

# **uMdoni Municipality**

Annual Financial Statements for the year ended 30 June 2024



uMdoni Municipality  
Annual financial statements  
for the year ended 30 June 2024

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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### Nature of business and principal activities

The primary function of Umdoni Local Municipality is to provide basic services i.e. refuse, roads and stormwater facilities within the municipality's jurisdiction.

### Mayoral committee

Executive Mayor

Cllr MJ Cele  
Cllr PE Thabethe (Deputy Mayor)  
Cllr ME Mbutho (Speaker)  
Cllr S Singh (EXCO Member)  
Cllr ZZ Duma (EXCO Member)  
Cllr GS Jiji (EXCO Member)  
Cllr RS Maharaj (EXCO Member)

### Councillors

Cllr SD Mdluli  
Cllr S Mzelemu  
Cllr JM Ndlela  
Cllr S Sookharaj  
Cllr LR Dlamini  
Cllr RB Bhoola  
Cllr PN Nombika  
Cllr MA Khan  
Cllr MJ Ngubo  
Cllr S Mahomed  
Cllr TN Ndlovu  
Cllr MP Tenza  
Cllr SN Mlaba  
Cllr WS Mthwane  
Cllr TM Msomi  
Cllr BA Cele  
Cllr ZKW Jeza  
Cllr MA Mbanjwa  
Cllr SEH Mngoma  
Cllr Z Molife  
Cllr SV Khanyile  
Cllr NL Nkomo  
Cllr S Zulu  
Cllr KP Khumalo  
Cllr CN Gumede  
Cllr RG Ngcobo  
Cllr MR Madlala  
Cllr GM Phungula  
Cllr AT Cutten  
Cllr NS Shezi  
Cllr P Naidoo  
Cllr QT Mzimela

### Registered office

Cnr Bram Fischer and Williamson Streets  
Scottburgh  
4180  
[www.umdoni.gov.za](http://www.umdoni.gov.za)

### Business address

Cnr Bram Fischer and Williamson Streets

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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	Scottburgh 4180
Postal address	P O Box 19 Scottburgh 4180
Bankers	Standard Bank
Auditors	Auditor General of South Africa Registered Auditors

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Index

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The reports and statements set out below comprise the annual financial statements presented to the Council:

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COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that she 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 set 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 municipalities 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. These financial statements are submitted under very challenging circumstances. The Municipality is experiencing labour interruptions since mid- April 2024. This labour interruption persisted in May 2024, June 2024 and early July 2024. In mid-July 2024, the Municipality was affected by community protests which has had an impact on the daily operations and service delivery to the residents. As at the date of submission of the annual financial statements the current situation of labour not working and the threat of community protests still persist

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

The Accounting Officer also certifies that salaries, allowances and benefits of Councilors, loans made to Councilors, if any, and payments made to Councilors for loss of office as disclosed in the annual financial statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The municipality is wholly dependent on its own and 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 external auditors are responsible for independently auditing and reporting on the municipality annual financial statements. The annual financial statements have been examined by the municipalities external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5-105, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2024 and were signed on its behalf by:

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**Acting Accounting Officer**  
**Mr S Nxele**

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	146,398,454	161,185,362
Receivables from exchange transactions	3	29,145,233	30,472,700
Receivables from non-exchange transactions	4	69,199,190	57,646,321
Operating lease asset	5	181,654	94,665
		<b>244,924,531</b>	<b>249,399,048</b>
<b>Non-Current Assets</b>			
Investment property	6	7,511,458	7,905,845
Property, plant and equipment	7	656,382,947	643,488,622
Intangible assets	8	70,909	101,058
Heritage assets	9	261,011	261,011
		<b>664,226,325</b>	<b>651,756,536</b>
<b>Total Assets</b>		<b>909,150,856</b>	<b>901,155,584</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	10	59,246,615	64,240,962
Unspent conditional grants and receipts	11	6,935,351	8,642,416
Employee benefit obligation	12	2,408,999	2,399,999
Consumer deposits	13	2,526,458	2,486,799
Operating Lease liability	14	389,857	150,099
Finance lease obligation	16	-	130,377
		<b>71,507,280</b>	<b>78,050,652</b>
<b>Non-Current Liabilities</b>			
Provisions	15	16,649,221	9,439,317
Employee benefit obligation	12	30,495,000	28,468,000
Finance lease obligation	16	86,019	-
		<b>47,230,240</b>	<b>37,907,317</b>
<b>Total Liabilities</b>		<b>118,737,520</b>	<b>115,957,969</b>
<b>Net Assets</b>		<b>790,413,336</b>	<b>785,197,615</b>
Housing Development Fund		3,363,470	3,142,755
Accumulated surplus		787,049,866	782,054,860
<b>Total Net Assets</b>		<b>790,413,336</b>	<b>785,197,615</b>

\* See Note 54

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	17	11,151,173	10,575,025
Sale of goods and rendering of services	18	2,863,285	3,325,960
Rental of facilities and equipment	19	7,620,355	7,175,758
Interest received - Investments	20	14,607,648	13,513,478
Interest received - Receivables		1,876,589	1,528,041
Agency services	21	2,589,398	2,087,410
Operational revenue	22	533,412	1,352,423
Remeasurements relating to employee benefits	23	1,721,917	1,902,144
Proceeds from Insurance fund (Allocations in kind)	24	-	258,368
Construction contract revenue		708,696	-
<b>Total revenue from exchange transactions</b>		<b>43,672,473</b>	<b>41,718,607</b>
<b>Revenue from non-exchange transactions</b>			
Donation of Land Received	55	3,669,740	-
Fines, Penalties and Forfeits	28	1,198,393	1,301,542
Government grants & subsidies	27	234,571,100	224,836,212
Licences and Permits	26	2,952,602	6,863,600
Property rates	25	120,535,255	110,977,036
Property rates - Penalties and Interest	25	12,152,008	9,504,253
<b>Total revenue from non-exchange transactions</b>		<b>375,079,098</b>	<b>353,482,643</b>
<b>Total revenue</b>		<b>418,751,571</b>	<b>395,201,250</b>
<b>Expenditure</b>			
Employee related costs	29	(150,697,668)	(145,634,138)
Remuneration of councillors	30	(16,330,032)	(15,270,667)
Contracted services	31	(107,539,542)	(122,880,165)
Operational expenditure	35	(52,823,339)	(52,195,027)
Depreciation and amortisation	36	(41,485,136)	(34,778,700)
Reversal/(Impairment of cash and non-cash generating assets)	37	(4,572,741)	42,863,734
Finance costs	38	(927,123)	(588,219)
Lease rentals on operating lease	39	(2,433,948)	(1,650,418)
Debt impairment	40	(24,747,085)	(18,433,565)
Transfers and subsidies	41	(3,021,456)	(649,927)
Inventory Consumed	32	(7,056,403)	(4,711,953)
Bad debts written off	33	-	(9,056,500)
Loss on disposal of assets	34	(1,901,383)	(3,857,282)
<b>Total expenditure</b>		<b>(413,535,856)</b>	<b>(366,842,827)</b>
<b>Surplus for the year</b>		<b>5,215,715</b>	<b>28,358,423</b>

\* See Note 54

## uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

### Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	2,981,093	751,166,410	754,147,503
Adjustments			
Correction of errors	-	2,691,689	2,691,689
<b>Balance at 01 July 2022 as restated*</b>	<b>2,981,093</b>	<b>753,858,099</b>	<b>756,839,192</b>
Changes in net assets			
Surplus for the year	-	28,358,423	28,358,423
Write offs of debt to the housing development fund	161,662	(161,662)	-
Total changes	161,662	28,196,761	28,358,423
<b>Restated* Balance at 01 July 2023</b>	<b>3,142,755</b>	<b>782,054,867</b>	<b>785,197,622</b>
Changes in net assets			
Surplus for the year	-	5,215,715	5,215,715
Transfer of Interest earned to housing development fund	184,943	(184,943)	-
Transfer of rentals to the housing development fund	35,773	(35,773)	-
Total changes	220,716	4,994,999	5,215,715
<b>Balance at 30 June 2024</b>	<b>3,363,470</b>	<b>787,049,866</b>	<b>790,413,336</b>

\* See Note 54



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates and taxes		95,279,257	93,993,311
Sale of goods and services		21,110,685	17,372,623
Government Grants and Subsidies		232,864,035	226,564,427
Interest Received: Receivables and Investments		28,636,245	24,545,774
		<u>377,890,222</u>	<u>362,476,135</u>
<b>Payments</b>			
Employee costs and Councillors		(161,639,376)	(153,763,686)
Suppliers		(170,931,981)	(195,392,701)
Finance costs		(5,753)	(19,261)
Transfer and Subsidies Paid		(3,021,456)	(649,927)
		<u>(335,598,566)</u>	<u>(349,825,575)</u>
<b>Net cash flows from operating activities</b>	43	<b>42,291,656</b>	<b>12,650,560</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(57,562,670)	(43,926,656)
Proceeds from sale of property, plant and equipment	7	532,105	445,239
Purchase of other intangible assets	8	(3,640)	-
<b>Net cash flows from investing activities</b>		<b>(57,034,205)</b>	<b>(43,481,417)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(44,358)	(249,035)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(14,786,907)</b>	<b>(31,079,892)</b>
Cash and cash equivalents at the beginning of the year		161,185,362	192,265,258
<b>Cash and cash equivalents at the end of the year</b>	2	<b>146,398,455</b>	<b>161,185,366</b>

