,800	10,523	6,362	335,938
Cllr Mthembu N	278,253	-	40,800	10,523	-	329,576
Cllr Khumalo NP	278,253	-	40,800	10,264	-	329,317
Cllr Sikhakhane BS	278,253	-	40,800	10,523	-	329,576
Cllr Khanye KB	225,717	52,536	40,800	10,523	13,532	343,108
Cllr Kunene SM	208,690	69,563	40,800	10,523	14,005	343,581
Cllr Ndlala SW	208,690	69,563	40,800	10,523	13,432	343,008
Cllr Mthembu MS	208,690	69,563	40,800	10,523	16,032	345,608
Cllr Langa RS	208,690	69,563	40,800	10,523	10,856	340,432
Cllr Kunene ES	267,819	89,273	40,800	10,523	26,102	434,517
Cllr Maphisa CMF	70,049	-	10,200	900	-	81,149
Cllr Ngcane GV	367,892	-	40,800	12,754	-	421,446
Cllr Kunene M	208,690	69,563	40,800	13,305	13,805	346,163
Cllr Mkhumane MS	208,690	69,563	40,800	13,305	16,495	348,853
	4,547,313	791,225	758,200	199,050	190,885	6,486,673

Executive Committee members

	Annual remuneration	Trave Allowance	Cellphone allowance	Data card	Subsistence Allowance	Total
Cllr Made RN	404,364	134,788	40,800	15,536	45,322	640,810
Cllr Radebe BA	404,364	134,788	40,800	12,754	20,572	613,278
Cllr Langa BTD	469,980	69,172	40,800	12,754	5,225	597,931
Subtotal	1,278,708	338,748	122,400	41,044	71,119	1,852,019
	1,278,708	338,748	122,400	41,044	71,119	1,852,019

26. Depreciation and amortisation

Property, plant and equipment	28,161,266	44,520,326
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27. Finance costs

Non-current borrowings	2,353,074	2,845,674
Interest on landfill site	1,333,602	1,297,844
Interest on retirement benefit	878,000	817,000
	4,564,676	4,960,518

28. Contracted services

Outsourced Services

Administrative and Support Staff	88,752	345,460
Burial Services	230,872	199,941
Business and Advisory	59,526	267,427
Clearing and Grass Cutting Services	193,304	-
Internal Auditors	1,318,422	1,231,243
Personnel and Labour	370,656	1,068,621
Professional Staff	3,396,450	532,149
Security Services	6,159,247	4,414,755
Transport Services	(207,976)	-
Electrical	146,200	-

Consultants and Professional Services

Business and Advisory	3,195,717	4,610,359
Infrastructure and Planning	385,606	75,882
Legal Cost	2,232,347	3,197,153

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28. Contracted services (continued)

Contractors

Catering Services	104,281	75,139
Employee Wellness	37,829	-
Fire Services	871,656	1,782,055
Maintenance of Buildings and Facilities	145,484	285,224
Repairs and maintenance- Equipment	26,975,370	33,296,189
Preservation/Restoration/Dismantling/Cleaning Services	2,174	4,580
Sports and Recreation	-	6,034
	45,705,917	51,392,211

29. General expenses

Advertising	2,087,262	2,575,173
Auditors remuneration	2,502,967	2,408,356
Bank charges	376,630	109,708
Entertainment	35,436	10,471
Communication-Licences (Radio and Television)	18,300	278,182
Insurance	1,589,618	1,190,366
Conferences and seminars	1,473,723	650,525
IT expenses	3,908,930	2,531,798
Skills Development Levy	447,642	396,699
Fuel and oil	1,995,254	3,324,618
Printing and stationery	971,208	695,604
Protective clothing	446,565	5,380
Subscriptions and membership fees	1,140,711	500,000
Telephone and fax	849,120	275,400
Travel - local	2,497,999	1,733,920
Title deed search fees	-	24
Electricity	4,269,239	3,523,965
Utilities - Other	4,107,114	3,106,875
Bursaries	270,791	-
	28,988,509	23,317,064

30. Fair value adjustments

Investment property (Fair value model)	275,000	489,000
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31. Impairment loss

Impairments

Property, plant and equipment	11,816,330	43,570,181
Receivables from exchange and non-exchange transactions	14,959,427	8,317,481
	26,775,757	51,887,662

Impairment was assessed on all assets during physical verification. This included assets in a "Poor" or "Very Poor" condition, no longer in use assets, assets with functional and performance conditions indicative of possible impairment, and impairment adjustments were prepared.

