



Dannhauser Local Municipality
(Registration number KZN 254)
Annual Financial Statements
for the year ended June 30, 2025

Dannhauser Local Municipality

(Registration number KZN 254)

Annual Financial Statements for the year ended June 30, 2025

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.W. Ndlela - Appointed as speaker from december 2024 until to date

Councillors

Cllr S.E. Myaka - Appointed as a speaker until December 2024
Cllr C.M.F. Maphisa
Cllr M.S. Mkhumane
Cllr M. Kunene
Cllr S.M. Mthembu
Cllr R.S. Langa
Cllr M. Nkabinde
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.T. Mabaso
Cllr X.M. Nkosi
Cllr N.P. Kumalo
Cllr E.N. Buthelezi
Cllr N.D. Makhaza
Cllr T.S. Msibi
Cllr S. Nzuza
Cllr S.E.C. Kunene

Chief Finance Officer (CFO)

D. Mohapi (Appointment until December 2024)

N Majola (Appointment until to date)

Accounting Officer

M.S. Sithole - Municipal Manager

Registered office

8 Church Street
Dannhauser
1 West Street
Dannhauser
3080

Business address

8 Church Street
Dannhauser
1 West Street
Dannhauser

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General Information

	3080
Postal address	Private Bag X 1011 Dannhauser 3080
Bankers	ABSA Bank - Newcastle
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	Mazibuko Z and Associates

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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
PPE	Property Plant and Equipment
INEP	Intergrated National Electrification Programme

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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, 2026 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 government grants 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 10 to 88, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2025.

Accounting Officer
M.S. Sithole (Municipal Manager)

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Annual Financial Statements for the year ended June 30, 2025

Audit Committee Report

We are pleased to present our report for the financial year ended June 30, 2025.

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)	7
Nontobeko Khambule	7
Mthembu Siboniso	7
Velaphi Moses Kubeka	7
Samson Ngwenya	6

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from MFMA and Treasury Regulations.

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 internal audit of 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.

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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: _____

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Accounting Officer's Report

The accounting officer submits his report for the year ended June 30, 2025.

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.

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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)

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Annual Financial Statements for the year ended June 30, 2025

Statement of Financial Position as at June 30, 2025

	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	2	969,652	969,652
Receivables from non-exchange transactions	3	18,909,414	18,748,505
Statutory VAT receivables	7	762,151	758,396
VAT Receivable Accrual	9	3,021,718	1,887,891
Prepayments	8	-	1,034,015
Receivables from exchange transactions	4	912,376	966,715
Cash and cash equivalents	5	20,639,270	19,594,104
		45,214,581	43,959,278
Non-Current Assets			
Investment property	10	9,620,000	9,113,000
Property, plant and equipment	11	532,266,602	519,718,339
Heritage assets	13	106,000	106,000
		541,992,602	528,937,339
Total Assets		587,207,183	572,896,617
Liabilities			
Current Liabilities			
Other Financial liabilities	19	5,195,529	5,195,529
Payables from exchange transactions	14	66,283,734	40,690,656
Unspent conditional grants and receipts	12	12,259,778	1,636,173
Provision	18	1,748,417	1,552,904
Employee benefit obligation	17	954,000	547,000
VAT Output	16	86,283	817,077
		86,527,741	50,439,339
Non-Current Liabilities			
Other Financial liabilities	19	7,793,292	12,988,820
Employee benefit obligation	17	8,651,000	7,613,000
Provision	18	13,629,045	11,452,989
		30,073,337	32,054,809
Total Liabilities		116,601,078	82,494,148
Net Assets		470,606,105	490,402,469
Accumulated surplus		470,606,108	490,402,469
Total Net Assets		470,606,108	490,402,469

* See Note 64

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Statement of Financial Performance

	Note(s)	2025	2024
Revenue			
Revenue from exchange transactions			
Sale of goods and rendering of services		636,319	498,057
Service charges	20	5,174,416	1,349,162
Rental of facilities and equipment	21	20,600	47,649
Interest on receivables	31	19,781	93,060
Agency services	22	875,865	1,195,434
Other revenue from exchange transactions	23	865,305	1,108,002
Interest on investment	24	2,827,050	2,079,830
Total revenue from exchange transactions		10,419,336	6,371,194
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	42,200,907	43,410,762
Licences and permits	28	606,017	445,267
Other revenue from non exchange transactions	34	103,167	78,500
Transfer revenue			
Government grants & subsidies	26	152,363,706	147,791,944
Interest on receivables	31	1,958,310	1,290,620
Fines, Penalties and Forfeits	27	742,667	888,616
Donation received in kind and monetory		1,450,232	372,406
Total revenue from non-exchange transactions		199,425,006	194,278,115
Total revenue	39	209,844,342	200,649,309
Expenditure			
Employee related costs	29	(68,865,360)	(41,737,531)
Remuneration of councillors	30	(12,629,151)	(12,921,476)
Depreciation and amortisation	32	(21,579,115)	(28,161,266)
Finance costs	33	(3,305,685)	(3,686,676)
Lease rentals on operating lease	45	(517,945)	(575,489)
Contracted services	35	(49,423,964)	(45,705,917)
Inventory expensed		(1,036,806)	(3,179,820)
General Expenses	36	(36,922,089)	(27,954,494)
Total expenditure		(194,280,115)	(163,922,669)
Operating surplus	44	15,564,227	36,726,640
Loss on disposal of assets and liabilities		(888,136)	(1,307,695)
Fair value adjustments	37	507,000	275,000
Actuarial gain or loss	46	434,000	158,000
Impairment loss	38	(35,413,459)	(26,775,757)
(Deficit) surplus for the year		(35,360,595)	(27,650,452)
		(19,796,368)	9,076,188

* See Note 64

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Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
Balance at July 1, 2023	486,061,757	486,061,757
Changes in net assets		
Surplus for the year	9,076,188	9,076,188
Total changes	9,076,188	9,076,188
Opening balance as previously reported	495,137,941	495,137,941
Adjustments		
Prior year error adjustment 64	(4,735,465)	(4,735,465)
Restated* Balance at July 1, 2024 as restated*	490,402,476	490,402,476
Changes in net assets		
Surplus for the year	(19,796,368)	(19,796,368)
Total changes	(19,796,368)	(19,796,368)
Balance at June 30, 2025	470,606,108	470,606,108

Note(s)

* See Note 64

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Cash Flow Statement

	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Grants		162,987,311	148,007,000
Interest income		2,827,050	2,079,830
Receipts from non exchange and exchange transactions		32,507,687	37,406,749
		198,322,048	187,493,579
Payments			
Employee costs		(79,223,094)	(52,627,750)
Suppliers		(67,342,579)	(80,173,066)
Finance costs		-	(2,353,074)
		(146,565,673)	(135,153,890)
Net cash flows from operating activities	43	51,756,375	52,339,689
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(43,767,050)	(35,337,907)
Proceeds from sale of PPE	10	4,150	5
Net cash flows from investing activities		(43,762,900)	(35,337,902)
Cash flows from financing activities			
Repayment of other financial liabilities		(5,195,528)	(5,195,527)
Interest income		(1,752,781)	-
Net cash flows from financing activities		(6,948,309)	(5,195,527)
Net increase/(decrease) in cash and cash equivalents		1,045,166	11,806,260
Cash and cash equivalents at the beginning of the year		19,594,104	7,787,844
Cash and cash equivalents at the end of the year	5	20,639,270	19,594,104