\* See Note 54

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2024</b>											
<b>Financial Performance</b>											
Property rates	128,180,834	446,598	128,627,432	-		128,627,432	120,535,255		(8,092,177)	94 %	94 %
Service charges	12,958,773	5,152	12,963,925	-		12,963,925	11,151,174		(1,812,751)	86 %	86 %
Investment revenue	8,276,014	2,223,987	10,500,001	-		10,500,001	14,607,648		4,107,647	139 %	177 %
Transfers recognised - operational	189,779,300	11,761,279	201,540,579	-		201,540,579	195,691,618		(5,848,961)	97 %	103 %
Other own revenue	28,954,225	380,240	29,334,465	-		29,334,465	34,216,656		4,882,191	117 %	118 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>368,149,146</b>	<b>14,817,256</b>	<b>382,966,402</b>	-		<b>382,966,402</b>	<b>376,202,351</b>		<b>(6,764,051)</b>	<b>98 %</b>	<b>102 %</b>
Employee costs	(169,703,919)	449,309	(169,254,610)	-	-	(169,254,610)	(149,860,663)	-	19,393,947	89 %	88 %
Remuneration of councillors	(16,477,969)	-	(16,477,969)	-	-	(16,477,969)	(16,330,032)	-	147,937	99 %	99 %
Debt impairment	(7,000,000)	-	(7,000,000)			(7,000,000)	(24,747,086)	-	(17,747,086)	354 %	354 %
Depreciation and asset impairment	(42,943,501)	(929,766)	(43,873,267)			(43,873,267)	(46,057,877)	-	(2,184,610)	105 %	107 %
Finance charges	-	(2,771)	(2,771)	-	-	(2,771)	(1,764,137)	-	(1,761,366)	63,664 %	DIV/0 %
Materials and bulk purchases	(7,509,488)	(1,329,940)	(8,839,428)	-	-	(8,839,428)	(7,056,403)	-	1,783,025	80 %	94 %
Transfers and grants	(4,483,137)	557,510	(3,925,627)	-	-	(3,925,627)	(3,021,456)	-	904,171	77 %	67 %
Other expenditure	(200,910,140)	(12,669,077)	(213,579,217)	-	-	(213,579,217)	(164,698,207)	-	48,881,010	77 %	82 %
<b>Total expenditure</b>	<b>(449,028,154)</b>	<b>(13,924,735)</b>	<b>(462,952,889)</b>	-	-	<b>(462,952,889)</b>	<b>(413,535,861)</b>	-	<b>49,417,028</b>	<b>89 %</b>	<b>92 %</b>
<b>Surplus/(Deficit)</b>	<b>(80,879,008)</b>	<b>892,521</b>	<b>(79,986,487)</b>	-		<b>(79,986,487)</b>	<b>(37,333,510)</b>		<b>42,652,977</b>	<b>47 %</b>	<b>46 %</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	39,943,700	1,027,722	40,971,422	-		40,971,422	42,549,222		1,577,800	104 %	107 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(40,935,308)</b>	<b>1,920,243</b>	<b>(39,015,065)</b>	-		<b>(39,015,065)</b>	<b>5,215,712</b>		<b>44,230,777</b>	<b>(13)%</b>	<b>(13)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>(40,935,308)</b>	<b>1,920,243</b>	<b>(39,015,065)</b>	-		<b>(39,015,065)</b>	<b>5,215,712</b>		<b>44,230,777</b>	<b>(13)%</b>	<b>(13)%</b>
<b>Financial Position</b>											
Total current assets	404,945,880	(151,251,134)	253,694,746	-		253,694,746	245,103,306		(8,591,440)	97 %	61 %
Total non-current assts	701,936,030	(34,164,941)	667,771,089	-		667,771,089	664,226,330		(3,544,759)	99 %	95 %
Total current liabilities	(133,011,134)	8,427,161	(124,583,973)	-		(124,583,973)	(71,597,178)		52,986,795	57 %	54 %
Total non-current liabilities	(54,051,170)	(3,201,342)	(57,252,512)	-		(57,252,512)	(47,319,109)		9,933,403	83 %	88 %
Community wealth / equity	(919,819,606)	180,190,256	(739,629,350)	-		(739,629,350)	(788,567,043)		(48,937,693)	107 %	86 %
<b>Capital expenditure and funds sources</b>											
<b>Total capital expenditure</b>	<b>54,355,578</b>	<b>3,235,634</b>	<b>57,591,212</b>	-		<b>57,591,212</b>	<b>51,550,608</b>		<b>(6,040,604)</b>	<b>90 %</b>	<b>95 %</b>
<b>Sources of capital funds</b>											
Transfers recognised - capital	34,733,654	945,845	35,679,499	-		35,679,499	33,971,823		(1,707,676)	95 %	98 %
Internally generated funds	19,621,924	2,289,789	21,911,713	-		21,911,713	17,578,785		(4,332,928)	80 %	90 %
<b>Total sources of capital funds</b>	<b>54,355,578</b>	<b>3,235,634</b>	<b>57,591,212</b>	-		<b>57,591,212</b>	<b>51,550,608</b>		<b>(6,040,604)</b>	<b>90 %</b>	<b>95 %</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	59,666,130	(29,253,682)	30,412,448	-		30,412,448	42,291,656		11,879,208	139 %	71 %
Net cash from (used) investing	(52,501,041)	(13,934,972)	(66,436,013)	-		(66,436,013)	(57,034,205)		9,401,808	86 %	109 %
Net cash from (used) financing	10,000	(130,377)	(120,377)	-		(120,377)	(44,358)		76,019	37 %	(444)%
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,175,089</b>	<b>(43,319,031)</b>	<b>(36,143,942)</b>	-		<b>(36,143,942)</b>	<b>(14,786,907)</b>		<b>21,357,035</b>	<b>41 %</b>	<b>(206)%</b>
Cash and cash equivalents at the beginning of the year	254,939,395	(93,754,033)	161,185,362	-		161,185,362	161,185,362		-	100 %	63 %
<b>Cash and cash equivalents at year end</b>	<b>262,114,484</b>	<b>(137,073,064)</b>	<b>125,041,420</b>	-		<b>125,041,420</b>	<b>146,398,455</b>		<b>(21,357,035)</b>	<b>117 %</b>	<b>56 %</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

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

### Changes in Accounting Policy and Comparability

Accounting policies have been consistency applied, except where otherwise indicated below.

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

These accounting policies are consistent with the previous period.

### STANDARDS APPROVED AND EFFECTIVE FOR 2023/24 FINANCIAL YEAR

The following GRAP standards have been approved and effective to the municipality for the 2023/24 financial year:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue from Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non -Cash Generating Assets
GRAP 23	Revenue from Non- Exchange Transactions (Taxes and Transfers )
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits(Revised)
GRAP 26	Impairment of Cash-Generating Assets
GRAP 31	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents

## Accounting Policies

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### INTERPRETATIONS OF STANDARDS OF GRAP APPROVED AND EFFECTIVE FOR 2023/24 FINANCIAL YEAR

IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue

IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities

IGRAP 3 Determining whether an arrangement contains a lease

IGRAP 4 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds

IGRAP 5 Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies

IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions

IGRAP 9 Distributions of Non-cash Assets to Owners

IGRAP 10 Assets Received from Customers

IGRAP 13 Operating Leases – Incentives

IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IGRAP 15 Revenue – Barter Transactions Involving Advertising Services

IGRAP 16 Intangible Assets – Website Costs

IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

IGRAP 18 Recognition and Derecognition of Land

IGRAP 19 Liabilities to Pay Levies

IGRAP 20 Accounting for Adjustments to Revenue

IGRAP 21 The Effect of Past Decisions on Materiality

Standards approved and not yet effective:

GRAP 103 (as revised): Heritage Assets

GRAP 104 (as revised): Financial Instruments

These accounting policies are consistent with the previous period.

### 1.1 Significant judgements and sources of estimation uncertainty

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

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

#### Receivables from exchange and non-exchange transactions

The municipality assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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 and other receivables is calculated on an individual and group portfolio basis, based on historical collection levels and other indicators present at the reporting date that correlate with relevant portfolio.

#### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

## Accounting Policies

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### 1.1 Significant judgements and sources of estimation uncertainty (continued)

#### **Impairment : Write down of Property Plant and Equipment and Inventories**

Accounting Policy 1.10 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

#### **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 15 - Provisions.

#### **Useful lives of property, plant and equipment**

As described in Accounting Policy 1.5, the municipality depreciates over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

#### **Defined benefit plan liabilities**

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.

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

As described in Accounting Policy 1.20, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 13 and 27 to the Annual Financial Statements.

#### **Allowance for doubtful debts**

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

#### **Impairment of statutory receivables**

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

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

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

### 1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All the amounts are rounded off to the nearest rand.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.3 Going concern assumption

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

### 1.4 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

### 1.5 Housing development fund

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

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

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

### 1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

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

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

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

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

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	25-30 years
Street lighting	Straight line	35 years
Plant and machinery	Straight line	4-50 years
Furniture and fixtures	Straight line	5-50 years
Motor vehicles	Straight line	2-30 years
IT equipment	Straight line	2-35 years
Traffic signs	Straight line	9-55 years
Landfill Site	Straight line	42-55 years
Community Assets	Straight line	2-65 years
Other property, plant and equipment	Straight line	10-30 years
Artwork	Straight line	3-60 years
Transport assets	Straight line	2-30 years
Bins and containers	Straight line	10-30 years
Other property, plant and equipment	Straight line	10-30 years
Leased Motor vehicles	Straight line	3-5 years
Electricity	Straight line	10-25 years
Stormwater	Straight line	20-80 years
Roads municipal asphalt surface	Straight line	9-80 years
Roads municipal asphalt basis	Straight line	9-80 years
Roads municipal concrete surface	Straight line	4-50 years
Roads municipal concrete basis	Straight line	4-50 years
Roads municipal gravel surface	Straight line	4-50 years
Kerb and channels	Straight line	12-90 years
Retaining walls	Straight line	25-60 years
Pedestrian footpaths	Straight line	25-30 years

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

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

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

The municipality assesses at each reporting date, based on the indicators present in accordance with GRAP 17, 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.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

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

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

### 1.7 Investment property

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

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

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

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

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

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

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

#### Subsequent Measurement

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the investment property, which is as follows:

Item	Useful life
Property - buildings	30 years

### 1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.8 Intangible assets (continued)

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

An intangible asset is recognised when:

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

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

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

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

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

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

### Subsequent Measurement - Cost Model

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

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

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

### Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

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

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

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

- 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 an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

## Accounting Policies

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### 1.9 Heritage assets

Assets are resources controlled by an 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.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

## Accounting Policies

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### 1.9 Heritage assets (continued)

#### 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.

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

#### Subsequent measurement

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

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a 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.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

### 1.10 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.

## Accounting Policies

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### 1.10 Financial instruments (continued)

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

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

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

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

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

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

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

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

## Accounting Policies

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### 1.10 Financial instruments (continued)

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

#### Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument. The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist, and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability 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.

#### Amortised cost

Amortised cost 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 for impairment or uncollectibility.

### 1.11 Statutory receivables

#### Identification

## Accounting Policies

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### 1.11 Statutory receivables (continued)

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

#### Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.



## Accounting Policies

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### 1.11 Statutory receivables (continued)

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

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

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

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

### Derecognition

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

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### 1.12 Inventories

#### Initial recognition

Inventories comprise of housing stock and consumable stores. Inventories are recognised at the weighted average method. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

- 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.

## Accounting Policies

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### 1.13 Revenue from exchange transactions

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

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

#### General

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

#### Service Charges

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

#### Tariff charges

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

#### Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

#### Sale of Goods

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

#### Rentals

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

### 1.14 Revenue from non-exchange transactions

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

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

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

## Accounting Policies

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### 1.14 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

### Recognition

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

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

### Measurement

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

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.

## Accounting Policies

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### 1.14 Revenue from non-exchange transactions (continued)

#### Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

#### Transfers

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

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

#### Fines

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

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

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

#### Gifts and donations, including goods in-kind

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

## Accounting Policies

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### 1.14 Revenue from non-exchange transactions (continued)

#### Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

The municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

#### Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

### 1.15 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.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

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).

## Accounting Policies

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### 1.15 Provisions and contingencies (continued)

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

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.

The municipality treats its provision for leave pay as an accrual. The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

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 53.

#### **Provision for staff leave:**

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

#### **Provision for refuse site rehabilitation:**

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined in terms of the Municipal Landfill Closure Costing Module and calculated annually have been applied

### 1.16 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of twelve months or less or more and are subject to an insignificant risk of change in value unless the purpose and nature of such investments are for capital appreciation purposes and not held for operational activities as deemed by management.

Cash and cash equivalents in the cash flow statement comprise cash on hand, deposits held on call with banks.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred.