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32. Revenue

Sale of goods	498,057	313,527
Service charges	1,349,162	1,345,288
Rental of facilities and equipment	47,649	19,357
Interest received	93,060	104,589
Agency services	1,195,434	1,397,331
Other income	1,108,002	35,820
Interest received - investment	2,079,830	1,149,864
Property rates	43,410,762	30,853,236
Government grants & subsidies	147,791,944	139,097,259
Levies	-	3,078,261
Fines, Penalties and Forfeits	888,616	1,375,841
Donations received in kind	372,406	1,084,626
Other transfer revenue	78,500	26,533
	198,913,422	179,881,532

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

Sale of goods	498,057	313,527
Service charges	1,349,162	1,345,288
Rental of facilities and equipment	47,649	19,357
Interest received	93,060	104,589
Agency services	1,195,434	1,397,331
Other income	1,108,002	35,820
Interest received - investment	2,079,830	1,149,864
	6,371,194	4,365,776

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

Taxation revenue		
Property rates	43,410,762	30,853,236
Licences or permits	445,267	468,889
Transfer revenue		
Government grants & subsidies	147,791,944	139,097,259
Levies	-	3,078,261
Fines, Penalties and Forfeits	888,616	1,375,841
Other transfer revenue	372,406	1,084,626
Other transfer revenue	78,500	26,533
	192,987,495	175,984,645

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33. Agency Services - Department of Transport

The entity is a party to a principal-agent arrangement.

Fee paid

Fee paid as compensation to the agent	1,195,434	1,397,331
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Details of the arrangements are as follows:

The KwaZulu Natal Department of Transport has entered into an agreement with Dannhauser Local Municipality to act on its behalf in performing the transfer of motor vehicle registration and licensing and driving licence testing centre functions. Dannhauser Local Municipality is responsible for managing these activities and report back to the KZN Department of Transport. All the resources held on behalf of the principal were not recognised in the municipality's own financial statements.

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

The agent shall return all assets and stock to the department within two working days of the termination of the agreement.

The agent shall not, after the termination date, perform any further functions in terms of the agreement.

The department shall within 30 days of the termination date, make the final payment of the agent, which payment shall be equal to the fee provided for in clause 7.9.1.

In the event the agent fails to recover all assets and equipment from the agency's premises, the department shall be entitled to institute legal action against the agent and recover all fees and costs on party and party scale.

34. Other revenue

Other income	1,108,002	35,820
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35. Auditors' remuneration

Fees	2,502,967	2,408,356
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36. Cash generated from operations

Surplus (deficit)	8,042,173	(52,766,884)
Adjustments for:		
Depreciation and amortisation	28,161,266	44,520,326
Gain (loss) on sale of assets and liabilities	1,307,695	526,305
Fair value adjustments	(275,000)	(489,000)
Impairment loss	26,775,757	51,887,662
Movements in retirement benefit assets and liabilities	-	(111,000)
Movements in provisions	-	1,297,844
Non-cash donations and other in-kind benefits	-	(161,819)
Value adjustment	(969,223)	-
Employee benefits	-	848,136
Donation received	(7,100)	(1,084,623)
Changes in working capital:		
Inventories	2,914,537	1,216,537
Receivables from exchange transactions	(830,217)	(800,991)
Receivables from non-exchange transactions	(11,787,685)	(11,138,422)
Payables from exchange transactions	(4,651,758)	15,522,723
VAT	477,363	(1,828,635)
Unspent conditional grants and receipts	215,056	(5,545,665)
Provisions	2,302,825	-