* See Note 64

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	1,197,000	(782,000)	415,000	636,319	221,319	Refer to note 62
Service charges	2,063,000	-	2,063,000	5,174,416	3,111,416	
Rental of facilities and equipment	21,000	1,000	22,000	20,600	(1,400)	
Agency services	150,000	30,000	180,000	875,865	695,865	
Other income	-	34,000	34,000	885,086	851,086	
Interest received - investment	1,327,000	2,163,000	3,490,000	2,827,050	(662,950)	
Total revenue from exchange transactions	4,758,000	1,446,000	6,204,000	10,419,336	4,215,336	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	45,039,000	-	45,039,000	42,200,907	(2,838,093)	
Interest on receivables	-	1,139,000	1,139,000	1,958,310	819,310	
Licences and Permits	2,250,000	(899,000)	1,351,000	606,017	(744,983)	
Transfer revenue						
Government grants & subsidies	126,866,000	2,414,000	129,280,000	126,816,001	(2,463,999)	
Transfers & subsidies -capital	24,921,000	11,250,000	36,171,000	25,547,705	(10,623,295)	
Fines, Penalties and Forfeits	600,000	1,042,000	1,642,000	742,667	(899,333)	
Donation received	-	-	-	1,450,232	1,450,232	
Other revenue from non-exchange transactions	23,655,000	(23,655,000)	-	103,167	103,167	
Total revenue from non-exchange transactions	223,331,000	(8,709,000)	214,622,000	199,425,006	(15,196,994)	
Total revenue	228,089,000	(7,263,000)	220,826,000	209,844,342	(10,981,658)	
Expenditure						
Employee related Cost	(31,034,000)	(1,799,570)	(32,833,570)	(68,865,360)	(36,031,790)	
Remuneration of councillors	(12,707,000)	1,707,000	(11,000,000)	(12,629,151)	(1,629,151)	
Depreciation and amortisation	(41,020,000)	10,000,000	(31,020,000)	(21,579,115)	9,440,885	
Finance costs	(7,386,000)	1,422,000	(5,964,000)	(3,305,685)	2,658,315	
Contracted Services	(34,361,000)	(22,123,000)	(56,484,000)	(49,423,964)	7,060,036	
General Expenses and leases	(45,977,000)	5,095,000	(40,882,000)	(37,440,034)	3,441,966	
Inventory Expensed	(210,000)	46,000	(164,000)	(1,036,806)	(872,806)	
Total expenditure	(172,695,000)	(5,652,570)	(178,347,570)	(194,280,115)	(15,932,545)	
Operating surplus	55,394,000	(12,915,570)	42,478,430	15,564,227	(26,914,203)	
Loss on disposal of assets and liabilities	-	-	-	(888,136)	(888,136)	
Fair value adjustments	-	-	-	507,000	507,000	
Actuarial gain or loss	-	-	-	434,000	434,000	
Impairment loss	-	(26,776,000)	(26,776,000)	(35,413,459)	(8,637,459)	
	-	(26,776,000)	(26,776,000)	(35,360,595)	(8,584,595)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit / Surplus	55,394,000	(39,691,570)	15,702,430	(19,796,368)	(35,498,798)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	55,394,000	(39,691,570)	15,702,430	(19,796,368)	(35,498,798)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	4,101,000	(3,295,000)	806,000	969,652	163,652	
Receivables from exchange transactions	(24,275,000)	(3,039,000)	(27,314,000)	912,376	28,226,376	
Receivables from non-exchange transactions	18,452,000	(28,218,000)	(9,766,000)	18,909,414	28,675,414	
Statutory receivables	(504,016)	504,016	-	762,151	762,151	
VAT	3,355,000	(19,968,000)	(16,613,000)	3,021,214	19,634,214	
Other current assets	-	664,000	664,000	-	(664,000)	
Cash and cash equivalents	83,297,000	18,919,000	102,216,000	20,639,270	(81,576,730)	
	84,425,984	(34,432,984)	49,993,000	45,214,077	(4,778,923)	
Non-Current Assets						
Investment property	8,519,000	275,000	8,794,000	9,620,000	826,000	
Property, plant and equipment	572,589,000	13,563,000	586,152,000	532,266,602	(53,885,398)	
Heritage assets	106,000	-	106,000	106,000	-	
Other Non current Assets	319,000	-	319,000	-	(319,000)	
	581,533,000	13,838,000	595,371,000	541,992,602	(53,378,398)	
Total Assets	665,958,984	(20,594,984)	645,364,000	587,206,679	(58,157,321)	
Liabilities						
Current Liabilities						
Other Financial liabilities	5,185,000	11,000	5,196,000	5,195,529	(471)	
Payables from exchange transactions	78,358,000	9,038,000	87,396,000	66,283,734	(21,112,266)	
Trade and other payables from non exchange	1,371,000	10,032,000	11,403,000	12,259,778	856,778	
VAT payable	1,049,000	(1,049,000)	-	-	-	
Provision	10,762,000	(10,215,000)	547,000	1,748,417	1,201,417	
Employee benefit obligation	-	-	-	954,000	954,000	
VAT Output	544,861	(544,861)	-	86,283	86,283	
	97,269,861	7,272,139	104,542,000	86,527,741	(18,014,259)	
Non-Current Liabilities						
Other Financial liabilities	18,195,000	(2,853,000)	15,342,000	7,793,292	(7,548,708)	
Provision	10,090,000	10,529,000	20,619,000	13,629,045	(6,989,955)	
Other non current liability	-	7,613,000	7,613,000	8,651,000	1,038,000	
	28,285,000	15,289,000	43,574,000	30,073,337	(13,500,663)	
Total Liabilities	125,554,861	22,561,139	148,116,000	116,601,078	(31,514,922)	
Net Assets	540,404,123	(43,156,123)	497,248,000	470,605,601	(26,642,399)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	541,664,000	(36,593,000)	505,071,000	469,572,100	(35,498,900)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipts from non-exchange and exchange transactions	47,102,000	1,139,000	48,241,000	32,507,687	(15,733,313)	
Other revenue	55,617,000	(5,700,000)	49,917,000	-	(49,917,000)	
Grants	120,775,000	11,207,000	131,982,000	162,987,311	31,005,311	
Transfer and subsidies capital	24,921,000	11,250,000	36,171,000	-	(36,171,000)	
Interest	1,327,000	2,163,000	3,490,000	2,827,050	(662,950)	
	249,742,000	20,059,000	269,801,000	198,322,048	(71,478,952)	
Payments						
Employee costs and suppliers	(108,509,000)	(78,930,000)	(187,439,000)	(146,565,673)	40,873,327	
Net cash flows from operating activities	141,233,000	(58,871,000)	82,362,000	51,756,375	(30,605,625)	
Cash flows from investing activities						
Capital Assets	(43,381,000)	(13,053,000)	(56,434,000)	(43,762,900)	12,671,100	
Finance costs	-	-	-	(6,948,309)	(6,948,309)	
Net cash flows from investing activities	(43,381,000)	(13,053,000)	(56,434,000)	(50,711,209)	5,722,791	
Net increase/(decrease) in cash and cash equivalents	97,852,000	(71,924,000)	25,928,000	1,045,166	(24,882,834)	
Cash and cash equivalents at the beginning of the year	7,788,000	11,806,000	19,594,000	19,594,104	104	
Cash and cash equivalents at the end of the year	105,640,000	(60,118,000)	45,522,000	20,639,270	(24,882,730)	

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Accounting Policies

	Note(s)	2025	2024
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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 18.

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.

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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 17.

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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Accounting Policies

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

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

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Accounting Policies

1.4 Property, plant and equipment (continued)

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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Accounting Policies

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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Accounting Policies

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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Accounting Policies

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 infills 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.

Useful life is either:

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1.11 Impairment of cash-generating assets (continued)

- 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).

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

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

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 49.

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Accounting Policies

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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Accounting Policies

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

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

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

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, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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 summons. 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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Accounting Policies

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 7/1/2024 to 6/30/2025.

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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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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Notes to the Annual Financial Statements

	2025	2024
2. Inventories		
Inventory	969,652	969,652
Carrying value of inventories carried at fair value less costs to sell	969,652	969,652
The municipality and mining company constructing boreholes in ward three and they will be handed over on completion as Dannhauser Municipality is not water licensed.		
No Inventory pledged as security for liabilities		
Opening balance	969,652	3,884,189
Inventory capitalised	-	265,284
Inventory expensed	-	(3,179,820)
	969,652	969,652
3. Receivables from non-exchange transactions		
Gross balances		
Rates	87,621,967	69,138,667
Fines	4,448,950	3,607,320
	92,070,917	72,745,987
Less: Allowance for impairment		
Rates	(69,239,702)	(51,115,481)
Fines	(3,921,801)	(2,882,001)
	(73,161,503)	(53,997,482)
Net balance		
Rates	18,382,265	18,023,186
Fines	527,149	725,319
	18,909,414	18,748,505
Rates		
Current (0 -30 days)	2,844,922	2,483,464
31 - 60 days	2,413,682	2,075,982
61 - 90 days	2,243,861	1,974,817
91 - 120 days	2,226,690	1,895,213
121 - >365 days	77,892,811	60,709,192
Less Allowance for impairment	(69,239,702)	(51,115,481)
	18,382,264	18,023,187
Consumer Rates		
Current (0 -30 days)	1,992,363	1,881,255
31 - 60 days	1,655,279	1,590,092
61 - 90 days	1,493,126	1,495,203
91-120 days	1,515,725	1,452,359
121 - 150 days	1,428,665	1,349,892
151- 180 days	1,401,405	1,325,872
181-365 days	8,070,316	7,497,958
> 365 days	48,198,640	37,242,120
Less Allowance for impairment	(56,515,406)	(51,024,575)
	9,240,113	2,810,176

Dannhauser Local Municipality

(Registration number KZN 254)

Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

	2025	2024
3. Receivables from non-exchange transactions (continued)		
Government debtors - Rates		
Current (0 -30 days)	852,559	602,209
31 - 60 days	758,403	485,890
61 - 90 days	750,735	479,614
91 - 120 days	710,965	442,854
121 -150 days	692,178	418,052
151 -180 days	698,208	415,541
181- 365 days	3,548,172	1,985,847
> 365 days	13,855,227	10,473,909
Less Allowance for Impairment	(12,724,296)	(90,906)
	9,142,151	15,213,010
Total past due but not impaired		
Current - 30days	451,944	604,823
31 - 60 days	283,355	488,493
> 61 days	7,597,976	14,270,990
	8,333,275	15,364,306
Fines		
Current	109,850	348,000
30 days	94,600	-
60 days	153,600	-
90 days	63,100	-
120 days	106,000	-
150 + days	3,921,800	2,882,000
Less Allowance for Impairment	(3,921,800)	(2,882,000)
	527,150	348,000

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

2025

2024

3. 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 2.81% 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 2025 is R 69 239 702.

Significant impairment losses recognized traffic fines: The impairment loss for traffic fines recognized for the year ended 30 June 2025 is R3 921 800.