### 1.17 Unauthorised expenditure

Unauthorised expenditure means expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003)

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.

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

## Accounting Policies

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### 1.18 Irregular expenditure

In accordance with Section 1 of the MFMA, irregular expenditure, in relation to a municipality, means:

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

In this context 'expenditure' refers to any use of municipal funds that is in contravention of the following legislation:

- (a) Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- (b) Municipal Systems Act, Act 32 of 2000, and its regulations;
- (c) Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- (d) The municipality's supply chain management policy, and any by-laws giving effect to that policy

Irregular expenditure that was incurred and identified during the current financial year and which was written off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register, with the disclosure as such being made to the note in the annual financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which write-off is being awaited at year end must be recorded in the irregular expenditure register, with the disclosure as such being made to the note in the annual financial statements.

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure.

### 1.19 Fruitless and wasteful expenditure

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

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

### 1.20 Employee benefits

#### Retirement Benefits :

The municipality provides retirement benefits for its employees. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits.

#### Post- retirement health care benefits :

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

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

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

## Accounting Policies

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### 1.20 Employee benefits (continued)

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

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

#### Post-employment benefits

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

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

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

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

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

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

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

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

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

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

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

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

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



## Accounting Policies

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### 1.20 Employee benefits (continued)

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

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- current service cost;

## Accounting Policies

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### 1.20 Employee benefits (continued)

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

## Accounting Policies

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### 1.20 Employee benefits (continued)

#### 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. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

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

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

#### Termination benefits

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

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

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

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

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

### 1.21 Deposits

Deposits received by the municipality are in terms of the approved tariff of charges by Council. These mainly relate to the use of community facilities and verge deposits, amongst others

Unidentified Direct Deposits relate to deposits made by the public into the municipality's bank account, which due to a lack of information made during the deposit process, cannot be traced to the relevant debtor. A register is maintained for all Unidentified Direct Deposits. Should all attempts prove fruitless in the identification of the relevant debtor and the amount remains unclaimed by the debtor after a time lapse of two years has occurred, these values are transferred to accumulated surplus.

### 1.22 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.

## Accounting Policies

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### 1.22 Leases (continued)

#### Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.23 Budget information

The annual budget figures have been prepared in accordance with the GRAP 24 standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality. These figures are those approved by the Council at the beginning and during the year. The budget is approved on an accrual basis by nature classification.

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

The approved budget covers the fiscal period from 2023/06/30 to 2024/06/30.

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.

### 1.24 Prior year adjustments

Restatements are effected to prior period comparatives resulting in the reclassification of prior period disclosure when the presentation or classification of items in the annual financial statements is amended. The nature and reason for the reclassification are disclosed.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.25 Value Added Tax

#### Value added taxation

VAT is an indirect tax based on consumption of goods and services in the economy. Revenue is raised for the government by requiring certain traders or vendors to register and to charge VAT on taxable supplies of goods or services. The essential characteristics of VAT are:

- it is charged at each stage of the production and distribution process;
- the taxable person (vendor) may deduct the tax paid during the preceding stages; and
- the burden of the tax is on the final consumer.

The municipality renders goods and services to consumers, it is responsible to collect taxes from its consumers for the goods and services provided. The municipality (VAT vendor) is a deemed debtor to the national government when collecting and remitting VAT.

The municipality is registered to declare VAT transactions on the cash basis to SARS. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis and VAT is settled between the VAT vendor and SARS, based on the cash collected by the municipality and the cash paid by the municipality.

VAT Receivable due/from SARS:

In accordance with GRAP 108, the VAT Receivable to/from SARS is considered to be a statutory arrangement, as this is based on legislation, being the VAT Act.

Taking into account that the VAT due/from to the national government by the municipality (VAT vendor) results in a deemed debtor-creditor relationship, it is therefore considered to be a receivable or payable from exchange transaction.

VAT Accrual:

In accordance with GRAP, the municipality recognises transactions on an accrual basis of accounting. Therefore, the transaction between the municipality and customer includes the provision of goods or services in cash or credit; and the levying and/or collection of VAT by the municipality from the customer.

Similarly, the transaction between the municipality and the supplier includes the supply of goods or services in cash or credit; and the obligation to recognise VAT by the supplier to the municipality from the customer.

The VAT accrual accounts therefore does not represent amounts to be received or paid to SARS, but rather amounts that are associated with transactions that are yet to be settled. As a result, the accrual transactions are considered to be contractual in nature, and therefore do not meet the definition of a statutory arrangement. As there is no transaction to "settle" with a specific counterparty at this point, the municipality considers the offsetting of the amounts as inappropriate, and has separately disclosed these transactions in the notes to the annual financial statements.

Input VAT Accrual represents amounts that are yet to be claimed from SARS, subject to settlement of the outstanding creditors by the municipality. This therefore shall be disclosed as a receivable from exchange transaction in accordance with GRAP 9.

Output VAT Accrual represents amounts that are yet to be paid to SARS, subject to collection from outstanding debtors of the municipality. This shall be accounted for as a trade and other payables in accordance with GRAP 19.

The municipality shall test the output VAT accrual for impairment, and account for this impairment in accordance with the impairment methodology for receivable from exchange and non-exchange transactions.

### 1.26 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).

## Accounting Policies

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### 1.26 Events after reporting date (continued)

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

### 1.27 Related parties

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

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

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

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

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

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

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

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

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.

### 1.28 Capital commitments

Items are classified as commitments where the municipality commits itself to the future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by the specific standard of GRAP

## Accounting Policies

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### 1.28 Capital commitments (continued)

#### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

#### Identification

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

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

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

#### Value in use

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

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

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

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

## Accounting Policies

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### 1.28 Capital commitments (continued)

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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



## Accounting Policies

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### 1.28 Capital commitments (continued)

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

#### Redesignation

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

### 1.29 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.

### 1.30 Accounting by principals and agents

#### Identification

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

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

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

## Accounting Policies

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### 1.30 Accounting by principals and agents (continued)

#### Identifying whether an entity is a principal or an agent

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

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

#### Binding arrangement

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

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

#### Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

#### Recognition

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

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

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

### 1.31 Impairment of non-cash-generating assets

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

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

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

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

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

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

## Accounting Policies

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

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.

#### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

#### Identification

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

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

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

## Accounting Policies

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

#### Redesignation

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

### 1.32 Comparative figures

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

### 1.33 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.34 Segment information

A segment is an activity of an entity:

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

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

## Accounting Policies

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### 1.34 Segment information (continued)

#### Measurement

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

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

### 1.35 Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of comparison of budget and actual amounts. Explanatory comment is provided in the notes to the statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 01 July 2023 to 30 June 2024. In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>2. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	278	278
Bank balances	14,993,307	17,695,835
Other cash and cash equivalents	131,404,869	143,489,249
	<b>146,398,454</b>	<b>161,185,362</b>

The Municipality has following facilities for the Main standard bank account no 052791688 which expire of 31 July 2025 : Financial Gaurantee R184 100 ,Gaurantee Given R464 100 , Fleet Gaurantee R700 000 and Performance Gaurantee R10 000

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA BANK - Investment - 92-3600-6170	22,716,955	21,149,771	20,003,216	22,716,955	21,149,771	20,003,216
FIRST NATIONAL BANK - Investment - 62-2251-55391	23,250,604	21,517,722	20,247,669	23,250,604	21,517,722	20,247,669
STANDARD BANK - Investment- 5876211 6/007	23,301,170	3,301,170	10,112,380	23,301,170	3,301,170	10,112,380
STANDARD BANK - Investment- 5876211 6/015	12,244,012	4,429,047	5,107,973	12,244,012	4,429,047	5,107,973
NEDBANK - Investment - 78810177 59/94	38,243,041	54,047,040	97,494,503	38,243,041	54,047,040	97,494,503
STANDARD BANK - Investment- 88762116/028	5,926,354	35,157,686	21,306,762	5,926,354	35,157,686	21,306,762
NEDBANK - Investment - 78810177 59/130	-	-	3,007,038	-	-	3,007,038
STANDARD BANK - Cheque - 052791 688-Primary BankAccount	14,993,307	17,695,837	8,747,287	14,993,307	17,695,837	8,747,287
Cash on Hand	-	278	278	-	278	278
STANDARD BANK - Investment- 88762116/029	4,390,258	789,578	738,155	4,390,258	789,578	738,155
STANDARD BANK - Investment- 88762116/027	-	-	5,500,000	-	-	5,500,000
STANDARD BANK - Investment- 058762116/032	-	3,097,233	-	-	3,097,233	-
STANDARD BANK - Investment- 058762116/035	1,332,753	-	-	1,332,753	-	-
<b>Total</b>	<b>146,398,454</b>	<b>161,185,362</b>	<b>192,265,261</b>	<b>146,398,454</b>	<b>161,185,362</b>	<b>192,265,261</b>

### 3. Receivables from exchange transactions

#### Gross balances

Salary debtor	1,476,358	1,476,358
Refuse	17,625,469	14,272,273
Sundry debtors	29,262,733	22,376,364
Department of Transport - accrued revenue	810,943	633,254
Input VAT Accrual on Outstanding Creditors	11,591,100	2,555,059
VAT Receivable - Due from SARS	1,241,531	15,484,910
	<b>62,008,134</b>	<b>56,798,218</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>3. Receivables from exchange transactions (continued)</b>		
<b>Less: Allowance for impairment</b>		
Salary Debtor	(1,327,570)	(1,327,570)
Refuse	(12,491,978)	(9,581,460)
Sundry Debtors	(19,043,353)	(15,416,488)
	<b>(32,862,901)</b>	<b>(26,325,518)</b>
<b>Net balance</b>		
Salary debtor	148,788	148,788
Refuse	5,133,491	4,690,813
Sundry debtors	10,219,380	6,959,876
Department of Transport - accrued revenue	810,943	633,254
Input VAT Accrual on Outstanding Creditors	11,591,100	2,555,059
VAT Receivable - Due from SARS	1,241,531	15,484,910
	<b>29,145,233</b>	<b>30,472,700</b>
The amount of R 5 075 295 under Sundry debtors relates to long outstanding historic balance regarding powers and functions and refuse. The amount has been fully impaired to date. The amount is under investigation, which the municipality is seeking council to write off.		
<b>VAT Receivable - Due from SARS</b>		
Current (0 -30 days)	1,241,531	15,044,280
31 - 60 days	-	440,630
	<b>1,241,531</b>	<b>15,484,910</b>
<b>Salary Debtor</b>		
Current (0 -30 days)	148,788	148,788
<b>Refuse</b>		
Current (0 -30 days)	1,132,265	1,091,584
31 - 60 days	327,541	315,169
61 - 90 days	314,609	267,343
91 - 120 days	281,384	261,926
121 - 365 days	15,569,670	12,336,251
	<b>17,625,469</b>	<b>14,272,273</b>
<b>Sundry Debtors</b>		
Current (0 -30 days)	1,211,144	2,136,951
31 - 60 days	1,102,275	691,373
61 - 90 days	797,169	694,271
91 - 120 days	622,122	572,032
121 - 365 days	25,530,023	18,281,737
	<b>29,262,733</b>	<b>22,376,364</b>
<b>Department of transport-Accrued revenue</b>		
Current (0 -30 days)	810,943	633,254
<b>Input VAT Accrual on Outstanding Creditors</b>		
Current (0 -30 days)	11,591,100	2,555,059