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36. Cash generated from operations (continued)		
Employee benefit obligation	664,000	-
	52,339,689	41,892,494
37. Operating surplus (deficit)		
Operating surplus (deficit) for the year is stated after accounting for the following:		
Operating lease charges		
Plant and equipment		
• Contractual amounts	493,750	654,755
Lease rentals on operating lease - Other		
• Contractual amounts	81,739	228,107
	575,489	882,862
Loss on sale of property, plant and equipment	(1,307,695)	-
Loss on sale of other asset	-	(526,305)
Impairment on property, plant and equipment	11,816,330	43,570,181
Impairment of other receivables from non-exchange transactions	14,959,427	8,317,481
Loss on biological assets and agricultural produce	(158,000)	(1,409,000)
Depreciation on property, plant and equipment	28,161,266	44,520,326
Employee costs	53,781,007	50,946,319
38. Lease rentals on operating lease		
Office equipment		
Contractual amounts	493,750	654,755
Lease rentals on land		
Contractual amounts	81,739	228,107
	575,489	882,862
39. Operational lease		
Premises - Rental of land		
- within one year	-	235,710
- in second to fifth year inclusive	-	167,278
	-	402,988
Rental of office machine		
- within one year	-	34,001
- in second to fifth year inclusive	-	24,243
	-	58,244

The municipality is renting Land from Transnet. The land that is being rented is portion of Erf 125 Dannhauser with improvements thereon known as Taxi Rank Office. The monthly rental is R13 000 per month excluding VAT with an annual escalation of 10% per annum. The lease commenced on the 1 March 2019 and terminated on the 29 February 2024. No contingent rent is payable.

The municipality is also renting office machinery from Nashua. The Municipality leases out 8 printers per month from Nashua at different monthly amounts per printer owing to the specifications. The monthly lease payments range from R561 per month (excluding VAT) to an amount of R3 473 per printer excluding VAT. The lease period with Nashua is for 3 years. No contingent rent is payable.

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40. Construction contracts and receivables

Integrated National Electrification Programme

Contract Revenue	-	3,078,263
Construction Expenditure	-	3,078,263

There is no advance payment receipt, retention withheld for Intergrated National Electrification Programme and there are no amount due to /from Department of Energy.

41. Licences and Permits

Road and Transport	445,267	468,889
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42. Actuarial gains and loss

Actuarial gains and loss	158,000	1,409,000
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43. Integrated National Electrification Programme

INEP revenue	-	3,078,261
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44. Construction contracts

Construction cost	-	3,078,261
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45. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	19,594,104	-	19,594,104
Receivable from exchange transaction	-	8,616,211	8,616,211
Receivables from non exchange transactions	-	72,745,987	72,745,987
	19,594,104	81,362,198	100,956,302

Financial liabilities

	At amortised cost	Total
Other financial liabilities	18,184,349	18,184,349
Trade and other payables from exchange transactions	40,535,402	40,535,402
	58,719,751	58,719,751

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45. Financial instruments disclosure (continued)

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Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	7,787,844	-	7,787,844
Receivable from exchange transaction	-	7,785,994	7,785,994
Receivables from non exchange transactions	-	60,958,302	60,958,302
	7,787,844	68,744,296	76,532,140

Financial liabilities

	At amortised cost	Total
Other financial liabilities	23,379,875	23,379,875
Trade and other payables from exchange transactions	45,342,414	45,342,414
	68,722,289	68,722,289

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46. Commitments

Authorised capital expenditure and Operating Expenditure

Already contracted for but not provided for

• Buildings	-	10,192,313
• Community assets	3,181,328	874,971
• Infrastructure	9,395,484	175,402
• Furniture and equipment	4,608,029	-
	17,184,841	11,242,686

Not yet contracted for and authorised by accounting officer

• Buildings	14,598,148	7,000,000
• Community Assets	2,000,000	22,500,000
• Infrastructure	23,922,850	5,000,000
• Office equipment	5,150,000	2,650,000
	45,670,998	37,150,000