Rates	18,909,414	17,242,715
Fines	527,150	348,000

Dannhauser Local Municipality

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Notes to the Annual Financial Statements

	2025	2024
4. Receivables from exchange transactions		
Gross balances		
Property Rental	670,950	630,180
Refuse	8,660,120	7,424,667
Sundry Debtors	2,089,198	561,364
	11,420,268	8,616,211
Less: Allowance for impairment		
Refuse	(8,060,179)	(6,679,334)
Property Rental	(647,458)	(490,124)
Sundry Debtors	(1,800,255)	(480,038)
	(10,507,892)	(7,649,496)
Net balance		
Property Rental	23,492	140,056
Refuse	599,941	745,334
Sundry Debtors	288,943	81,325
	912,376	966,715
Refuse removal		
Current (0 -30 days)	145,449	131,168
31 - 60 days	135,547	120,706
61-90 days	129,216	116,807
91 - 120 days	127,325	114,386
121 - >365 days	8,122,582	6,941,601
Less Allowance for impairment	(8,060,179)	(6,679,334)
	599,940	745,334
Property Rental		
Current (0 -30 days)	10,802	9,540
31 - 60 days	6,515	8,370
61 - 90 days	5,432	8,360
91 - 120 days	5,419	8,350
121 - > 365 days	642,782	595,559
Less allowance for impairment	(647,458)	(490,124)
	23,492	140,055
Sundry Debtors		
Current (0 -30 days)	49,686	2,542
31 - 60 days	48,942	2,513
61 - 90 days	47,950	2,489
91 - 120 days	47,026	2,458
121 - 365 days	1,895,593	551,362
Less allowance for impairment	(1,800,255)	(480,038)
	288,942	81,326

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

	2025	2024
5. Cash and cash equivalents (continued)		
Cash on hand	28,485	10,615
Bank balances	2,789,725	1,306,007
Short-term deposits	17,821,060	18,277,482
	20,639,270	19,594,104

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2025	June 30, 2024	June 30, 2023
FNB Bank - Primary Bank Account - 62369194106	500,222	682,527	1,025,119	500,222	682,527	1,025,119
Standard Bank - Savings Account - 060032073	192,893	112,311	234,125	192,893	112,311	234,125
ABSA Bank new Primary Bank Account - 4108323641	1,519,572	182,587	51	1,517,016	182,587	51
ABSA Revenue Account - 4108655193	579,597	328,580	41,482	579,597	328,580	41,482
Standard Bank - Call Account - 068480520001	4,687,648	1,998,110	33,406	4,687,648	1,998,110	33,406
ABSA BANK - Housing Call Account - 9259916188	705,144	656,562	611,877	705,144	656,562	611,877
ABSA BANK - Fixed Deposit Account - 2072034421	4,869,230	4,442,694	4,116,904	4,869,230	4,442,694	4,116,904
FNB Bank -Municipal Infrastructure Grant - 62392885855	46,463	43,459	1,819	46,463	43,459	1,819
FNB - Call Account - 62422725682	41	40	40	41	40	40
STANDARD BANK - Call account - 268436894001	2,021,163	1,868,888	1,723,021	2,021,163	1,868,888	1,723,021
Standard Bank - Call Account - 068480520-009	-	2,655,745	-	-	2,655,745	-
Standard Bank - Call Account - 06880520-015	3,671,898	1,885,645	-	3,671,898	1,885,645	-
ABSA Bank - Call Account - 9388225547	861,711	29,965	-	861,711	29,965	-
ABSA Bank - Call Account - 9380605305	922,540	1,982,322	-	922,540	1,982,322	-
ABSA Bank - Call Account - 9381556185	35,219	2,714,054	-	35,219	2,714,054	-
Total	20,613,341	19,583,489	7,787,844	20,610,785	19,583,489	7,787,844

Restricted cash balances

STANDARD BANK - Call account - 268436894001	2,021,163	1,868,888
Housing account for human settlement	705,144	656,562
ABSA BANK - Housing Call Account - 9259916188	4,869,230	4,442,694
Housing account for human settlement		
DBSA loan cessions		

6. New standards and interpretations

6.1 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:

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

6. New standards and interpretations (continued)

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

7. Other statutory receivables [Framework related]

The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

Other statutory receivable	762,151	758,396
Additional text		

Current assets	762,151	758,396
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8. Prepayments

The municipal has paid in advance the insurance premium at the amount of R 1 034 015.

9. VAT Accrual receivable

VAT Accrual Receivable	3,021,718	1,887,891
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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:

The VAT receivables / (payables) is attributed to

(a) VAT Receivable - Cash portion	R 762 150.13	R 758 396.21
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The VAT receivable - cash portion attributable to VAT Returs submitted to SARS awaiting payment by SARS

(b) VAT receivables(Payables) - Accrual portion	R 2 935 435	R 1 070 814
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The VAT Receivable- Accrual Portion is attributable to VAT related transactions arising from debtor and creditor transactions not year actually paid or receivable and impairment transactions related to debtors.

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

2025 2024

9. VAT Accrual receivable (continued)

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 determined 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.

10. Investment property

	2025			2024		
	Cost / Valuation	Fair Value adjustment	Revalued Amount	Cost / Valuation	Fair Value Adjustment	Revalued Amount
Investment property	9,113,000	507,000	9,620,000	8,838,000	275,000	9,113,000

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Total
Investment property	9,113,000	507,000	9,620,000

Reconciliation of investment property - 2024

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

Details of property

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.

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

2025 2024

11. Property, plant and equipment

	2025			2024		
	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	43,648,700	-	43,648,700
Buildings	510,459,374	(185,650,311)	324,809,063	485,857,994	(175,566,921)	310,291,073
Plant and machinery	2,864,088	(1,723,752)	1,140,336	3,327,328	(2,031,308)	1,296,020
Furniture and fixtures	7,093,554	(2,470,357)	4,623,197	4,678,215	(2,298,916)	2,379,299
Transport Assets	21,454,368	(14,201,802)	7,252,570	19,215,206	(13,711,433)	5,503,773
Computer Equipment	3,870,920	(1,593,695)	2,277,225	3,825,459	(1,795,137)	2,030,322
Infrastructure	439,736,821	(298,836,163)	140,900,658	424,662,240	(278,021,974)	146,640,266
Landfill site assets	13,850,544	(6,235,691)	7,614,853	13,031,879	(5,102,993)	7,928,886
Total	1,042,978,369	(510,711,771)	532,266,602	998,247,021	(478,528,682)	519,718,339

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Donations	Value Adjustment	Insurance Claims	Depreciation	Impairment loss	Total
Land	43,648,700	-	-	-	-	-	-	-	43,648,700
Buildings	310,291,073	24,879,930	(30,095)	-	-	-	(5,187,886)	(5,143,959)	324,809,063
Plant and machinery	1,296,020	353,879	(272,954)	1,391	-	-	(212,626)	(25,374)	1,140,336
Furniture and fixtures	2,379,299	1,471,948	(74,011)	1,448,841	-	-	(601,808)	(1,072)	4,623,197
Transport Assets	5,503,773	3,013,853	(148,901)	-	-	-	(1,116,159)	-	7,252,566
Computer Equipment	2,030,322	1,003,231	(286,088)	-	-	78,024	(546,947)	(1,317)	2,277,225
Infrastructure	146,640,266	15,340,936	(80,237)	-	-	-	(12,780,988)	(8,219,319)	140,900,658
Landfill Site	7,928,886	-	-	-	818,665	-	(1,132,698)	-	7,614,853
	519,718,339	46,063,777	(892,286)	1,450,232	818,665	78,024	(21,579,112)	(13,391,041)	532,266,598

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Donations	Value adjustment	Depreciation	Impairment loss	Total
Land	44,056,700	-	(408,000)	-	-	-	-	43,648,700
Buildings	320,925,456	8,229,956	(702)	-	-	(7,203,490)	(11,660,147)	310,291,073
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
Transport Assets	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	141,368,404	23,290,534	(233,282)	-	-	(17,694,688)	(90,702)	146,640,266
Landfill site	7,444,189	-	-	-	969,223	(484,526)	-	7,928,886
	524,689,408	35,337,911	(1,307,700)	7,100	969,223	(28,161,270)	(11,816,333)	519,718,339

Pledged as security

No assets have been pledged with security

Capitalised expenditure (excluding borrowing costs)

Change in Estimates

The Municipality has reassessed the useful lives of property, plant and equipment which resulted in the assets remaining useful lives years on average increasing. 2104 assets over all the categories of property plant and equipment have had an increase in the assets remaining useful lives years. The effect of the change in accounting estimate has resulted in a decrease in depreciation amounting to 4,752,142.93 for the current period, which is also expected to have an effect on future periods. The table below further details the change in estimate:

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

2025 2024

11. Property, plant and equipment (continued)

Other information

Classification	Depreciation Before Re- Assessment	Depreciation After Re- Assessment	Change in Estimate
Buildings	156,610	51,350	105,260
Community Assets / Building Assets	133,972	49,569	84,403
Computer Equipment	181,821	71,997	109,824
Furniture and Office Equipment	226,322	89,457	136,865
Machinery and equipment	172,169	56,837	115,332
Roads	6,990,493	3,520,869	3,469,624
Transport Assets	1,135,709	404,874	730,835
	8,997,096	4,244,953	4,752,143