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 3. Receivables from exchange transactions (continued)

Statutory receivables included in receivables from exchange transactions are as follows, on a gross basis:

VAT Receivable - Due from SARS	1,241,531	15,484,910
	<b>1,241,531</b>	<b>15,484,910</b>

Statutory receivables that are past due and impaired included in receivables from exchange transactions are as follows:

Vat Receivable - Due from SARS	-	8,094,870
	<b>-</b>	<b>8,094,870</b>

Statutory receivables included in receivables from exchange transactions above are as follows, net of impairment:

Vat Receivable -Due From SARS	1,241,531	7,390,040
	<b>1,241,531</b>	<b>7,390,040</b>

### 4. Receivables from non-exchange transactions

#### Gross Debtors

Fines	14,010,691	12,896,241
Property Rates	162,182,700	132,686,361
	<b>176,193,391</b>	<b>145,582,602</b>

#### Impairment

Traffic fine impairment	(13,810,038)	(12,606,242)
Property Rates impairment	(93,184,163)	(75,330,039)
	<b>(106,994,201)</b>	<b>(87,936,281)</b>

#### Net Debtors

Traffic Fines	200,653	289,999
Property Rates	68,998,537	57,356,322
	<b>69,199,190</b>	<b>57,646,321</b>



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 4. Receivables from non-exchange transactions (continued)

Statutory receivables included in receivables from non-exchange transactions are as follows, on a gross basis:

Traffic Fines	14,010,691	12,896,241
Property rates - Residential	101,089,315	87,375,809
Property rates - Informal Settlements	452,652	411,782
Property rates - Vacant land	13,270,984	9,275,590
Property rates - Industrial	1,814,856	1,809,489
Property rates - Business and Commercial	20,371,669	16,105,687
Property rates - Agriculture	14,018,442	11,347,872
Property rates - State Owned Properties	378,471	348,553
Property rates - Public Service Infrastructure	3,165,189	2,919,972
Property rates - Institutional	473,497	476,688
Property rates - Public Service Purposes	7,057,500	2,571,704
Property rates - Public Benefit Organisations	90,125	43,215
	<b>176,193,391</b>	<b>145,582,602</b>

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates randages against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable. Interest is applied on outstanding debt, and is linked to the current prime interest rate + 1%.

Statutory receivables that are past due and impaired included in receivables from non-exchange transactions are as follows:

Fines	(13,810,038)	(12,606,242)
Property rates - Residential	(61,522,099)	(52,830,969)
Property rates - Informal Settlements	(369,009)	(303,835)
Property rates - Vacant Land	(5,882,708)	(3,293,558)
Property rates -Agriculture	(9,221,356)	(7,178,621)
Property rates - Industrial	(362,171)	(320,927)
Property rates - Business and Commercial	(9,340,456)	(7,003,460)
Property rates - State Owned Properties	(364,998)	(329,015)
Property rates - Public Service Infrastructure	(3,164,442)	(2,919,707)
Property rates - Public Service Purposes	(2,956,924)	(1,149,947)
	<b>(106,994,201)</b>	<b>(87,936,281)</b>

The basis of impairment takes into account the following:

The estimate were determined in accordance with the debt impairment policy of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt.

In assessing whether statutory receivables are impaired, management considered both individually receivables that may be impaired as well as groups of similar receivables that may be impaired.

The total debtors were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 4. Receivables from non-exchange transactions (continued)

Statutory receivables included in receivables from non-exchange transactions above are as follows, net of impairment:

Fines	200,653	289,999
Property rates - Residential	39,567,216	34,544,839
Property rates - Informal Settlements	83,643	107,947
Property rates - Vacant Land	7,388,276	5,982,031
Property rates - Industrial	1,452,685	1,488,561
Property rates - Business and Commercial	11,031,213	9,102,226
Property rates - Agriculture	4,797,086	4,154,488
Property rates - State Owned Properties	13,473	19,538
Properties rates - Public Service Infrastructure	747	264
Property rates - Public service Purposes	4,664,234	1,956,428
	<b>69,199,226</b>	<b>57,646,321</b>

### Summary of aging of debtors

#### Traffic Fines

Current (0-30 days)	765,850	102,500
31-60 days	125,600	173,800
61-90 days	58,000	48,500
91-120 days	92,500	90,250
121 days and over	12,968,741	12,481,191
	<b>14,010,691</b>	<b>12,896,241</b>

#### Property Rates

Current (0-30 days)	6,849,463	10,230,027
31-60 days	3,672,902	2,414,772
61-90 days	2,651,556	2,126,110
91-120 days	5,395,645	2,037,854
121 days and over	143,613,134	115,877,598
	<b>162,182,700</b>	<b>132,686,361</b>

### 5. Operating Leases Asset

Current assets	181,654	94,665
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Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable operating leases, the following assets have been recognised:

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>5. Operating Leases Asset (continued)</b>		
Balance at beginning of year	94,665	194,607
Operating lease revenue recorded	(184,344)	(530,555)
Operating lease revenue effected	271,333	430,613
	<b>181,654</b>	<b>94,665</b>
<b>At the reporting date, the municipality had outstanding receipts in terms of operating leases, which will accrue as follows:</b>		
Receivable within 1 year	183,827	184,344
Receivable within 2-5 years	168,757	352,584
	<b>352,584</b>	<b>536,928</b>
<b>Included in the above mentioned operating lease receivables is the following class of assets:</b>		
Land and buildings	352,584	536,928

## uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

#### 6. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	12,081,209	(4,569,751)	7,511,458	12,081,209	(4,175,364)	7,905,845

#### Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	7,905,845	(394,387)	7,511,458

#### Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	8,299,160	(393,315)	7,905,845

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.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	70,835,693	-	70,835,693	67,165,953	-	67,165,953
Buildings	34,015,905	(16,886,945)	17,128,960	33,193,594	(15,341,313)	17,852,281
Infrastructure: Roads	469,986,838	(217,269,207)	252,717,631	457,067,519	(201,633,072)	255,434,447
Infrastructure: Electricity	92,273	(81,203)	11,070	92,273	(77,504)	14,769
Infrastructure: Solid Waste	21,771,587	(8,171,533)	13,600,054	14,738,290	(5,988,904)	8,749,386
Machinery and Equipment	18,831,365	(14,566,764)	4,264,601	21,270,850	(15,835,857)	5,434,993
Infrastructure: Storm Water	154,160,187	(61,123,946)	93,036,241	147,917,006	(54,318,362)	93,598,644
Furniture and Office Equipment	9,803,631	(8,171,089)	1,632,542	9,920,714	(8,507,559)	1,413,155
Transport Assets	30,493,871	(15,963,225)	14,530,646	34,308,621	(22,443,492)	11,865,129
Computer Equipment	12,191,355	(9,545,123)	2,646,232	12,378,636	(8,675,688)	3,702,948
Community Assets	336,617,698	(150,638,421)	185,979,277	314,408,892	(136,151,975)	178,256,917
<b>Total</b>	<b>1,158,800,403</b>	<b>(502,417,456)</b>	<b>656,382,947</b>	<b>1,112,462,348</b>	<b>(468,973,726)</b>	<b>643,488,622</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Transfers received/Donat ions	Transfers Made	Reductions for remeasuremen t- Enviromental Rehabilitation	Depreciation	Impairment loss	Total
Land	67,165,953	-	-	3,669,740	-	-	-	-	70,835,693
Buildings	17,852,281	1,139,112	(115,214)	-	-	-	(1,602,402)	(144,817)	17,128,960
Infrastructure: Roads	255,434,447	13,268,440	(10,146)	33,198,919	(33,198,919)	-	(14,928,806)	(1,046,304)	252,717,631
Infrastructure: Solid Waste	8,749,386	744,765	-	-	-	6,288,532	(2,181,917)	(712)	13,600,054
Infrastructure: Storm Water	93,598,644	6,243,181	-	6,243,181	(6,243,181)	-	(4,733,028)	(2,072,556)	93,036,241
Infrastructure: Electricity	14,769	-	-	-	-	-	(3,699)	-	11,070
Machinery and equipment	5,434,993	762,275	(881,466)	-	-	-	(1,042,483)	(8,718)	4,264,601
Furniture and office equipment	1,413,155	643,318	(156,537)	-	-	-	(265,234)	(2,160)	1,632,542
Transport Assets	11,865,129	5,153,118	(569,639)	-	-	-	(1,907,842)	(10,120)	14,530,646
Computer equipment	3,702,948	280,427	(467,708)	-	-	-	(863,518)	(5,917)	2,646,232
Community Assets	178,256,917	22,764,608	(232,777)	9,946,174	(9,946,174)	-	(13,528,034)	(1,281,437)	185,979,277
	<b>643,488,622</b>	<b>50,999,244</b>	<b>(2,433,487)</b>	<b>53,058,014</b>	<b>(49,388,274)</b>	<b>6,288,532</b>	<b>(41,056,963)</b>	<b>(4,572,741)</b>	<b>656,382,947</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Transfers received/Donat ions	Transfers Made	Reductions for remeasuremen t- Enviromental Rehabilitation	Depreciation	(Impairment loss)/Reversals	Total
Land	67,165,953	-	-	-	-	-	-	-	67,165,953
Buildings	13,888,551	901,184	-	1,631,883	(1,631,883)	-	(1,204,793)	4,267,339	17,852,281
Infrastructure: Roads	236,958,926	23,451,249	(3,311,275)	19,222,168	(19,222,168)	-	(13,977,303)	12,312,850	255,434,447
Infrastructure: Solid waste	5,424,658	189,000	-	-	-	3,043,853	(874,324)	966,199	8,749,386
Infrastructure: Stormwater	92,830,651	-	(11,352)	-	-	-	(3,287,073)	4,066,418	93,598,644
Infrastructure: Electricity	18,458	-	-	-	-	-	(3,689)	-	14,769
Machinery and Equipment	6,719,379	292,039	(32,595)	-	-	-	(1,242,188)	(301,642)	5,434,993
Furniture and office equipment	1,696,612	105,500	-	-	-	-	(372,357)	(16,600)	1,413,155
Transport Assets	5,921,332	7,931,000	(151,920)	-	-	-	(1,798,074)	(37,209)	11,865,129
Computer equipment	3,954,037	427,500	-	258,368	-	-	(966,906)	29,949	3,702,948
Community Assets	151,100,228	16,983,780	(795,378)	34,714,992	(34,714,993)	-	(10,608,142)	21,576,430	178,256,917
	<b>585,678,785</b>	<b>50,281,252</b>	<b>(4,302,520)</b>	<b>55,827,411</b>	<b>(55,569,044)</b>	<b>3,043,853</b>	<b>(34,334,849)</b>	<b>42,863,734</b>	<b>643,488,622</b>

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

	Included within Roads Infrastructure	Included within Community	Included within Building	Total
Opening balance	21,584,834	5,037,945	509,701	27,132,480
Additions/capital expenditure	19,511,621	22,764,609	-	42,276,230
Transferred to completed items	(33,198,920)	(9,946,174)	-	(43,145,094)
	<b>7,897,535</b>	<b>17,856,380</b>	<b>509,701</b>	<b>26,263,616</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023		
<b>7. Property, plant and equipment (continued)</b>				
<b>Reconciliation of Work-in-Progress 2023</b>				
	Included within Roads Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	17,355,753	22,769,158	1,304,341	41,429,252
Additions/capital expenditure	23,451,249	16,983,779	837,243	41,272,271
Transferred to completed items	(19,222,168)	(34,714,992)	(1,631,883)	(55,569,043)
	<b>21,584,834</b>	<b>5,037,945</b>	<b>509,701</b>	<b>27,132,480</b>

### Expenditure incurred to repair and maintain property, plant and equipment

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

Contracted Services	72,812,363	70,819,636
General Expenses	832,030	842,030
	<b>73,644,393</b>	<b>71,661,666</b>

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

### Land appointed in terms of legislation which entity controls without legal ownership or custodianship

The following land assets, the Municipality has assessed that it has the right to direct access to, and restrict or deny the access of others to land while another is the legal owner of land. Substance over form determines that the land is controlled by the Municipality as it has the right to direct access to land, and to restrict or deny the access of others to land in terms of IGRAP 18.