Total capital commitments

Already contracted for but not provided for	17,184,841	11,242,686
Not yet contracted for and authorised by accounting officer	45,670,998	37,150,000
	62,855,839	48,392,686

Authorised operational expenditure

Already contracted for but not provided for

• Operational commitments	2,964,892	12,612,819
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Total operational commitments

Already contracted for but not provided for	2,964,892	12,612,819
---	-----------	------------

Total commitments

Total commitments

Authorised capital expenditure	62,855,839	48,392,686
Authorised operational expenditure	2,964,892	12,612,819
	65,820,731	61,005,505

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47. Contingencies

Heading

Njabulo Nkosi	120,000	-
Royal Mndawe Holdings (Pty) Ltd	787,314	1,800,000
	907,314	1,800,000

Njabulo Nkosi vs Dannhauser Local Municipality

Njabulo Nkosi the applicant alleged in his paper that he was traveling within the jurisdiction of the municipality, and he drove his motor vehicle into a pothole and caused such damage to his motor vehicle. He then took the municipality to court claiming amongst others that the municipality is the cause of such an accident as municipality failed to maintain the road. The matter is ready for trial and awaiting trial date. There is a possibility that the municipality might or might not pay a sum of R120 000 depending on the result of the court's ruling.

Royal Ramndawe vs Dannhauser Local Municipality

Mndawe was appointed by the municipality to construct a road they therefore claimed an unjustified amount while the services that were rendered did not justify the amount claimed. The municipality there after refused to pay such an amount, they therefore took the municipality to court. The municipality then appointed Maduma Attorneys to attend the matter. Depending on the courts ruling the municipality might pay a sum of R787 314.30

48. Related parties

Accounting Officer

Refer to accounting officers' report note

Key management information

Class	Description	Name
Community Services Director	Senior Management	Mr. SA Khumalo
Corporate Services Director	Senior Management	Mr. SE Mkhize
Chief Financial Officer	Senior Management	Mrs. DM Mohapi
Chief Financial Officer	Senior Management	Ms. G Mntambo
Technical Services Director	Senior Management	Mrs. LP Gcabashe
Planning and development Director	Senior Management	Mr. SS Nkabinde
Municipal Manager	Accounting Officers	Mr. MS Sithole
Former Municipal Manager	Accounting Officer	Mr. S Cele
Councillors	Ward councillors (acting as representatives of the community they serve , act as custodians or guardians of public finances	Refer to the general information page for full list of of councillors.

Remuneration of management

Councillors/Mayoral committee members

Refer to note 25 "Remuneration of councillor". Refer to the general information page for full list of Councillors.

Executive management

*Refer to note 24 "Employee related costs"

Payment of remuneration of senior managers and councillors - detail payments are set out in notes 23 and 24.

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49. Accounting by principals and agents - Department of Human Settlements

The Municipality acts as an agent on behalf of the Department for the implementation of housing projects. For the current financial year, the municipality received invoices from the contractors, then forwarded them to the Department of Human settlement, who then pays the contractors directly. There were no funds received by the municipality from the Department and no invoices were paid to the contractors by the municipality.

The municipality assessed the terms of the agreement and some of the assumptions considered as listed below:

(a) Whether economic benefits will flow to the municipality upon completion of the project: The municipality will not have any revenue in the form of fee charged.

(b) Whether the municipality will have control over the completed projects upon completion: The municipality will transfer all the completed projects to Department of Human settlements. In addition, the municipality have to submit progress reports to the department highlighting the extent of work done. In this case Department of Human Settlement still retain significant control over the project during and after completion.

Based on this assessment, it has been concluded that Dannhauser municipality is acting as an agent to the agreement. Application of the principle-agent relationship, Dannhauser municipality did not record any revenue, expenditure, asset or liability in the statement of financial statement.