Classification Name

Classification Name	Asset Count	Carrying Value
Community Assets / Building Assets	28	13,894
Roads	91	92,159
Buildings	1	11,601
	120	117,654

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Buildings	Total
Opening balance	26,193,941	192,128,289	218,322,230
Additions/capital expenditure	15,340,859	24,879,930	40,220,789
Impairment	-	(1,397,906)	(1,397,906)
Transferred to completed items	(17,261,730)	(151,835,678)	(169,097,408)
	24,273,070	63,774,635	88,047,705

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
Other movements	-	(528,056)	(528,056)
Transferred to completed items	(9,287,076)	-	(9,287,076)
	26,193,941	192,128,289	218,322,230

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

2025 2024

11. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Repairs and maintenance related to property plant and equipment

Repairs and Maintenance	30,351,290	27,120,854
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Reason for delay projects

Project Name	Location	Nature of Project	Reason for delay	Costs incurred as at 30 June 2025	Costs incurred as at 30 June 2024
Testing Ground	Ward 2	Buildings	Construction of testing ground has been delayed due to poor performance by the first service provider. Further the project has been impaired by R 976 333.04 following physical damages to the project and the project has rolled over for multi- years due to budget constraints	(976,333)	18,998,605
Upgrading of Durnacol Sport Complex	Ward 2	Infrastructure	Dispute between the contractor and the municipality on invoice payments	-	6,679,146
Water Harvesting	Ward 1 & 3	Infrastructure	The contractor vacated the site due to disputes on the work done	-	2,629,852
Community hall	Ward 4	Buildings	The contractor requested for CPA, new appointment s made to complete the project	597,065	5,289,638

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

				2025	2024
11. Property, plant and equipment (continued)					
Sport Combo	Ward 11	Infrastructure	The completion of the Sport Combo Ward 11 project, involving various sports courts, experienced a delay due to financial constraints. The first phase, developing 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.	-	3,835,210
Road Link Design and the Rail Bridge	Ward 2	Infrastructure Asset	Financial constraints led to temporary halts in these projects. Upon securing funding, the municipality intends to resume them as per the original plan. Impairment assessment were conducted for each WIP asset, confirming no impairment.	-	2,110,183

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

			2025	2024
11. Property, plant and equipment (continued) LED Factory - Tsqwekelo (Incubator) Ward 2	Buildings	The LED projects is near completion, but the administrative issues, including senior personnel changes within technical department, delayed the full completion of the project and issuance of the completion certificates. The impairment assessment was conducted for 2024/ 2025 financial year.	(421,573)	8,431,468

(800,841) 47,974,102

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.

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	1,653,525	-
Disaster Relief Grant	10,606,253	1,636,173
	12,259,778	1,636,173

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

	2025	2024				
13. Heritage assets						
	2025	2024				
	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 - 2025

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

Reconciliation of heritage assets - 2024

	Opening balance	Total
Heritage asset - Mayoral Chain	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.

14. Payables from exchange transactions

Trade payables	42,571,252	20,043,293
Payments received in advanced	2,564,848	2,188,873
Retention liability	17,770,517	15,473,790
Leave provision	3,377,117	2,984,700
	66,283,734	40,690,656

15. Statutory VAT Receivables

The VAT Receivable - Cash portion is attributable to VAT Returns submitted to SARS awaiting payment by SARS

The municipality is required to levy or pay tax at a rate of 15% as per requirement 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.

	2025	2024
Statutory Receivable	762,150	758,396
Subtotal	762,150	758,396

16. Output VAT Accrual

Output VAT Accrual Portion is attributable to VAT returns submitted to SARS awaiting payment from SARS

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

	2025	2024
16. Output VAT Accrual (continued)		
Output VAT Accrual	86,283	817,078
Subtotal	86,283	817,078

17. Employee benefit obligation

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 services 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 2025. 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.

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

Carrying value

Present value of long service award	3,300,000	2,754,000
Present value of the medical aid subsidy	6,305,000	5,406,000
	9,605,000	8,160,000

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 fair value of plan obligations are as follows

Actuarial gains (losses)	434,000	158,000
Contribution by employer	948,000	632,000
Contribution by plan participants	610,000	255,000
Benefit paid	234,000	197,000

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Notes to the Annual Financial Statements

	2025	2024
17. Employee benefit obligation (continued)		
Changes in the present value of the post employment medical aid subsidy liability are as follows:		
Opening balance	5,406,000	5,162,000
Past service cost	259,000	240,000
Interest Cost	648,000	632,000
Benefits paid	(234,000)	(197,000)
Actuarial gain or loss	226,000	(431,000)
	6,305,000	5,406,000
Carrying value		
Non - current liabilities	(8,651,000)	(7,613,000)
Current liabilities	(954,000)	(547,000)
	(9,605,000)	(8,160,000)
Changes in the present value of the Long service awards liability		
Opening balance	2,754,000	2,334,000
Current Service Cost	351,000	255,000
Actuarial gains (losses)	208,000	273,000
Interest Cost	300,000	246,000
Expected benefit vested	(313,000)	(354,000)
	3,300,000	2,754,000

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out as at 30 June 2025 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.

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

2025	2024
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17. Employee benefit obligation (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used - Long service award	10.20 %	11.53 %
General inflation rate (long term)	5.20 %	6.62 %
Net discount rate	4.80 %	4.61 %
Discount rates used - Medical Aid	11.30 %	12.25 %
Health care costs inflation rate	5.30 %	7.72 %
Net of health care cost inflation discount rate	3.90 %	4.21 %
Maximum subsidy inflation rate	4.70 %	5.42 %
Net of maximum subsidy inflation discount rate	6.30 %	6.48 %
Other material actuarial assumptions	1.00 %	2.00 %

Mortality during employment (Medical)

Assumed annual rates	Age	Rate
	20-24	9 %
	25-29	8 %
	30-34	6 %
	35-39	5 %
	40-44	5 %
	45-49	4 %
	50-54	3 %
	50+	- %
		40 %

Mortality during employment (Long service award)

Assumed annual rates	Age	Female	Male
	20	9 %	9 %
	30	6 %	6 %
	40	5 %	5 %
	50	3 %	3 %
	55	- %	- %
		195	23 %

Calculation of actuarial gains and losses

Actuarial (gain) losses - Plan assets	434,000	158,000
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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

2025 2024

18. Provision

Reconciliation of provision for landfill site - 2025

	Opening Balance	Interest Cost	Change in discount factor	Total
Provision	13,005,893	1,552,904	818,665	15,377,462

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
Non-current liabilities			13,629,045	11,452,989
Current liabilities			1,748,417	1,552,904
			15,377,462	13,005,893

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.

19. Other financial liabilities

At amortised cost

DBSA Loan	12,988,821	18,184,349
The above is funding capital project for the period of ten years and paid quarterly at the fixed interest rate of 10.685%.		

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 quarterly 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, except 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	7,793,292	12,988,820

Current liabilities

At amortised cost	5,195,529	5,195,529

20. Service charges

Refuse removal	5,174,416	1,349,162

Dannhauser Local Municipality

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Notes to the Annual Financial Statements

	2025	2024
21. Rental of facilities and equipment		
Premises		
Rental income	20,600	47,649
22. Agency services		
Driver's Licenses	198,743	151,414
Vehicle Registration	677,122	1,044,020
	875,865	1,195,434
23. Other revenue from exchange transactions		
Insurance Refunds claims	865,305	1,108,002
24. Investment received		
Interest revenue		
Interest on investment	2,827,050	2,079,830
25. Property rates		
Rates received		
Property rates	42,200,907	43,410,762

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Notes to the Annual Financial Statements

	2025	2024
26. Government grants & subsidies		
Operating grants		
Equitable share	120,689,000	113,791,000
Expanded Public Works Program Grant	1,770,000	950,000
Cyber Cadet Grant	265,000	254,000
KwaMdakane Library	1,168,000	1,237,296
Library Provincialisation Grant	1,024,001	981,000
Financial Management Grant (FMG)	1,900,000	1,950,000
	126,816,001	119,163,296
Capital grants		
Municipal Infrastructure Grant	23,267,475	23,764,821
Disaster Relief Grant	2,280,230	4,863,827
	25,547,705	28,628,648
	152,363,706	147,791,944
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	183,821
Current-year receipts	24,921,000	23,581,000
Conditions met - transferred to revenue	(23,267,475)	(23,764,821)
	1,653,525	-
Conditions still to be met - remain liabilities (see note 12).		
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
Current-year receipts	1,168,000	-
Conditions met - transferred to revenue	(1,168,000)	(1,237,296)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
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 Mangement Grant		
Current-year receipts	1,900,000	1,950,000
Conditions met - transferred to revenue	(1,900,000)	(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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Notes to the Annual Financial Statements

	2025	2024
26. Government grants & subsidies (continued)		
Expanded Public Works Program (EPWP)		
Current-year receipts	1,770,000	950,000
Conditions met - transferred to revenue	(1,770,000)	(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	265,000	254,000
Conditions met - transferred to revenue	(265,000)	(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 the library computer assistant for the Dannhauser Community Library

Library Provincialisation Grant

Current-year receipts	1,024,000	981,000
Conditions met - transferred to revenue	(1,024,000)	(981,000)
	-	-

The purpose of the grant is, administered by the 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.