Shayamoya Hall (R9 374), the municipality had built a hall on this land hence the recognition. Control can only be exercised on the portion where the building is situated.

UMdoni Municipality is responsible for operating the MPCC in Malangeni as its own building due to cabinet or Council decisions made in the past. The substance over form takes precedent even though there's no formal agreement. Control is only exercised on the portion where the building is situated (Lot 981 Malangeni , R 1038).

The library was built on this land of which the building belongs to the municipality. Control is only exercised on the portion where the building is situated ( Lot 982 Malangeni , R 1038). Park Rynie (R11 000 000, Lot 572), the municipality had leased the land from the Department of Public Works with the primary intention of promoting local tourism. The rental income earned is incidental, consequently the land could not be classified as investment property. As part of the on-going local tourism promotion strategy, the municipality has erected buildings on the property. It is assumed that even though the lease term is not unlimited but it will be renewed and the service provided will continue in an ongoing basis.

Carrying value of land included in the carrying value of Property, plant and equipment	-	11,031,450
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### Land derecognised in terms of legislation which entity transfers control without legal ownership or custodianship

The municipality has assessed that it is the legal owner or custodian of the land, however, it has concluded that it does not control the land since Ugu District Municipality enjoys the control benefits of the land as per IGRAP 18.

The Ugu District Municipality utilises the land to install water services infrastructure assets for water provision thus derives service potential. This demonstrates that it has a substantive right to control the land, for the right to be substantive, the holder of the right must have the present ability to exercise that right. The provision of water services was transferred from the local municipalities to district municipalities; in accordance with the Structures Act and gazette, the related assets were supposed to be transferred to Ugu District Municipality by the Deeds Registrar.



**Notes to the Annual Financial Statements**

Figures in Rand	2024	2023
7. Property, plant and equipment (continued)		
Property, plant and equipment (continued)		- 12,225,821

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	393,439	(322,530)	70,909	389,799	(288,741)	101,058

#### Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	101,058	3,640	(33,789)	70,909

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	151,588	(50,530)	101,058

### 9. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical Monument and Antiques	261,011	-	261,011	261,011	-	261,011

#### Reconciliation of heritage assets 2024

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Heritage assets (continued)

	Opening balance	Total
Historical Monument and Antiques	261,011	261,011

### Reconciliation of heritage assets 2023

	Opening balance	Total
Historical Monument and Antiques	261,011	261,011

### 10. Payables from exchange transactions

Trade payables and accruals	24,481,298	24,951,824
Payments received in advance	7,221,722	6,129,244
Accrued leave pay	13,165,423	12,692,073
Retention held	10,993,715	17,557,141
Unidentified direct deposits	3,405,110	3,200,744
Output VAT Accrual on Outstanding Debtors	3,197,763	2,080,134
Output VAT Accrual - Provision for Doubtful Debt Impairment	(3,218,416)	(2,370,198)
	<b>59,246,615</b>	<b>64,240,962</b>

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors. The municipality has financial policies in place to ensure that all payables are paid within the credit timeframe.

Retention refers to monies retained by the municipality on construction work completed by the various suppliers throughout the duration of their contract. These monies are released upon progressive completion of their respective undertakings.

Leave accrual is due to staff leave accruing to the staff of the municipality on an annual basis, subject to certain conditions and is capped at 48 days as per the collective agreement. The provision is an estimate of the amount due at the reporting date.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Disaster Management Grant	-	4,985,525
Cleanest Award	-	800,000
Municipal Disaster Relief Grant	3,899,399	-
Small town Rehabilitation Grant	3,893	3,893
Title Deeds Restoration Grant	587,558	852,998
Municipal Employment Initiative	31,147	-
Beach Infrastructure Grant	321,415	-
Umzinto Bus Rank Grant	2,091,939	2,000,000
	<b>6,935,351</b>	<b>8,642,416</b>

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

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

See note 28 for reconciliation of grants from National/Provincial Government.

### 12. Employee benefit obligations

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

#### Carrying value

Medical Aid	24,680,000	22,786,999
Long Service	8,224,000	8,081,000
	<b>32,904,000</b>	<b>30,867,999</b>

Non-current liabilities	30,495,000	28,468,000
Current liabilities	2,408,999	2,399,999
	<b>32,903,999</b>	<b>30,867,999</b>

Post Retirement Medical Aid Obligation:  
The fair value of plan assets includes:

Post Employment Health Care Benefit Liability	24,800,000	24,210,000
Subtotal	24,800,000	24,210,000
Less: Transfer to Current Provisions	(1,028,000)	(929,000)
	<b>23,772,000</b>	<b>23,281,000</b>

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2024 by ARCH Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

In-service members	208	207
Continuation members	16	18
	<b>224</b>	<b>225</b>

The liability in respect of past service has been estimated to be as:

In-service members	12,538,000	14,805,000
Continuation members	7,602,000	7,982,000
	<b>20,140,000</b>	<b>22,787,000</b>

The municipality makes monthly contributions for health care

- Bonitas
- Key Health
- LA Health
- Samwumed
- Sizwe Hosmed

The future service cost for the ensuring year is established to be R1 280 000, whereas the interest cost for the next year is estimated to be R2 786 000 (2022: R1 114 000 and R2 490 000 respectively)

### Key assumptions used

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	12.26 %	12.47 %
Health Care Cost Inflation Rate	7.74 %	8.08 %
Net Effective Discount Rate	4.20 %	4.06 %
Expected Retirement Age - Males and Females	62	62

### The amounts recognised in the Statement of Financial Position are as follows:

Present Value of Fund Obligations	23,652,000	22,787,000
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### The amount recognised in the Statement of Financial Performance are as follows:

Service cost	1,280,000	1,114,000
Interest cost	2,786,000	2,490,000
Remeasurment - Acturial gains	(1,441,042)	(1,470,539)
	<b>2,624,958</b>	<b>2,133,461</b>

### The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	22,787,000	21,509,000
Service cost	1,280,000	1,114,000
Interest cost	2,786,000	2,490,000
Benefits paid	(731,958)	(855,461)
Remeasurements -Acturial Gains	(1,441,042)	(1,470,539)
	<b>24,680,000</b>	<b>22,787,000</b>

The effect of a 1% change in inflation rate movement in the assumed rate of health care:

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

#### Increase

Effect on the defined benefit obligation	1,493,000	1,550,000
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#### Decrease

Effect on the defined benefit obligation	1,186,000	1,848,000
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The future service cost for the ensuing year is estimated to be R111 000 whereas the interest-cost for the next year is estimated to be R 205 000 (2022: R108 200 and R2005 000 respectively)

The history of experienced adjustments are as follows:	2024	2023	2022	2021	2020
Present value of Defined Benefit Obligation	24,680,000	22,787,000	21,509,000	20,338,000	17,171,000

### Defined contribution plan - Natal Joint Municipal Pension Fund

Umdoni Municipality makes provision for post-retirement benefits to eligible employees, who belong to different pension schemes.

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. Councillors have the option to belong to the Pension Fund for Municipal Councillors.

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

All of these afore-mentioned funds are multi-employer plans and are subject to either a triennial, biennial or annual actuarial valuation, details which are provided below.

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

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

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

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

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. For both the Superannuation and Retirement Funds valuations making use of the Discontinuance Method Approach have been included as well.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 12. Employee benefit obligations (continued)

#### DEFINED BENEFIT SCHEMES

##### Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2022 by Argen Actuarial Solution.

The actuarial valuation performed as at 31 March 2022 revealed that the fund had a surplus of R 356.3 million (31 March 2021: shortfall of R 49.9 million), with a funding level of 101.0% (31 March 2018: 96,1%).

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 21.65% of pensionable emoluments, of which 1,65% is payable by members and 20% is payable by the local authority.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund.

##### Superannuation Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2022 by Argen Actuarial Solutions.

The actuarial valuation performed as at 31 March 2022 revealed that the fund had a shortfall of R Nil (31 March 2021 shortfall of R Nil), with a funding level of 108,9% (31 March 2021: 100%). The contribution rate paid by the members (9,25%) and municipalities (21,63%)

This surcharge is payable until 31 July 2024. The surcharge to local authorities amounts to 9.50% (31 March 2021: 9.50%). The "Scheme to eliminate deficiency" in terms of Section 18 of the Pension Funds Act was implemented with effect from 1 August 2012 for a period of 8 years.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund will merge with the Retirement Fund in the near future.

#### DEFINED CONTRIBUTION SCHEMES

##### Municipal Councillors Pension Fund.

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 31 March 2022.

The valuation performed as at 31 March 2022 revealed that the assets of the fund amounted to R 7 255 819. The contribution rate paid by the members (13.75%) and the municipalities (15%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the Actuaries, the Fund was in a sound financial condition as at 31 March 2022.

##### Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2022 by Argen Actuaries.

The actuarial valuation performed as at 31 March 2022 revealed that the market value of the fund was R 8,923,008 million (31 March 2021: R 7,212,030 billion). The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2022.

None of the above mentioned plans are State Plans

##### Long Service Awards

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

Provision for long service awards	8,224,000	8,081,000
Subtotal	8,224,000	8,081,000
Less: Transfer of current provision	(1,381,000)	(1,487,000)
	<b>6,843,000</b>	<b>6,594,000</b>

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Umdoni Municipality). The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2024 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2024 by Arch Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The Long Service Awards plans are defined benefit plans. As at year end, 395 employees were eligible for Long Service Awards.