Reconciliation of the carrying amount of payables - 2023

	Total
Amount received from principal	22,669,038
Cash paid on behalf of the principal	(22,669,038)
	-

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50. Prior period error

The municipality reassessed the useful lives of assets and identified that certain assets useful lives needed to be reassessed in the prior year. The Municipality reassesses the useful lives through depreciation in terms of the GRAP statements. This reassessment affected the depreciation for certain assets as listed below.

The Municipality also identified that 2 plots of land was not recognised in the prior year.

The error below has resulted in an increase in depreciation of R 4 696 595 in the prior year and an increase in contracted services of R216 764, resulting in a decrease in the net assets and a decrease of the Property, plant and equipment by R4 696 595 and an increase in contracted services by R216 764.

The error below has resulted in the prior year financial statements being restated. The effect of the above transactions has been included in the statement of net assets as a prior period error. The cash generated from operations also increases by R4 275 062, however there is no direct effect on the cash flow statement for depreciation.

Property plant and equipment decreased by R4 696 595 in the prior year owing to change in depreciation. The effect of this has resulted in the prior year financial position being restated and the prior year financial performance being restated resulting in the statement of changes in equity being restated.

Inventory has decreased by R216 764 owing to a reclassification to the contacted services. This has resulted in an increase in contracted services and a decrease in inventory. The net effect is shown in the statement of changes in equity.

The municipality also identified that 2 plots of land valued in total of R151 000 was not recognised in the 2023 financial year. The effect of the adjustment resulted in an increase in Land in the prior year financial statements and an increase in Equity. The effect of the error is included in the statement of net assets as a prior period error. There is no effect in the Income Statement as land is not depreciated.

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Land		43,905,700	151,000	44,056,700
Inventories		4,100,953	(216,764)	3,884,189
Plant and Machinery		900,419	221,366	1,121,785
Furniture and Fixtures		739,847	(20,661)	719,186
Motor Vehicle		6,338,667	1,561,849	7,900,516
Computer Equipment		1,332,694	(179,522)	1,153,172
Infrastructure - Roads		135,026,098	(6,026,063)	129,000,035
Community Assets		136,725,747	(404,567)	136,321,180
		329,070,125	(4,913,362)	324,156,763

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Restated
Depreciation Plant and Machinery		(412,539)	221,365	(191,174)
Depreciation Furniture and Fixtures		(328,644)	(20,659)	(349,303)
Depreciation Motor Vehicle		(2,663,590)	1,561,848	(1,101,742)
Depreciation Computer Equipment		(467,855)	(179,521)	(647,376)
Depreciation Infrastructure		(32,146,489)	(6,026,063)	(38,172,552)
Depreciation Community Assets		(8,501,206)	(404,567)	(8,905,773)
Contracted services		51,175,447	216,764	51,392,211
Surplus for the year		6,655,124	(4,630,833)	2,024,291

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51. Risk management

Financial risk management

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

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 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.

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.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to receivables on an ongoing basis. If receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivables, 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 management.

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

Financial instrument	2024	2023
Receivables from exchange transactions	8,616,211	7,785,994
Cash and Cash equivalent	19,594,104	7,787,844
Receivables from non exchange transactions	72,745,987	60,958,302

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

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

52. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement remain in force for so long as it takes to restore the solvency of the municipality.

53. Events after the reporting date

There are no events after reporting period that the municipality is aware of.

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54. Unauthorised expenditure

Opening balance as previously reported	64,654,101	37,743,376
Add: Unauthorised expenditure - current	28,824,865	64,654,101
Less: Amount written off - current	-	(37,743,376)
Closing balance	93,478,966	64,654,101

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

Non-cash	24,583,452	56,147,061
Cash	4,241,413	8,507,040
	28,824,865	64,654,101

Analysed as follows: non-cash

Depreciation and amortisation	-	6,759,439
Impairment	23,275,757	49,387,622
Loss on disposal of property, plant and equipment	1,307,695	-
	24,583,452	56,147,061

Analysed as follows: cash

Remuneration for councillors	-	79,799
Finance Charges	1,064,676	883,299
Repairs and Maintenance	-	3,078,261
Contracted services	196,917	-
Inventory expensed	2,979,820	4,465,681
	4,241,413	8,507,040