Dannhauser Local Municipality

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Notes to the Annual Financial Statements

	2025	2024
26. Government grants & subsidies (continued)		
Disaster Relief Grant		
Balance unspent at beginning of year	1,636,173	-
Current-year receipts	11,250,000	6,500,000
Conditions met - transferred to revenue	(2,279,920)	(4,863,827)
	10,606,253	1,636,173
Conditions still to be met - remain liabilities (see note 12).		
The purpose of the Disaster Relief Grant is provide for immediate release of funds for disaster response 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.		
27. Fines, Penalties and Forfeits		
Law Enforcement Fines	737,702	883,300
Overdue Books Fines	175	226
Pound Fees Fines	4,790	5,090
	742,667	888,616
28. Licences and Permits		
Trading Licences	17,468	-
Raad and Transport (Learners)	588,549	445,267
	606,017	445,267
29. Employee related costs		
Basic	56,728,460	32,576,703
Bonus	2,199,005	1,758,511
Medical aid, Pension and UIF	5,853,532	4,329,050
Overtime payments	991,191	430,222
Other allowance (Travelling, Cellphone)	1,404,080	1,144,953
Housing benefits and allowances	117,495	114,680
Post retirement	1,558,000	1,373,000
Bargaining and group life	13,597	10,412
	68,865,360	41,737,531
Remuneration of municipal manager		
Annual Remuneration	1,165,225	1,032,912
Car Allowance	289,932	269,209
Contributions to UIF, Medical and Pension Funds	2,125	1,948
Subsistence and Travel	102,259	43,108
Skills	14,494	13,270
Other	24,000	65,875
	1,598,035	1,426,322

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Notes to the Annual Financial Statements

	2025	2024
29. Employee related costs (continued)		
Remuneration of Chief Finance Officer		
Annual Remuneration	958,771	1,241,282
Car Allowance	237,883	232,107
Bonuses	63,061	156,799
Contributions to UIF, Medical and Pension Funds	142,818	174,619
Telephone	18,017	18,000
Subsistence and travel	130,379	23,546
Leave	52,677	176,589
Skills	12,981	14,585
Other	84	114
Housing	7,170	12,305
	1,623,841	2,049,946

Remuneration of Technical Services Director

Annual Remuneration	1,189,590	722,633
Car Allowance	226,411	37,735
Bonuses	-	50,559
Contributions to UIF, Medical and Pension Funds	2,125	71,003
Subsistence and Travel	83,711	30,219
Housing	-	10,664
Telephone	18,000	19,500
Other	143	6,244
Skills	13,584	8,221
Leave	87,040	-
	1,620,604	956,778

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Notes to the Annual Financial Statements

	2025	2024
29. Employee related costs (continued)		
Remuneration of Community Services Director		
Annual Remuneration	724,913	584,731
Car Allowance	112,920	145,545
Performance Bonuses	42,132	-
Contributions to UIF, Medical and Pension Funds	36,809	1,417
Other	83	24,518
Skills	8,688	8,465
Subsistence and travel	48,221	24,572
Telephone	13,500	12,000
Leave	52,140	195,185
	1,039,406	996,433
Remuneration of Corporate Director Services		
Annual Remuneration	633,537	579,335
Car Allowance	150,941	150,941
Contributions to UIF, Medical and Pension Funds	1,593	1,417
Subsistence and travel	31,473	39,635
Skills	1,919	7,455
Telephone	12,867	12,000
Other	5,833	24,428
	838,163	815,211
Remuneration of Planning and Development Director		
Annual Remuneration	1,139,738	728,556
Car Allowance	226,411	37,735
Bonuses	-	50,559
Contributions to UIF, Medical and Pension Funds	2,125	97,970
Telephone	18,000	19,500
Housing	-	11,731
Leave	52,140	-
Other	143	6,244
Skills	12,549	8,099
Subsistence and travel	22,692	25,062
	1,473,798	985,456

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Notes to the Annual Financial Statements

						2025	2024
30. Remuneration of councillors							
Executive Mayor						1,022,804	994,464
Deputy Executive Mayor						865,735	1,031,982
Speaker						875,859	793,382
Councillors						7,418,512	7,734,716
Executive Committee Members						2,446,241	2,366,932
						12,629,151	12,921,476
1 July 2024 to 30 June 2025	Annual Remuneration	Cellphone Allowance	Travel Allowance	Data Card allowance and other	Subsistence Allowance	Other	Total
Cllr: Mayor: BA Radebe	928,767	43,200	-	3,804	-	47,033	1,022,804
Cllr Deputy Mayor: BTD Langa	557,261	43,200	185,754	3,804	38,090	37,626	865,735
Cllr Speaker: SE Myaka	305,670	18,000	-	1,585	78,107	-	403,363
Cllr Speaker: SW Ndlela	423,067	25,200	3,715	2,219	-	18,296	472,496
WHIP MS Mkhumane	291,455	43,200	97,152	3,804	57,418	19,679	512,708
	2,506,220	172,800	286,621	15,216	173,615	122,633	3,277,106
1 July 2024 to 30 June 2025	Annual Remuneration	Cellphone Allowance	Travel Allowance	Data Card Allowance and other	Subsistence Allowance	Other	Total
Cllr XM Nkosi	220,441	43,200	73,480	3,804	56,462	14,884	412,271
Cllr ND Makhaza	220,441	43,200	73,480	3,804	58,814	8,931	408,669
Cllr FR Simelane	220,441	43,200	73,480	3,804	52,980	14,884	408,789
Cllr MT Mabaso	282,898	43,200	94,300	3,804	9,241	19,101	452,544
Cllr MJ Nkabinde	220,441	43,200	73,480	3,804	50,306	14,884	406,115
Cllr EN Buthelezi	220,441	43,200	73,480	3,804	22,923	14,884	378,732
Cllr MP Mathebula	220,441	43,200	73,480	3,804	18,239	14,884	374,048
Cllr N Mthembu	293,921	43,200	-	3,804	-	14,884	355,809
Cllr NP Khumalo	293,921	43,200	-	3,804	-	14,884	355,809
Cllr BS Sikhakhane	281,457	43,200	12,464	3,804	5,529	14,884	361,338
Cllr KB Khanye	220,441	43,200	73,480	3,804	62,649	14,884	418,458
Cllr SE Myaka	147,423	25,200	41,284	2,219	32,854	34,215	283,194
Cllr SW Ndlela	90,687	18,000	30,229	1,585	18,320	-	158,821
Cllr MS Mthembu	220,441	43,200	73,480	3,804	9,241	14,884	365,050
Cllr TS Msibi	221,371	34,135	-	3,006	-	15,376	273,887
Cllr R.S Langa	220,441	43,200	73,480	3,804	59,791	14,884	415,600
CMF Maphisa	293,921	43,200	-	3,804	-	14,884	355,809
Cllr GV Ngcane	293,921	43,200	-	3,804	-	14,884	355,809
Cllr M Kunene	220,441	43,200	73,480	3,804	9,241	14,884	365,050
	4,403,930	768,535	913,077	67,674	466,591	286,002	6,905,804
Cllr RN Made	522,433	43,200	174,144	3,804	42,745	35,277	821,603
Cllr S Nzua	696,577	43,200	-	3,804	-	35,277	778,859
Cllr SEC Kunene	522,433	43,200	174,144	3,804	66,921	35,277	845,780
	1,741,443	129,600	348,288	11,412	109,666	105,831	2,446,241

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

30. Remuneration of councillors (continued)

1 July 2023 - 30 June 2024

	Annual Remuneration n	Cell Phone Allowance	Travel Allowance	Data Card Allowance	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 Myaka	718,856	45,600	-	4,008	160	24,759	793,382
Totals	2,138,118	136,800	198,160	12,024	229,349	105,380	2,819,828

1 July 2023 - 30 June 2024

	Annual Remuneration	Cellphone Allowance	Travel Allowance	Data Card Allowance	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 Simelane FR	213,272	45,600	71,091	4,008	23,760	31,683	389,414
Cllr Mabaso MT	263,776	45,600	87,925	4,008	30,975	58,805	491,089
Cllr Nkabinde MJ	254,134	45,600	30,229	4,008	33,990	31,683	399,644
Cllr Buthelezi EN	213,272	45,600	71,091	4,008	34,394	31,683	400,048
Cllr Mathebula MP	213,272	45,600	71,091	4,008	28,729	31,683	394,383
Cllr Mthembu N	284,363	45,600	-	4,008	-	31,683	365,655
Cllr Khumalo NP	284,363	45,600	-	4,008	-	31,683	365,655
Cllr Sikhakhane BS	284,363	45,600	-	4,008	-	31,683	365,655
Cllr Khanye KB	213,272	45,600	71,091	4,008	29,232	31,683	394,886
Cllr Kunene SM	195,135	42,000	65,045	3,691	40,434	31,683	377,988
Cllr Ndlela SW	213,272	45,600	71,091	4,008	24,953	31,683	390,607
Cllr Mthembu MS	213,272	45,600	71,091	4,008	21,556	31,683	387,210
Cllr Langa RS	213,272	45,600	71,091	4,008	42,710	31,683	408,365
Cllr Kunene ES	114,996	20,400	38,332	1,800	23,739	76,010	275,278
Cllr Maphisa CMF	284,363	43,800	-	3,855	-	16,675	348,694
Cllr Ngcane GV	284,363	45,600	-	4,008	-	76,596	410,567
Cllr Kunene M	213,272	45,600	71,091	4,008	29,893	31,683	395,547
Cllr Mkhumane MS	270,695	45,600	90,232	4,008	43,418	76,524	530,476
Totals	4,518,595	850,200	969,719	74,742	450,008	871,445	7,734,715