The future service cost for the ensuing year is estimated to be R 856,000 whereas the interest-cost for the next year is estimated to be R 837,000

#### The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	11.21 %	11.38 %
Expected rate of salary increase	5.35 %	6.62 %
Net effective discount rate	4.57 %	4.47 %

#### The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligation	8,224,000	8,081,000
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#### The amount recognised in the Statement of Financial Performance under employee related costs are as follows:

Current service cost	856,000	629,000
Interest Cost	837,000	626,000
Policy amendment (Section 3)	-	1,894,000
Remeasurement - Actuarial gain	(280,875)	(431,605)
	<b>1,412,125</b>	<b>2,717,395</b>

#### The movement in the defined benefit obligation over the year is as follows:

Balance at Beginning of year	8,081,000	5,828,000
Service cost	856,000	629,000
Interest Cost	837,000	626,000
Benefit Paid	(1,269,125)	(464,395)
Policy amendment (Section 3)	-	1,894,000
Remeasurement - Actuarial gain	(280,875)	(431,605)
	<b>8,224,000</b>	<b>8,081,000</b>

#### The effect of a 1% movement in the assumed rate of salary inflation is as follows:

<b>Increase</b>		
Effect on the aggregate of the current service and interest cost	806,000	452,000
<b>Decrease</b>		
Effect on the aggregate of the current service and interest cost	912,000	413,000



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

The history of experienced adjustments are as follows:	2024	2023	2022	2021	2020
	8,224,000	8,081,000	5,828,000	5,147,000	4,812,000

### 13. Consumer deposits

Rates- Valuations appeal	27,767	19,819
Signage and poster deposits	79,988	79,988
Verge deposits	1,454,435	1,463,324
Rental deposits	964,268	923,668
	<b>2,526,458</b>	<b>2,486,799</b>

Deposits are paid by members of the community on application for the hire of community halls and facilities, as stipulated in the tariff of charges. The deposits are repaid when the use of community halls and facilities are completed, and an inspection has been executed to ensure that the facilities hired have been restored to its original condition, and no damage to the property is evident. Council may utilise the deposit as payment to rectify the facilities to its original condition or to restore damage to the property

No interest is paid on consumer deposits held.

### 14. Operating lease liability

This Municipality entered into a lease agreement relating to Machinery and Equipment which met the definition of a operating lease. The Actual amount incurred was less than the straight lined amount resulting in a operating lease liability.

Operating lease liability	389,857	150,099
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### 15. Provisions

#### Reconciliation of provisions - 2024

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	9,439,317	921,371	6,288,533	16,649,221

#### Reconciliation of provisions - 2023

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	5,826,505	568,958	3,043,854	9,439,317

The Provisions disclosed relates to Provision for the Humberdale Landfill Site in terms of Grap 19. The Valuation has been performed and detailed in the experts report as at 30 June 2024.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>16. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	-	133,148
- in second to fifth year inclusive	91,310	-
	91,310	133,148
less: future finance charges	(11,043)	(2,771)
<b>Present value of minimum lease payments</b>	<b>80,267</b>	<b>130,377</b>
<b>Present value of minimum lease payments due</b>		
- within one year	-	130,377
- in second to fifth year inclusive	86,019	-
	<b>86,019</b>	<b>130,377</b>
Non-current liabilities	86,019	-
Current liabilities	-	130,377
	<b>86,019</b>	<b>130,377</b>

The Municipality entered into a 24 months lease contract on 44 laptop computers with Vodacom which commence on 19 January 2022 and ended on 19 January 2024.

The legal nature of the lease agreement is of a operating lease but substance over form prevails in the context of GRAP 13. The lease agreement meets the requirements of a finance lease and has been accounted for as such in accordance with GRAP 13.

The average lease term was 2 years and the effective borrowing rate is 0%. The prime rate of 7.25% (on date of signing) was used to perform the discounting of present value of future minimum lease payments. All leases have fixed repayments over the duration of the lease term. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. It is the municipality policy to lease certain equipment under finance leases.

The municipality has finance lease agreements for the following significant classes of assets: (i) Computer equipment. Installments are payable Monthly in arrears	157,177	133,148
Average period	30	6
Average effective interest rate, based on prime 7, 25% .Monthly payments	5,239	22,191

## 17. Service charges

Solid waste	55,536	10,322
Refuse removal	11,095,637	10,564,703
	<b>11,151,173</b>	<b>10,575,025</b>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>18. Sale of goods and rendering of services</b>		
Advertising	3,268	-
Camping fees	219,837	164,404
Tender documents	-	47,922
Cemetery and burial	61,285	43,422
Legal fees	178,509	253,424
Building plan fees	519,195	584,983
Membership	4	39
Photocopies and faxes	30,696	24,679
Application for land usage	27,260	15,962
Clearance certificates	212,426	205,008
Parking fees	136,025	210,498
Encroachment fees	1,635	6,671
Town planning and servitudes	12,784	-
Staff housing rentals	229,354	208,504
Traffic Control	1,199,007	1,560,444
Cleaning and Removal	32,000	-
	<b>2,863,285</b>	<b>3,325,960</b>
<b>19. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	7,620,355	7,175,758
<b>20. Interest on investments</b>		
<b>Interest revenue</b>		
Bank	14,607,648	13,513,478
<b>21. Agency services</b>		
Vehicle Registration	2,589,398	2,087,410
<b>22. Operational revenue</b>		
Skills Development Levy Fund	306,099	1,118,680
Settlement Discount	-	154
Commission Earned	205,521	214,428
Special consents	21,757	19,070
Breakages and Losses	35	91
	<b>533,412</b>	<b>1,352,423</b>
<b>23. Remeasurements - Employee Benefits</b>		
Actuarial Gains - Employee Benefits (Medical)	1,441,042	1,470,539
Actuarial Gains - Employee Benefits (Long Service)	280,875	431,605
	<b>1,721,917</b>	<b>1,902,144</b>
<b>24. Proceeds from Insurance fund (Allocations in kind)</b>		
Proceeds from Insurance Fund (Allocations in Kind)	-	258,368

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 25. Property rates

#### Property rates billed

Residential	73,689,156	66,331,469
Business and Commercial	12,375,379	17,291,203
Public Benefit and Public Service Infrastructure	13,735,751	10,135,703
Small holdings and farms	6,751,483	4,374,001
Industrial	3,513,570	3,680,311
Vacant Land	10,469,916	9,164,349
	<b>120,535,255</b>	<b>110,977,036</b>
Property rates - interest and penalties imposed	12,152,008	9,504,253
	<b>132,687,263</b>	<b>120,481,289</b>

#### Randages in terms of the Municipal Property Rates Act

Residential	0.01140	0.01187
Commercial, Business and Industrial	0.01459	0.01590
Agricultural Property	0.00298	0.00298
Public Service Infrastructure, Public Benefit Organisations	0.00285	0.00298
Vacant Industrial, Commercial and Other	0.00285	0.02966

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation was implemented on 01 July 2023.

#### Rebates on these rates are allowed on the following basis:

Special residential (excluding land)	75,000	75,000
Vacant property	15,000	15,000
Disabled persons, pensioners, indigent persons as defined in the indigent policy (inclusive of the R75,000 above)	370,000	295,000
	<b>460,000</b>	<b>385,000</b>

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

### 26. Licences and permits

Boat	1,669	17,388
Trading licence	13,238	24,979
Drivers and Learners licence	2,905,827	6,793,141
Taxi rank permits	31,868	28,092
	<b>2,952,602</b>	<b>6,863,600</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>27. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	173,612,000	162,218,000
Finance Management Grant	1,950,000	1,950,000
Municipal Employment Initiative Grant	968,853	-
Provincial Library Services Grant	8,417,000	10,268,000
Expanded Public Works Programme	1,601,000	1,772,000
Municipal Infrastructure Grant	1,463,579	1,923,123
Municipal Disaster Response Grant	5,500,601	-
Beach Infrastructure Grant	2,178,585	-
	<b>195,691,618</b>	<b>178,131,123</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	36,171,421	42,708,983
Umzinto Bus Rank Grant	1,908,061	3,996,106
Cleanest Award Grant	800,000	-
	<b>38,879,482</b>	<b>46,705,089</b>
	<b>234,571,100</b>	<b>224,836,212</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	60,824,300	62,618,212
Unconditional grants received	173,612,000	162,218,000
	<b>234,436,300</b>	<b>224,836,212</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Equitable share</b>		
Current-year receipts	173,612,000	162,218,000
Conditions met - transferred to revenue	(173,612,000)	(162,218,000)
	-	-
<b>Disaster Management Grant</b>		
Balance unspent at beginning of year	4,985,524	4,985,524
Repayment of unspent grant	(4,985,524)	-
	-	<b>4,985,524</b>
The unspent amount of R 4 985 525 was received from Ugu District Municipality for disaster relief. The originator of the grant is the National Disaster Management Center. Correspondence from COGTA has been received on 8 August 2023 requesting that these funds be returned to COGTA. The refund will be accordingly be processed.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	-	1,106
Current-year receipts	37,635,000	44,631,000

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>27. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(37,635,000)	(44,632,106)
	-	-
<b>Cleanest Award Grant</b>		
Balance unspent at beginning of year	800,000	-
Current-year receipts	-	800,000
Conditions met - transferred to revenue	(800,000)	-
	-	<b>800,000</b>
<b>Integrated National Electrification Programme</b>		
Current-year receipts	800,000	-
Conditions met - transferred to revenue	(800,000)	-
	-	-
<b>Municipal Disaster Relief Grant</b>		
Current-year receipts	9,400,000	-
Conditions met - transferred to revenue	(5,500,601)	-
	<b>3,899,399</b>	-
Conditions still to be met - remain liabilities (see note 11).		
<b>Provincial Library Services Grant</b>		
Current-year receipts	8,417,000	10,268,000
Conditions met - transferred to revenue	(8,417,000)	(10,268,000)
	-	-
<b>Small Town Rehabilitation Grant</b>		
Balance unspent at beginning of year	3,893	4,000,000
Conditions met - transferred to revenue	-	(3,996,107)
	<b>3,893</b>	<b>3,893</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>Expanded Public Works Programme</b>		
Current-year receipts	1,601,000	1,772,000
Conditions met - transferred to revenue	(1,601,000)	(1,772,000)
	-	-
<b>Title Deeds Restoration Grant</b>		

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>27. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	852,998	852,998
Conditions met - transferred to revenue	(265,440)	-
	<b>587,558</b>	<b>852,998</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>Municipal Employment Initiative Grant</b>		
Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(968,853)	-
	<b>31,147</b>	-
Conditions still to be met - remain liabilities (see note 11).		
<b>Finance Managment Grant</b>		
Current-year receipts	1,950,000	1,950,000
Conditions met - transferred to revenue	(1,950,000)	(1,950,000)
	-	-
<b>Housing Development</b>		
Balance unspent at beginning of year	-	154
Current-year receipts	-	2,925,581
Payments made on behalf of Principal	-	(2,925,735)
	-	-
<b>Beach Infrastructure Grant</b>		
Current-year receipts	2,500,000	-
Conditions met - transferred to revenue	(2,178,585)	-
	<b>321,415</b>	-
Conditions still to be met - remain liabilities (see note 11).		
<b>Umzinto Bus Rank Grant</b>		
Balance unspent at beginning of year	2,000,000	-
Current-year receipts	2,000,000	2,000,000
Conditions met - transferred to revenue	(1,908,061)	-
	<b>2,091,939</b>	<b>2,000,000</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>28. Fines, Penalties and Forfeits</b>		
Overdue Books Fines	1,693	592
Municipal Traffic Fines	1,196,700	1,300,950
	<b>1,198,393</b>	<b>1,301,542</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 29. Employee related costs