Unauthorised expenditure: Budget overspending – per municipal department:

Technical services - Depreciation and ammortisation	-	6,759,439
Technical services - Impairment	23,275,757	49,387,622
Mayor and Council - Remuneration for councillors	-	79,799
Finance - Finance charges	1,064,676	883,229
Technical Services - Repairs and maintenance	-	3,078,261
Mayor and Council	196,917	-
Technical Services - Inventory expensed	2,979,820	4,465,681
Finance - Loss on disposal of assets	1,307,695	-
	28,824,865	64,654,031

Recoverability of unauthorised expenditure

Unauthorised expenditure of R24 583 452 is a non-cash items and R4 241 413 is for cash items.

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55. Fruitless and wasteful expenditure

Opening balance as previously reported	34,736	400,000
Add: Fruitless and wasteful expenditure identified - current	81,609	34,736
Less: Amount written off - current	-	(400,000)
Closing balance	116,345	34,736

56. Irregular expenditure

Opening balance as previously reported	4,196,372	98,101,452
Add: Irregular expenditure - current	26,398,193	4,196,372
Less: Prior year error	(100,000)	-
Less: Amount written off - current	-	(98,101,452)
Closing balance	30,494,565	4,196,372

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56. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

SCM process was not followed when appointing the service provider	409,135	1,141,878
Functionality criteria was incorrectly used to eliminate bidders during the compulsory evaluation stage and minimum quotations were not obtained from the panel	3,568,019	720,714
Functionality criteria was incorrectly used to eliminate bidders during the compulsory evaluation stage	1,964,421	710,577
Contract between the municipality and service provider expired	-	1,623,203
Bids were not advertised for the minimum period (Panel of Contractors for Roads and Storm Water related projects) and Panel for Legal Services	18,962,936	-
The municipality awarded BID 13/10/2022, a panel contract for Electrical Engineering Consultants, to Black Shepherd (Pty) Ltd without securing or documenting the required pricing and quotation information	1,493,681	-
	26,398,192	4,196,372

Cases under investigation

Investigations are still in progress regarding R26 398 193: R4 196 372 (2024:2023) cases which all relate to non-compliance with the procurement process requirements. The amounts disclosed for irregular expenditure are inclusive of VAT.

57. Awards to close family members of person in the service of the state.

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. Awards to close family members of person in the service of the state. (continued)		
Harvest Hr and Business Consultants - Ms SL Ngcobo (Spouse) - Employed by Dannhauser Municipality	8,303,621	-
Daleka Trading - Mr MH Dlamini	6,100,000	-
	14,403,621	-
58. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	500,000	500,000
Amount paid - current year	(500,000)	(500,000)
	-	-
Audit fees		
Current year subscription / fee	2,502,967	2,408,356
Amount paid - current year	(2,502,967)	(2,408,356)
	-	-
PAYE and UIF		
Current year subscription / fee	6,536,549	7,086,449
Amount paid - current year	(6,536,549)	(7,086,449)
	-	-
VAT		
VAT receivable	1,595,146	2,306,574
All VAT returns have been submitted by the due date throughout the year.		
59. Deviation from supply chain management regulations		
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.		

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60. Deviation from supply chain management regulations(Deviation continuation		
Deviation - 2024	Amount	Total
Impractical to follow normal SCM process	2,037,132	2,037,132
Sole supplier	31,860	31,860
Emergency procurement	2,660,050	2,660,050
	4,729,042	4,729,042

The reasons for the deviations include the following:

Acquisition from sole suppliers, emergency procurement and circumstances where it is impractical or not possible to follow the official procedure are assessed in terms of the SCM regulation 36.