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Notes to the Annual Financial Statements

30. Remuneration of councillors (continued)

Executive Committee members

Cllr Made RN

Cllr Nzuza S

Cllr SEC Kunene

Totals

	Annual remuneration	Cell Phone Allowance	Travel Allowance	Data card	Subsistence Allowance	Other	Total
Cllr Made RN	505,445	45,600	168,482	4,008	34,015	37,544	795,093
Cllr Nzuza S	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
Totals	1,698,651	136,800	323,129	12,024	74,872	121,458	2,366,932

31. Interest on receivables

Interest on receivables

1,958,310 1,290,620

Dannhauser Local Municipality

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Notes to the Annual Financial Statements

	2025	2024
32. Depreciation and amortisation		
Property, plant and equipment	21,579,115	<u>28,161,266</u>
33. Finance costs		
Non-current borrowings	1,752,781	2,353,074
Interest on landfill site	1,552,904	1,333,602
	<u>3,305,685</u>	<u>3,686,676</u>
34. Other revenue from non exchange transactions		
LGSETA	103,167	<u>78,500</u>
35. Contracted services		
Outsourced Services		
Administrative and Support Staff	-	88,752
Burial Services	274,568	230,872
Business and Advisory	57,313	59,526
Clearing and Grass Cutting Services	-	193,304
Internal Auditors	1,394,407	1,318,422
Personnel and Labour	-	370,656
Professional Staff	1,656,942	3,396,450
Security Services	5,971,302	6,159,247
Transport Services	-	(207,976)
Electrical	2,485,906	146,200
Consultants and Professional Services		
Business and Advisory	2,334,448	3,195,717
Infrastructure and Planning	8,000	385,606
Legal Cost	2,946,958	2,232,347
Contractors		
Catering Services	650,018	104,281
Employee Wellness	271,959	37,829
Fire Services (Disaster)	1,008,710	871,656
Maintenance of Buildings and Facilities	232,696	145,484
Repairs and maintenance- Equipment	30,118,321	26,975,370
Preservation/Restoration/Dismantling/Cleaning Services	12,416	2,174
	<u>49,423,964</u>	<u>45,705,917</u>

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

	2025	2024
36. General expenses		
Advertising	3,466,445	2,087,262
Auditors remuneration	2,645,057	2,502,967
Bank charges	208,386	376,630
Entertainment	189,667	35,436
Communication-Licences (Radio and Television)	253,546	18,300
Insurance	2,130,030	555,603
Conferences and seminars	1,935,984	1,473,723
IT expenses	1,080,411	3,908,930
Skills Development Levy	647,858	447,642
Fuel and oil	3,042,015	1,995,254
Printing and stationery	784,905	971,208
Protective clothing	412,956	446,565
Subscriptions and membership fees	715,189	1,140,711
Telephone and fax	1,315,397	849,120
Travel - local	3,477,406	2,497,999
Electricity	4,675,068	4,269,239
Utilities - Other	9,378,719	4,107,114
Bursaries	563,050	270,791
	36,922,089	27,954,494
37. Fair value adjustments		
Investment property (Fair value model)	507,000	275,000
38. Impairment loss		
Impairments		
Property, plant and equipment	13,391,041	11,816,330
Receivables from exchange and non-exchange transactions	22,022,418	14,959,427
	35,413,459	26,775,757
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.		
39. Revenue		
Sale of goods	636,319	498,057
Service charges	5,174,416	1,349,162
Rental of facilities and equipment	20,600	47,649
Interest received	19,781	93,060
Agency services	875,865	1,195,434
Other income	865,305	1,108,002
Interest received - investment	2,827,050	2,079,830
Property rates	42,200,907	43,410,762
Licences and Permits	606,017	445,267
Interest, Dividends and Rent on Land	103,167	78,500
Government grants & subsidies	152,363,706	147,791,944
Interest on receivables	1,958,310	1,290,620
Fines, Penalties and Forfeits	742,667	888,616
Donations received in kind	1,450,232	372,406
	209,844,342	200,649,309

Dannhauser Local Municipality

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Notes to the Annual Financial Statements

	2025	2024
39. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	636,319	498,057
Service charges	5,174,416	1,349,162
Rental of facilities and equipment	20,600	47,649
Interest received	19,781	93,060
Agency services	875,865	1,195,434
Other income	865,305	1,108,002
Interest received - investment	2,827,050	2,079,830
	10,419,336	6,371,194

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

Taxation revenue	2025	2024
Property rates	42,200,907	43,410,762
Licences and Permits	606,017	445,267
Interest, Dividends and Rent on Land	103,167	78,500
Transfer revenue		
Government grants & subsidies	152,363,706	147,791,944
Interest on receivables	1,958,310	1,290,620
Fines, Penalties and Forfeits	742,667	888,616
Other transfer revenue	1,450,232	372,406
	199,425,006	194,278,115

40. Agency Services

Fee paid	2025	2024
Fee paid as compensation to the agent	239,524	1,195,434

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.

Entity as agent

Resources held on behalf of the principal, but recognised in the municipality's own financial statements

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 resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are as follows:

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.

Dannhauser Local Municipality

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Notes to the Annual Financial Statements

	2025	2024
41. Other revenue		
Other income	865,305	1,108,002
42. Auditors' remuneration		
Fees	<u>2,645,057</u>	<u>2,502,967</u>
43. Cash generated from operations		
(Deficit) surplus	(19,796,368)	8,042,173
Adjustments for:		
Depreciation and amortisation	21,579,115	28,161,266
Gain (loss) on sale of assets and liabilities	888,136	1,307,695
Fair value adjustments	-	(275,000)
Impairment loss	35,413,459	26,775,757
Prepayments	-	1,034,015
Fair value adjustment (Incl Actuarial gain/lossess)	(941,000)	-
Leave pay accrual	392,417	-
Value adjustment	-	(969,223)
Inventory	-	2,914,537
Donation received	(1,528,763)	(7,100)
Changes in working capital:		
Receivables from exchange transactions	(1,770,042)	(830,217)
Retention	(2,296,727)	-
Receivables from non-exchange transactions	(19,324,930)	(11,787,685)
Finance Cost	1,752,781	-
Prepayments	-	(1,034,015)
Leave Pay Accrual	(392,417)	-
Payables from exchange transactions	25,593,078	(4,651,758)
VAT Payable	(1,867,872)	477,363
Unspent conditional grants and receipts	10,623,605	215,056
Provisions	1,552,904	2,302,825
Employee benefit obligation	1,879,000	664,000
	51,756,375	52,339,689

44. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Operating lease charges		
Plant and equipment	414,709	493,750
• Contractual amounts		
Lease rentals on operating lease -	103,236	-
• Contractual amounts		
Lease rentals on operating lease - Other	-	81,739
• Contractual amounts		
	517,945	575,489
 Loss on sale of property, plant and equipment	 (888,136)	 (1,307,695)
Impairment on property, plant and equipment	13,391,041	11,816,330
Impairment of other receivables from non-exchange transactions	22,022,418	14,959,427
Loss on biological assets and agricultural produce	(434,000)	(158,000)
Depreciation on property, plant and equipment	21,579,115	28,161,266
Employee costs	81,494,511	54,659,007

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

	2025	2024	
45. Lease rentals on operating lease			
Office equipment			
Contractual amounts	414,709	493,750	
Lease rentals on operating lease			
Contractual amounts	103,236	-	
Lease rentals on land			
Contractual amounts	-	81,739	
	517,945	575,489	
46. Actuarial gains and loss			
Actuarial gains and loss	434,000	158,000	
47. Financial instruments disclosure			
Categories of financial instruments			
2025			
Financial assets			
	At fair value	At amortised cost	Total
Cash and cash equivalents	20,639,270	-	20,639,270
Receivable from exchange transaction	-	11,420,268	11,420,268
Receivables from non exchange transactions	-	92,070,917	92,070,917
	20,639,270	103,491,185	124,130,455
Financial liabilities			
	At amortised cost	Total	
Other financial liabilities	12,988,820	12,988,820	
Trade and other payables from exchange transactions	66,283,734	66,283,734	
	79,272,554	79,272,554	

Dannhauser Local Municipality

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Notes to the Annual Financial Statements

	2025	2024
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47. Financial instruments disclosure (continued)

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	40,690,656	40,690,656
	58,875,005	58,875,005

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Notes to the Annual Financial Statements