Basic salaries	99,159,902	95,978,551
13th cheque	7,246,897	7,086,967
Medical aid contributions	6,996,425	6,438,895
Unemployment Insurance Fund	876,256	821,827
Contribution for Leave Pay	1,630,403	1,705,973
Pension fund contributions	15,576,177	15,193,093
Post retirement medical aid contributions	5,759,000	6,753,000
Staff Insurance	2,475	2,544
Overtime payments	9,968,174	8,337,984
Non Pensionable allowances	998,942	885,172
Shift allowance	239,646	154,134
Housing Benefits and allowances	474,610	413,622
Rental Subsidy	49,557	45,301
Bargaining Council Levy	61,941	60,317
Cellphone allowance	290,918	271,648
Travelling allowance	272,317	57,267
Standby allowance	1,094,028	1,427,843
	<b>150,697,668</b>	<b>145,634,138</b>

### Remuneration of the Municipal Manager: Mrs TC Ndlela (1 July 2023 to 30 June 2024)

Annual remuneration	1,002,570	1,073,488
Cellphone Allowance	20,868	20,868
Travel	78,000	78,000
Leave paid	-	101,957
Back pay	32,597	3,302
Non -Pensionable	20,340	20,340
	<b>1,154,375</b>	<b>1,297,955</b>

### Remuneration of the Acting General Manager: Technical Services Mrs SR Zwane (10 Nov 2022 - 9 Feb 2023)

Annual remuneration	-	214,163
Leave paid	-	20,616
Back Pay	-	1,058
	<b>-</b>	<b>235,837</b>

### Remuneration of Manager: Technical Services Mr MB Shangase (22 November 2023 - 30 June 2024)

Annual remuneration	592,281	-
Cell Phone allowance	10,800	-
Back Pay	11,354	-
Non Pensionable	13,560	-
	<b>627,995</b>	<b>-</b>

### Remuneration of the Chief Financial Officer: Mr Chandulal (6 March 2023 - 30 June 2024)

Annual remuneration	887,205	286,333
Cellphone Allowance	6,480	2,160
Back Pay	26,764	6,443
Non - Pensionable	20,340	5,085
	<b>940,789</b>	<b>300,021</b>

### Remuneration of the Acting Manager: Technical Services Mr LMV Cele (15 Mar 2023 to 30 June 2024)



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 29. Employee related costs (continued)

Annual Remuneration	294,924	259,418
Back - Pay	9,732	5,369
Non - Pensionable	6,780	4,238
Cell phone allowance	4,050	-
Leave Paid	56,624	-
	<b>372,110</b>	<b>269,025</b>

### Remuneration of the Manager: Corporate Services Mr ES Nyawo (July 2023 - June 2024)

Annual Remuneration	779,205	602,145
Back Pay	26,764	45,139
Non Pensionable	20,340	15,255
	<b>826,309</b>	<b>662,539</b>

### Remuneration of the General Manager : Community Services: Mr VT Khanyile (July 2023 - June 2024)

Annual remuneration	707,205	704,772
Cellphone allowance	6,600	6,600
Travel allowance paid	180,000	180,000
Non pensionable allowance	47,104	20,340
	<b>940,909</b>	<b>911,712</b>

### Remuneration of the General Manager: Planning and Development Mr MCI Mzotho (July 2022-June 2024)

Annual remuneration	237,657	847,845
Cellphone allowance	2,160	6,480
Travel Allowance	57,266	57,267
Acting allowance	16,778	10,786
Back Pay	9,732	-
Leave Paid	99,092	-
Non - Pensionable	6,780	-
	<b>429,465</b>	<b>922,378</b>

### Remuneration of the Acting Chief Financial Officer : Mr ZN Mhlongo (1 July 2022 to 25 October 2022)

Annual remuneration	-	235,527
Cell phone allowance	-	2,200
Back pay	-	4,231
Leave days paid	-	37,237
	<b>-</b>	<b>279,195</b>

### Remuneration of the Manager: Acting Chief Financial Officer: Mr M Mokgatsi (23 Nov 2022 to 10 March 2023)

Annual Remuneration	-	239,375
Leave Days Paid	-	20,616
	<b>-</b>	<b>259,991</b>

### 30. Remuneration of councillors

Basic Salary	14,302,167	13,486,057
Cell Phone Allowance	1,671,654	1,496,690
Travel Allowance	356,211	287,919
	<b>16,330,032</b>	<b>15,270,666</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>30. Remuneration of councillors (continued)</b>		
<b>Mayor (Cllr MJ Cele) (February 2024 - June 2024)</b>		
Basic salary	378,017	-
Cellphone allowance	18,000	-
	<b>396,017</b>	<b>-</b>
<b>Executive Committee Members</b>		
Basic salary allowance	3,258,345	3,019,579
Cell phone allowance	194,894	173,600
	<b>3,453,239</b>	<b>3,193,179</b>
<b>Speaker (Cllr ME Mbutho )(February 2024 -June 2024)</b>		
Salary	306,234	-
Cellphone allowance	18,000	-
	<b>324,234</b>	<b>-</b>
<b>Speaker (Cllr MJ Cele)</b>		
Basic salary allowance	481,932	709,349
Cellphone allowance	-	40,800
	<b>481,932</b>	<b>750,149</b>
<b>Mayor (Cllr ST Khathi) (July 2023 - September 2023)</b>		
Basic salary allowance	261,682	886,685
Cellphone allowance	13,200	40,800
	<b>274,882</b>	<b>927,485</b>
<b>Deputy Mayor (Cllr ME Mbutho) (July 2023 - Jan 2024)</b>		
Basic salary allowance	514,567	709,349
Cellphone allowance	27,600	40,800
	<b>542,167</b>	<b>750,149</b>
<b>Other Councillors</b>		
Basic Salary Allowance	8,822,759	8,161,095
Travel Allowance	356,211	287,919
Cellphone allowance	1,354,360	1,200,689
	<b>10,533,330</b>	<b>9,649,703</b>
<b>Deputy Mayor (Cllr PE Thabethe) (February 2024 - June 2024)</b>		
Basic Salary Allowance	306,231	-
Cellphone allowance	18,000	-
	<b>324,231</b>	<b>-</b>

### In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee members are full-time. The Mayor, Deputy Mayor and Speaker are provided with an office and secretarial support at the cost of council.

The Mayor, Deputy Mayor and Speaker have use of council owned vehicles for official duties and each have one full time driver.

The Mayor has two full time bodyguards. The Deputy Mayor and Speaker have one full time bodyguard per person .

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>31. Contracted services</b>		
<b>Outsourced Services</b>		
Alien Vegetation Control	148,500	-
Animal Care	108,456	50,040
Business and Advisory	8,477,310	5,481,914
Clearing and Grass Cutting Services	3,984,762	3,709,753
Hygiene Services	169,565	200,000
Internal Auditors	196,173	74,000
Refuse Removal	8,911,457	10,733,942
Security Services	14,488,958	15,002,831
Swimming Supervision	1,778,796	1,298,760
Transport Services	579,971	317,900
Electrical	5,663,290	826,087
<b>Consultants and Professional Services</b>		
Business and Advisory	174,049	285,332
Infrastructure and Planning	1,366,994	2,300,338
Legal Cost	5,140,242	6,722,803
<b>Contractors</b>		
Catering Services	2,134,158	1,101,006
Employee Wellness	82,000	72,717
First Aid	44,870	44,738
Gas	798,856	925,769
Maintenance of Buildings and Facilities	5,721,828	1,849,445
Maintenance of Equipment	1,978,331	2,521,221
Maintenance of Unspecified Assets	38,745,289	62,776,878
Medical Services	55,250	230,990
Traffic and Street Lights	3,503,450	3,468,091
Sports and Recreation	1,059,949	859,239
Stage and Sound Crew	245,052	177,503
Shark Nets	1,981,986	1,848,868
	<b>107,539,542</b>	<b>122,880,165</b>
<b>32. Inventory Consumed</b>		
Consumables, Materials and Supplies	7,056,403	4,711,953
<b>33. Debts Written Off</b>		
Irrecoverable Debts Written Off	-	9,056,500
<p>Debts Written off consist of R9 056 500 relating to VAT write off - During the VAT review, it was noted that the South African Revenue Services raised assessments during the period of 10 October 2016 to 02 August 2017 amounting to R9 056 500 the reason mainly because of invalid tax invoices and burden of proof not discharged.</p> <p>The law makes provision for any assessment raised by SARS to be reclaimed provided that the said invoice is fully compliant with Section 20 of the VAT Act and the invoice was disallowed within 5 years from the assessment date.</p> <p>Council resolution was approved for the write of the VAT amount of R9 056 500. Council resolution number S.C 8.2/23/Aug-23</p>		
<b>34. Loss on disposal of assets</b>		
Property, Plant and Equipment	1,901,383	3,857,282

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>35. Operational expenditure</b>		
Advertising	554,083	914,712
Signage	479,998	297,188
Auditors remuneration	2,523,833	2,643,345
Bank charges	415,258	284,525
Commission paid	159,246	162,952
Bursaries	-	34,305
Hire charges	2,630,782	1,440,512
Insurance	2,900,967	2,714,769
Conferences and seminar registration fees	549,347	599,414
Computer services and licence fees	4,595,685	3,446,229
Skills Development Levies	1,310,312	1,241,823
Fuel and oil	8,402,922	8,424,320
Printing and stationery	1,644,540	1,709,038
Uniform and Protective clothing	3,672,701	2,210,325
Drivers licence and motor vehicle fees	1,034,613	1,802,576
Subscriptions and membership fees	1,941,031	3,912,322
Telephone and fax	1,590,914	2,548,669
Travel and subsistence expenditure	820,619	748,998
Vehicle Tracking	47,372	10,491
Assets less than the Capitalisation Threshold	-	26,000
Electricity and water	12,951,400	12,384,935
Firearm handling fees	36,783	-
Workmens Compensation	1,293,219	1,413,607
IDP Budget Roadshows	4,980	-
Ward Committees	2,107,668	2,211,910
Indigent relief	1,155,066	1,012,062
	<b>52,823,339</b>	<b>52,195,027</b>
<b>36. Depreciation and amortisation</b>		
Property, plant and equipment	41,056,960	34,334,854
Investment property	394,387	393,316
Intangible assets	33,789	50,530
	<b>41,485,136</b>	<b>34,778,700</b>
<b>37. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	4,572,741	(42,863,734)
<b>38. Finance costs</b>		
Interest on Non-Current Provisions	921,371	568,958
Finance leases	5,752	19,261
	<b>927,123</b>	<b>588,219</b>
<b>39. Lease rentals on operating lease</b>		
<b>Plant and equipment</b>		
Contractual amounts	2,433,948	1,650,418