Emergency procurement reasons why it was an emergency

Investigation on behalf of Dannhauser Local Municipality the allegations of fraud and corruption - Emergency procurement of a legal firm to investigate within the timeframe from the date of Council resolution	-	294,630
VIP protection for the Speaker - Emergency procurement of VIP protection for the Speaker.	94,877	-
Repair Hydraulic unit or skip bin unit for NDH 1832 - Emergency procurement due to the skip bins overflowing and the skip bin trailer (hydraulic) system being broken for a week.	12,976	-
Supply with a battery for NDH 6580 - Emergency procurement since other service providers do not accept fleet cards that is why we are forced to use UD Truck as they accept fleet cards.	14,401	-
Supply with 1 x Starter and 1 x battery for NDH 3192 - Emergency procurement since other service providers do not accept fleet cards that is why we are forced to use NTT Isuzu as they accept fleet cards.	11,201	-
Supply with batteries for NDH 3436 - Emergency procurement since other service providers do not accept fleet cards that is why we are forced to use NTT Isuzu as they accept fleet cards.	3,263	-
Supply and delivery of concrete pipes - Emergency procurement of concrete pipes as they were needed urgently to respond to the disaster in Dannhauser.	218,926	-
Supply and delivery of 20x food parcels for disaster relief - Emergency procurement of food parcels for disaster relief to families that were affected by thunderstorm in Dannhauser.	34,602	-
Supply with 2x batteries and 4 tyres for NDH 2539 - Emergency procurement since Supa Quick supplies both batteries and tyres and accepts fleet cards.	22,749	-
Supply and delivery of fire truck - Emergency procurement since the fire engine is an emergency vehicle and is needed for prompt response to fire in the upcoming fire season and other related fire incidents.	1,998,806	-
Supply with 5x boxes of grease for Brush Cutters -Emergency procurement since the goods are needed for cleaning campaigns and cleaning of all Dannhauser halls, and open spaces.	17,250	-
Provision of Internet services for the period of 6 months - Emergency procurement upon switching over to the Internet service provider, we had a huge problem with Vodacom. Officials couldn't meet their deadlines due to network interruption. Therefore we recommended that we appoint another service provider to assist the Municipality.	231,000	-

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61. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Community and Social Services, Planning and Development, Executive and Council, Finance and Administration, Waste and Management and Environmental and Public Safety. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services		
Community and Social Services	Trading Services		
Planning and Development	Planning and Development		

Segment surplus or deficit, assets and liabilities

2024

	Other services	Planning and development	Trading services	Total
Revenue				
Revenue from exchange transactions	47,649	3,664,534	2,659,011	6,371,194
Revenue from non-exchange transactions	24,139,735	160,611,434	9,526,946	194,278,115
Total segment revenue	24,187,384	164,275,968	12,185,957	200,649,309
Municipal revenue				200,649,309
Expenditure				
Employee related costs	6,270,877	20,037,169	14,551,485	40,859,531
Remuneration of Councillors	-	12,921,476	-	12,921,476
Depreciation and Amortisation	-	28,159,444	1,822	28,161,266
General expenses	3,322,402	20,646,886	5,019,221	28,988,509
Contracted services	26,991,789	17,000,122	1,714,006	45,705,917
Interest	-	4,564,676	-	4,564,676
Inventory Consumed	-	3,179,820	-	3,179,820
Operating Leases	-	575,489	-	575,489
Total segment expenditure	36,585,068	107,085,082	21,286,534	164,956,684
Total segmental surplus/(deficit)				35,692,625
Loss on Disposal				(1,307,695)
Fair Value Adjustments				275,000
Actuarial gain or loss				158,000
Impairment Loss				(26,775,757)
Total losses and gain				(27,650,452)

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61. Segment information (continued)

Assets

Current Assets	-	42,108,185	-	42,108,185
Non-Current Assets	504,194,832	24,742,512	-	528,937,344
Total segment assets	504,194,832	66,850,697	-	571,045,529
Total assets as per Statement of financial Position				571,045,529

Liabilities

Current Liabilities	-	(47,192,030)	(2,430,232)	(49,622,262)
Non-Current Liabilities	(11,548,115)	(20,506,694)	-	(32,054,809)
Total segment liabilities	(11,548,115)	(67,698,724)	(2,430,232)	(81,677,071)
Total liabilities as per Statement of financial Position				(81,677,071)