	2025	2024
48. Commitments		
Authorised capital expenditure and Operating Expenditure		
Already contracted for but not provided for		
• Transport Assets	3,465,931	-
• Community assets	14,272,829	3,181,328
• Infrastructure	17,985,752	9,395,484
• Furniture and equipment	892,347	4,608,029
	36,616,859	17,184,841
Not yet contracted for and authorised by accounting officer		
• Buildings	-	14,598,148
• Community Assets	-	2,000,000
• Infrastructure	13,600,000	23,922,850
• Office equipment	-	5,150,000
• Transport	450,000	-
	14,050,000	45,670,998
Total capital commitments		
Already contracted for but not provided for	36,616,859	17,184,841
Not yet contracted for and authorised by accounting officer	14,050,000	45,670,998
	50,666,859	62,855,839
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational commitments	9,321,512	2,964,892
Total operational commitments		
Already contracted for but not provided for	9,321,512	2,964,892
Total commitments		
Total commitments		
Authorised capital expenditure	50,666,859	62,855,839
Authorised operational expenditure	9,321,512	2,964,892
	59,988,371	65,820,731

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Notes to the Annual Financial Statements

	2025	2024
49. Contingencies		
Njabulo Nkosi	120,000	120,000
Royal Mndawe Holdings (Pty) Ltd	787,314	787,314
Danisile Mohapi	350,000	-
Siyabonga Khumalo	300,000	-
	1,557,314	907,314

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

Royal 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

Danisile Marilyn Mohapi vs Dannhauser Local Municipality

Mrs. D Mohapi was subjected to a disciplinary hearing and was subsequently found guilty by the tribunal. The council thereafter took a resolution to implement the findings of the presiding officers, it then dismissed Mrs. Mohapi. Mrs. Mohapi referred the matter to the Labour Court citing that she has been unfairly dismissed. The matter was heard and dismissed/ struck off the roll. She was, however, given an option in a form of leave to supplement her paper and she exercised that option as she requested information from the municipality in a form of council meeting, resolution amongst others. Depending on court's ruling the Municipality might pay a sum of R 350 000.00

Siyabonga Khumalo vs Dannhauser Local Municipality

Mr Khumalo took the municipality to a Bargaining Council citing that he was unfairly dismissed. The Bargaining Council cited that there was an unfair Labour practice by converting his permanent post to one of acting amongst others. And it ruled that he be compensated with an amount of R95 000 for an unfair labour practice. He then took the matter to the Labour Court to review the decision of the Bargaining Council. Depending on the court's ruling the Municipality might pay a sum of R300 000.00

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Notes to the Annual Financial Statements

2025

2024

50. Related parties

Accounting Officer

Refer to Remuneration of councillors note 30
accounting officers' report note 5

Key management information

Class	Description	Name
Community Services Director	Senior Management	Mr. MI Ngwabe
Corporate Services Director	Senior Management	Mrs. NM Shangase
Chief Financial Officer	Senior Management	Mrs. DM Mohapi
Chief Financial Officer	Senior Management	Mr N. Majola
Technical Services Director	Senior Management	Mrs. LP Gcabashe
Planning and development Director	Senior Management	Mr. SS Nkabinde
Municipal Manager	Accounting Officers	Mr. MS Sithole
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 30 "Remuneration of councillor". Refer to the general information page for full list of Councillors.

Executive management

*Refer to note 29 "Employee related costs"

Payment of remuneration of senior managers and councillors - detail payments are set out in notes 29 and 30.

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Notes to the Annual Financial Statements

2025	2024
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51. Accounting by principals and agents

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

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.

Entity as agent

Resources held on behalf of the principal, but recognised in the municipality's own financial statements

All the resources held on behalf of the principal were not recognised in the municipality's own financial statements.

Entity as principal

Fee paid

Fee paid as compensation to the agent	1,044,020	1,219,441
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Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are as follows:

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 with 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.

52. 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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

Borrowings	30 June 2025 R12 988 821	30 June 2024 18 184 349
Trade payables	R 40 083 027	R 20 043 293

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

2025	2024
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52. Risk management (continued)

Credit risk

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

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	2025	2024
Receivables from exchange transactions	11,420,268	8,616,211
Cash and Cash equivalent	20,639,270	19,594,104
Receivables from non exchange transactions	92,070,917	72,745,987

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.

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

2025	2024
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53. Going concern

The annual financial statements of the Municipality have been prepared on the assumption that the Municipality will continue to operate as a going concern for a period of at least twelve (12) months from the reporting date.

We draw attention to the fact that, as at 30 June 2025, the Municipality had an accumulated deficit for the current financial year; however, it remains in a net asset position, with total assets exceeding total liabilities.

In terms of GRAP 1, paragraph 29, the assessment of an entity's ability to continue as a going concern requires consideration of the specific facts and circumstances applicable to the entity. This assessment is not based solely on solvency tests typically applied to private-sector business enterprises. Management has evaluated the Municipality's ability to meet its obligations by considering both quantitative and qualitative information, as well as events known or reasonably knowable at the date on which the financial statements are issued. All relevant conditions and events whether favourable or unfavourable have been taken into account.

Financial Ratio Analysis

In assessing the financial health of the Municipality, a number of financial ratios were considered, including but not limited to:

- Acid-Test Ratio: Assesses the Municipality's ability to settle current obligations using its most liquid current assets.
- Current Ratio: Indicates the extent to which current and short-term assets can be utilised to settle current or short-term liabilities.
- Debt Ratio: Measures the extent to which the Municipality relies on debt to finance its assets

Other ratios not explicitly listed above were also used in the going concern assessment.

Adverse Financial Indicators

The following adverse financial ratios and conditions were identified and may cast doubt on the Municipality's ability to continue as a going concern:

1. The Municipality is in a net current liability position, indicating insufficient current assets to settle current liabilities as they fall due.
2. A deficit was incurred for the current financial year.
3. Creditors' payment period exceeds 30 days.
4. The acid-test ratio is below 1 and has deteriorated compared to the prior year.
5. The debt ratio decreased by 35% from the prior year to the current year.

Mitigating Factors Supporting the Going Concern Assumption

Despite the adverse indicators noted above, management is satisfied that the Municipality will continue to operate as a going concern due to the following mitigating factors:

1. The Municipality held cash reserves of R20 million at year-end.
2. The Municipality is in a net asset position, indicating that total assets exceed total liabilities.
3. A 12-month cash flow forecast has been prepared and reflects that total revenue is expected to be sufficient to cover total expenditure.
4. Although the Municipality reported an operating deficit of R19 million, this deficit results largely from non-cash items such as Depreciation (R21 million) and Impairment Losses (R35 million). Once adjusted for these non-cash expenses, the Municipality reflects an underlying net operating surplus.
5. Revenue has increased from the prior year to the current year.
6. The Municipality has an accumulated surplus of approximately R470 million at year-end.
7. The Municipality is not under administration and is assured of receiving its equitable share allocation and various conditional grants during the next 12 months. Normal billing for services rendered will continue.
8. The approved 2025/2026 budget reflects a projected surplus of R8 million and is both funded and formally approved and a net asset position of R552m.
9. The municipality has received feedback from Treasury regarding challenges faced in payments made to creditors after 30 days. A cash collection campaign has been implemented which has resulted in improved cash collections, lastly treasury provides monthly cash management support to the municipality.
10. The Municipality currently holds a government financial liability of R12 million, which is scheduled to be settled over the next two years. Upon full settlement of this liability, the Municipality will free up approximately R5 million in cash annually, which will positively contribute to the management of operational cash flows.

Dannhauser Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

Notes to the Annual Financial Statements

2025	2024
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53. Going concern (continued)

Having considered the adverse indicators together with the mitigating factors outlined above, management is of the view that the Municipality has adequate resources to continue operating for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

54. Events after the reporting date

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

55. Unauthorised expenditure

Opening balance as previously reported	93,478,966	64,654,101
Add: Unauthorised expenditure - current	48,059,342	28,824,865
Less: Amount written off - current	(64,654,101)	-
Closing balance	76,884,207	93,478,966

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

Non-cash	9,525,595	24,583,452
Cash	38,533,747	4,241,413
	48,059,342	28,824,865

Analysed as follows: non-cash

Impairment	8,637,459	23,275,757
Loss on disposal of property, plant and equipment	888,136	1,307,695
	9,525,595	24,583,452

Analysed as follows: cash

Remuneration for councillors	1,629,151	-
Finance Charges	-	1,064,676
Employee Related Cost	36,031,790	-
Contracted services	-	196,917
Inventory expensed	872,806	2,979,820
	38,533,747	4,241,413

Unauthorised expenditure: Budget overspending – per municipal department:

Technical services - Impairment	8,637,459	23,275,757
Finance - Finance charges	-	1,064,676
Mayor and Council	-	196,917
Technical Services - Inventory expensed	872,806	2,979,820
Finance - Loss on disposal of assets	888,136	1,307,695
Corporate Services - Employee Related Cost	36,031,790	-
Mayor & Council - Councillors Allowances	1,629,151	-
	48,059,342	28,824,865

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Notes to the Annual Financial Statements

	2025	2024
56. Fruitless and wasteful expenditure		
Opening balance as previously reported	116,345	34,736
Add: Fruitless and wasteful expenditure identified - current	3,645	81,609
Less: Amount written off - current	(34,736)	-
Closing balance	85,254	116,345
57. Irregular expenditure		
Opening balance as previously reported	30,494,565	4,196,372
Add: Irregular expenditure - current	13,616,151	26,398,193
Less: Prior year error	-	(100,000)
Less: Amount written off - current	(4,096,372)	-
Closing balance	40,014,344	30,494,565

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Notes to the Annual Financial Statements

	2025	2024
57. 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
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
Bids were not advertised for minimum period (Panel of professional services for civil engineering and Planning services	5,950,568	-
Functionality criteria was incorrectly used to eliminate bidders during the compulsory evaluation stage	-	1,964,421
Awards where the SCM process was not followed	5,413,704	-
Suppliers whose Directors are under the service of the state	22,900	-
Contract between the municipality and service provider expired	2,228,979	-
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
	13,616,151	26,398,192

Cases under investigation

Investigations are still in progress regarding R 30 494 565: R 13 616 151 (2024:2025) cases which all relate to non-compliance with the procurement process requirements. The amounts disclosed for irregular expenditure are inclusive of VAT.

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

Company Name	Employee Name	2025	2024
Harvest Hr & Business Consultants	Ms. SL Ngcobo (Spouse) - Employed by Dannhauser Municipality	11,703,621	8,303,621
Daleka Trading	Mr. MH Dlamini	-	6,100,000
		11,703,621	14,403,621

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Notes to the Annual Financial Statements

	2025	2024
58. Awards to close family members of person in the service of the state.		
Harvest Hr and Business Consultants - Ms SL Ngcobo (Spouse) - Employed by Dannhauser Municipality	11,703,621	8,303,621
Daleka Trading - Mr MH Dlamini	-	6,100,000
	11,703,621	14,403,621
59. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	646,578	500,000
Amount paid - current year	(646,578)	(500,000)
	-	-
Audit fees		
Current year subscription / fee	2,645,057	2,502,967
Amount paid - current year	(2,645,057)	(2,502,967)
	-	-
PAYE and UIF		
Current year subscription / fee	12,385,904	6,536,549
Amount paid - current year	(12,385,904)	(6,536,549)
	-	-
VAT		
VAT receivable	3,148,129	1,595,146

All VAT returns have been submitted by the due date throughout the year.

60. 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.

Dannhauser Local Municipality

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Notes to the Annual Financial Statements

	2025	2024
61. Deviation from supply chain management regulations(Deviation continuation		
Deviation - 2024		
Impractical to follow normal SCM process	Amount	Amount
	3,375,559	2,037,132
Sole supplier		
	294,018	31,860
Emergency procurement		
	631,795	2,660,050
	4,301,372	4,729,042
		9,030,414

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

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	2025	2024
61. Deviation from supply chain management regulations(Deviation continuation (continued)		
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
Hire of marquee, mobile toilets, generator, lighting, video for Dundee Golf Day - Emergency procurement as the municipality received late approval for site establishment	59,736	-
Supply with 4x armed guards for 1 day for special Council meeting on 29/11/2024 - Emergency procurement for security services for Council meeting due to security threats/concerns	5,520	-
Service provider to upgrade the telephone lines for Municipal offices - Emergency - Municipal telephone lines are damaged they need to be fixed as soon as possible because no calls are coming or going through	4,664	-
Supply 10 cases of water for the Mayoral Matric Awards function - This was an emergency procurement, there was no service provider to provide these items at the required time	2,900	-
Remove and fit the water tank; strip and assemble the engine and storage	130,000	-
Service provider to repair NDH3436	51,132	-
Radio interview for the Honorable Mayor at Newcastle Community Radio	6,000	-
Supply and delivery of storm water pipes (size 450MM X 32; 600MM X60; 900MM X22)	298,190	-
The maintanance of the municipality tractor	62,653	-
Eletrician to fix electricity for licensing department	11,000	-

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Notes to the Annual Financial Statements

2025

2024

62. 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

2025

	Other services	Planning and development	Trading services	Total
Revenue				
Revenue from exchange transactions	74,284	7,875,985	2,469,067	10,419,336
Revenue from non-exchange transactions	24,289,172	166,871,172	8,264,662	199,425,006
Total segment revenue	24,363,456	174,747,157	10,733,729	209,844,342
Municipal revenue				209,844,342
Expenditure				
Employee related costs	7,106,008	26,735,349	35,024,003	68,865,360
Remuneration of Councillors	-	12,629,151	-	12,629,151
Depreciation and Amortisation	4,659,171	16,816,647	103,297	21,579,115
General expenses	4,327,825	25,396,299	7,197,965	36,922,089
Contracted services	30,824,711	16,459,112	2,140,141	49,423,964
Interest	-	3,305,685	-	3,305,685
Inventory Consumed	360,273	676,533	-	1,036,806
Opearting Leases	103,236	414,709	-	517,945
Total segment expenditure	47,381,224	102,433,485	44,465,406	194,280,115
Total segmental surplus/(deficit)				15,564,227
Loss on Disposal				(888,136)
Fair Value Adjustments				507,000
Actuarial gain or loss				434,000
Impairment Loss				(35,413,459)
Total losses and gain				(35,360,595)

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Notes to the Annual Financial Statements

62. Segment information (continued)

Assets

Current Assets	-	45,214,581	-	45,214,581
Non-Current Assets	366,197,926	-	175,794,676	541,992,602
Total segment assets	366,197,926	45,214,581	175,794,676	587,207,183
Total assets as per Statement of financial Position				587,207,183

Liabilities

Current liability	-	(67,652,319)	(18,875,422)	(86,527,741)
Non-Current Liabilities	(11,548,115)	(18,525,222)	-	(30,073,337)
Total segment liabilities	(11,548,115)	(86,177,541)	(18,875,422)	(116,601,078)
Total liabilities as per Statement of financial Position				(116,601,078)

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 Cost	6,270,877	20,037,169	15,429,485	41,737,531
Remuneration of councillors	-	12,921,476	-	12,921,476
Depreciation and amortization	-	28,159,444	1,822	28,161,266
Operational Cost	3,322,402	20,646,886	3,985,206	27,954,494
Contracted Services	26,991,789	17,000,122	1,714,006	45,705,917
Interest	-	3,686,676	-	3,686,676
Inventory consumed	-	3,179,820	-	3,179,820
Operating leases	-	575,489	-	575,489
Total segment expenditure	36,585,068	106,207,082	21,130,519	163,922,669

Total segmental surplus/(deficit)

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)

Assets

Current Assets	-	43,959,278	-	43,959,278
Non Current Assets	504,194,832	24,742,507	-	528,937,339
Total segment assets	504,194,832	68,701,785	-	572,896,617
Total assets as per Statement of financial Position				572,896,617

Liabilities

Current liabilities	-	(47,192,030)	(3,247,309)	(50,439,339)
Non current liabilities	(11,548,115)	(20,506,694)	-	(32,054,809)
Total segment liabilities	(11,548,115)	(67,698,724)	(3,247,309)	(82,494,148)

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Notes to the Annual Financial Statements

62. Segment information (continued)

Total liabilities as per Statement of financial Position

(82,494,148)

63. Budget differences

Budget vs Actual Comments

1. Sale of goods - The municipality under budgeted , the increase it was due to sales of items e.g tender document sales.
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 - Not applicable.
4. Agency Services - Load reduction affected the budget amount, during the loadshedding licence office closes .
5. Property rates - More indigent applications were received.
6. Interest on receivables from non-exchange - outstanding payments for property rates.
7. Licences and and Permit - During load reduction licence office closes which affect budget and revenue
8. Government grants - Unspent grant on MIG and Disaster.
9. Fines, penalties and forfeits - Budget is on cash basis while actuals are on accrual basis.
10. Donation received - The municipality do not budget for donations.
11. Other transfer revenue - There were less training provided during the current year.
12. Employee related cost - There were more casual workers hired during the financial year.
13. Remuneration of councillors - increased due to upper limits permit..
14. Depreciation / Amortization - The municipality over budgeted
15. Contracted services - Application of cost containment policy
16. General Expenses - Cost containment policy strictly implemented
17. Inventory expensed - The actual expense is higher than the budgeted amount due to the childcare facility.
18. Impairment loss - Assessment was done at the end of the financial year.

64. Prior-year adjustments

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

Statement of financial position

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Notes to the Annual Financial Statements

			2025	2024
64. Prior-year adjustments (continued)				
2024				
	Note	As previously reported	Re-classification	Restated
VAT receivable		1,829,209	-	1,829,209
Statutory VAT Receivables		-	(758,396)	(758,396)
Input VAT Accrual		-	(1,887,890)	(1,887,890)
Output VAT Accrual		-	817,077	817,077
Work-in- progress		218,322,230	-	218,322,230
Building		-	(192,128,289)	(192,128,289)
Infrastructure		-	(26,193,941)	(26,193,941)
Prepaid Expense		-	1,034,015	1,034,015
		220,151,439	(219,117,424)	1,034,015

Statement of financial performance

	Note	As previously reported	Correction of error	Re-classification	Restated
Finance Cost		4,564,676	-	(878,000)	3,686,676
Employee related		40,859,531	-	878,000	41,737,531
Insurance		1,589,618	(1,034,015)	-	555,603
Surplus for the year		47,013,825	(1,034,015)		45,979,810