2023

	Other Services	Planning and Development	Trading Services	Total
Revenue				
Revenue from non-exchange transactions	143,493,034	28,441,440	4,795,311	176,729,785
Revenue from exchange transactions	1,458,708	19,357	2,887,711	4,365,776
Total segment revenue	144,951,742	28,460,797	7,683,022	181,095,561
Municipal Revenue				181,095,561
Expenditure				
Employee Related Cost	17,718,186	7,501,181	14,921,397	40,140,764
Remuneration of councillors	10,805,555	-	-	10,805,555
Depreciation and amortization	31,678,538	12,841,788	-	44,520,326
Operational Cost	16,742,461	3,419,239	3,155,364	23,317,064
Contracted Services	14,624,226	33,418,692	3,349,293	51,392,211
Interest	4,960,518	-	-	4,960,518
Inventory consumed	4,407,350	-	58,331	4,465,681
Operating leases	882,862	-	-	882,862
Construction contracts	3,078,261	-	-	3,078,261
Total segment expenditure	104,897,957	57,180,900	21,484,385	183,563,242
Total segmental surplus/(deficit)				(2,467,681)
Loss on Disposal				(526,305)
Fair value Adjustments				489,000
Actuarial gain or loss				1,409,000
Impairment Loss				(51,887,662)
Total losses and gain				(50,515,967)
Assets				
Current Assets	2,306,569	4,100,953	29,627,829	36,035,351
Non Current Assets	8,517,210	525,116,200	-	533,633,410
Total segment assets	10,823,779	529,217,153	29,627,829	569,668,761
Total assets as per Statement of financial Position				569,668,761

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61. Segment information (continued)

Liabilities

Current liabilities	(49,233,258)	(4,599,756)	-	(53,833,014)
Non current liabilities	(25,752,706)	(8,756,755)	-	(34,509,461)
Total segment liabilities	(74,985,964)	(13,356,511)	-	(88,342,475)
Total liabilities as per Statement of financial Position				(88,342,475)

62. Budget differences

Budget vs Actual Comments

1. Sale of goods - Actual sales exceeded budget due to income from sale of tender documents that were not budgeted for.
2. Service charges - Service charges are below the budget because there were no additional request for collection of refuse as usual from mines.
3. Rental of facilities and equipment - Actual is greater than budget due to increased number of request for facilities compared to last year.
4. Interest on receivables - are not budgeted for, due to the new valuation roll that was implemented during 2023/24 financial year.
5. Agency Services - Loadshedding affected the budget amount, during the loadshedding licence office closes
6. Other income - Mines contribution that was expected to be received was not received.
7. Interest on investment - Exceeded the budget due to the higher bank balance as compared to prior year.
8. Property rates - More indigent applications were received.
9. Interest on receivables from non-exchange - are not budgeted for, due to the new valuation roll that was implemented during 2023/24 financial year.
10. Licences and Permit - During loadshedding licence office closes which affect budget and revenue
11. Government grants - Below the budget due to the disaster relief grant and equitable share received was less than what was budgeted for.
12. Fines, penalties and forfeits - Budget is on cash basis while actuals are on accrual basis.
13. Donation received - The municipality do not budget for donations.
14. Other transfer revenue - There were less training provided during the current year.
15. Employee related cost - There were less casual workers hired during the financial year.
16. Remuneration of councillors - Number of councillors decreased because of passing on of one councillor.
17. Depreciation / Amortization - Change in estimate and assets that were written off.
18. Finance cost - Budget was understated for finance costs.
19. Lease rental - Due to cash flow constraints, we did not pay as budgeted.
20. Contracted services - Consistent to prior year figure.

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62. Budget differences (continued)

21. General Expenses - Cost containment policy strictly implemented
22. Inventory expensed - The actual expense is higher than the budgeted amount due to the childcare facility being completed earlier than anticipated. As a result, more inventory was expensed than originally planned.
23. Impairment loss - Assets conditions significantly decreased because of heavy rains.