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>40. Debt impairment</b>		
Debt impairment	24,747,085	18,433,565
<b>41. Transfers and Subsidies</b>		
<b>Other subsidies</b>		
Grant in aid	1,971,365	49,229
Social relief	786,864	480,924
Youth development - Section 20 schools	160,981	6,619
Skills development and training	102,246	113,155
	<b>3,021,456</b>	<b>649,927</b>
<b>42. Auditors' remuneration</b>		
Audit Fees	2,523,833	2,643,345
<b>43. Cash generated from operations</b>		
Surplus	5,215,715	28,358,423
<b>Adjustments for:</b>		
Depreciation and amortisation	41,485,136	34,778,700
Actuarial (gain)/loss	(1,721,917)	(1,902,137)
Impairment loss	4,572,741	(42,863,734)
Debt impairment	24,747,085	18,433,565
Bad debts written off	-	9,056,500
Movements in operating lease assets and accruals	(86,989)	99,943
Contribution to defined benefit obligations included in employee cost	5,759,000	6,753,000
Contribution to Refuse Site Provision	921,371	568,951
Contribution to staff leave	1,630,403	1,705,973
Donated asset recieved	(3,669,740)	(258,368)
Movement in straight line operating lease liability	239,758	40,184
Loss on disposal of assets	1,901,396	3,857,288
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(4,268,649)	(7,243,896)
Receivables from non-exchange transactions	(29,406,992)	(25,148,867)
Payables from exchange transactions	(1,358,173)	(11,097,039)
Unspent conditional grants and receipts	(1,707,065)	(1,197,367)
Consumer deposits	39,659	27,297
Employee benefit obligation	(2,001,083)	(1,317,856)
	<b>42,291,656</b>	<b>12,650,560</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>44. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	26,489,796	39,590,300
<b>Total capital commitments</b>		
Already contracted for but not provided for	26,489,796	39,590,300
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	26,489,796	39,590,300
This committed expenditure relates to property and will be financed by available retained surpluses, existing cash resources and grant funding.		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	429,023	1,720,068
- in second to fifth year inclusive	-	429,023
	<b>429,023</b>	<b>2,149,091</b>
<b>Rental expenses relating to operating leases</b>		
Minimum lease payments	2,140,158	3,759,325
The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment		
(i) The equipment shall remain the property of the lessor.		
(ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment		
(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement		
(iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.		
<b>45. Related parties</b>		
<b>Related party balances</b>		
<b>Transactions with Key Management</b>		
Councillors	16,330,032	15,270,663
Municipal Manager and Section 57 personnel	5,291,952	5,496,829

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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### 46. Risk management

#### Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

#### Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents-The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with major institutions. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables-Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

#### Market risk

#### Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

#### Financial Instruments disclosure

Receivables from exchange transactions on the Financial Position includes VAT, which is Statutory receivable in terms of GRAP 108. The VAT portion is considered to be statutory receivable and has not been included as financial instrument. In accordance with GRAP 104, the municipality does not recognise statutory receivables as financial instruments, as the standard permits contractual receivables to be disclosed as such.

Class

Category

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 46. Risk management (continued)

Receivables from exchange transactions  
Bank balances

Financial asset measured at amortised cost  
Financial asset measured at amortised cost

### SUMMARY OF FINANCIAL ASSETS

#### Financial Assets at Amortised Cost :

Receivables from exchange transactions ( Contractual Receivables)	16,312,602	12,432,730
Bank balances	146,398,454	161,185,362
Operating lease asset	181,654	94,665
	<b>162,892,710</b>	<b>173,712,757</b>

### FINANCIAL LIABILITIES:

In accordance with GRAP 104 the Financial Liabilities of the municipality are classified as follows :

Class	Category
Consumer Deposits	Financial asset measured at amortised cost
Trade Payables and Accruals	Financial asset measured at amortised cost
Payments received in advance	Financial asset measured at amortised cost
Retention	Financial asset measured at amortised cost

### SUMMARY OF FINANCIAL LIABILITIES

#### Financial Liabilities at Amortised Cost:

Consumer Deposits	2,526,458	2,486,799
Trade Payables and Accruals	24,481,282	24,951,814
Payments received in advance	7,221,722	6,129,244
Retention	10,993,715	17,761,831
Unallocated deposits	3,405,110	3,200,744
	<b>48,628,287</b>	<b>54,530,432</b>

### 47. Events after the reporting date

Non- Adjusting Events

The Municipality is experiencing labour interruptions since mid- April 2024. This labour interruption persisted in May 2024, June 2024 and early July 2024. In mid-July 2024, the Municipality was affected by community protests which has had an impact on the daily operations and service delivery to the residents. As at the date of submission of the annual financial statements the current situation of labour not working and the threat of community protests still persist.

### 48. Unauthorised expenditure

Opening balance as previously reported	27,866,838	59,444,457
<b>Opening balance as restated</b>	<b>27,866,838</b>	<b>59,444,457</b>
Add: Expenditure identified - current	6,582,405	44,732,475
Less: Amounts written of - Current	-	(16,865,638)
Less: Amounts written off- prior period	-	(59,444,456)
<b>Closing balance</b>	<b>34,449,243</b>	<b>27,866,838</b>



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>48. Unauthorised expenditure (continued)</b>		
The over expenditure incurred by municipal departments during the year is attributable to the following categories:		
Non-cash	6,484,424	27,866,838
<b>Analysed as follows: non-cash</b>		
Impairment of non- cash generating assets	-	27,866,838
Debt Impairment	6,484,424	-
	<b>6,484,424</b>	<b>27,866,838</b>
<b>Analysed as follows: cash</b>		
Contracted services	97,981	-
<b>Unauthorised expenditure: Budget overspending – per municipal department:</b>		
Various Departments	6,582,405	27,866,838
<b>49. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	18,258,412	16,013,837
<b>Opening balance as restated</b>	<b>18,258,412</b>	<b>16,013,837</b>
Add: Expenditure identified - current	111,325	2,264,659
Less: Amount written off - prior period	-	(20,084)
<b>Closing balance</b>	<b>18,369,737</b>	<b>18,258,412</b>

## uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

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

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest on late payments		111,325	20,084
Penalties		-	2,264,659
		<b>111,325</b>	<b>2,284,743</b>

#### 50. Irregular expenditure

Opening balance as previously reported	252,754	179,593,911
Correction of prior period error	-	(6,309,000)
<b>Opening balance as restated</b>	<b>252,754</b>	<b>173,284,911</b>
Add: Irregular Expenditure - current	16,355,650	252,755
Add: Irregular Expenditure - prior period	-	16,665,857
Less: Amount written off - current	-	(16,665,857)
Less: Amount written off - prior period	-	(173,284,912)
<b>Closing balance</b>	<b>16,608,404</b>	<b>252,754</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 50. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Non-compliance with SCM regulations		16,355,650	16,918,612

### 51. Accounting by principals and agents

#### Title Deeds Restoration Programme

The Municipality works as an agent on the title deeds restoration programme on behalf of the KZN Provincial Department of human settlements.

The Municipality is considered to be an agent in accordance with GRAP 109, with the KZN Provincial Department of Human Settlements being the principal in this arrangement.

#### Details of the arrangement is as follows:

The purpose of the principal-agent relationship is for funding to effect the transfer of the 1863 houses in the Ifafa Glebe Housing Project.

Significant terms and conditions of the arrangement are as follows:

- The Municipality to submit to the department ,its bussiness plan detailing how funds are to be used ,also setting time frames for utilization of funds
- The municipality to appoint the conveyancers that are registered with the law society of south africa to carry out the transfer of the properties on the business plan.
- To give regular progress reports to the departments as requested and at steering committee meetings.
- To ensure that the registration of sites is done quickly as possible and with parameters of the law.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 51. Accounting by principals and agents (continued)

#### Municipality as agent

##### Resources held on behalf of principal(s),but recognised in the municipalities own financial

During the year, the municipality had an opening balance of R 852 998 .Amount of R265 440 has been spent during the year. Balance of R587 558 was left unspent. It is recorded under Unspent Conditional Grants, Current Liabilities note 11 and 28.

##### Revenue recognised

The municipality does not receive compensation for the transactions carried out on behalf of the principal, in terms of the arrangement, and hence no revenue has been recognised in the current and prior financial year.

##### Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities which were incurred on behalf of the principal have been settled during the financial year, and hence no outstanding payments were recorded at year end.

The municipality does not receive compensation for the transactions carried out on behalf of the principal, in terms of the arrangement, and hence no revenue has been recognised in the current and prior financial year.

Liabilities which were incurred on behalf of the principal have been paid.

#### Motor Vehicle Registrations

The municipality is a party to a principal-agent arrangement in terms of motor vehicle registrations. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Transport being the principal in this arrangement.

##### Details of the arrangement

The purpose of the principal-agent relationship is to provide service the community and to enhance the municipality's revenue.

Significant terms and conditions of the arrangement are as follows:

The Provincial Department shall issue the motor vehicle licence renewal form to the respective owners of the motor vehicles, indicating the amount due for the year

The municipality provide facilities for owners of motor vehicles to pay their licences. The Provincial Department provide the municipality with access to its IT systems to enable capturing of the amounts received and issuing of the motor vehicle licences on their behalf. The system automatically generates the motor vehicle licence upon capturing the payment of the fees due.

The municipality collect the fees due from motor vehicle owners and simultaneously issue the new licences on behalf of the Department

The municipality is required to pay over any revenue (cash) collected to the Department in respect of motor vehicle licences.

The municipality is entitled to retain 10% of the cash collected for undertaking this activity on behalf of the Department.

Significant risks have been identified as follows:

The significant risks relate to the possible loss of any monies during transit and potential theft by employees

Mitigation strategies and benefits associated with the relationship are as follows:

Cameras installed and monitored

Access is controlled through biometric system

Cash is collected by the security services company and such cash is insured

Internal controls and reconciliation are performed on a daily and monthly basis

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 51. Accounting by principals and agents (continued)

During the financial year, the municipality collected R26 241 572. All the monies collected were paid over to the principal as banking is done everyday.

No resources are expected to be paid over to the principal.

#### Revenue recognised

Revenue has been recognised as the compensation for the transactions carried out on behalf of the principal is R2 589 398 (2023: R2 211 404 )

#### Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities were incurred on behalf of the principal during the financial year, and hence no outstanding payments were recorded at year end.

No corresponding rights of reimbursement that have been recognised at year

#### Resources (including assets and liabilities) of the entity under the custodianship of the agent

No resources have been recognised by the agent in its financial statements. The municipality is required to return the equipment supplied by the department should the agreement be terminated.

During the period the municipality collected R26 241 572. All the funds were paid over to the Principal by the end of the financial year. No resources expected to be remitted as remaining resources by the agent to the Principal. Banking is done everyday, therefore funds collected on behalf of the principal are paid over everyday. The municipality is required to return the equipment supplied by the department if the agreement is terminated.

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

#### Contributions to organised local government

Current year subscription / fee	1,941,031	1,700,246
Amount paid - current year	(1,941,031)	(1,700,246)
	-	-

#### Audit fees

Current year subscription / fee	2,523,833	2,643,345
Amount paid - current year	(2,523,833)	(2,643,345)
	-	-

#### Unemployment insurance fund and Skills Levy

Opening balance	2,194,893	2,063,650
Current year subscription / fee	(2,194,893)	(2,063,650)
	-	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	22,572,602	21,631,988
Amount paid - current year	(22,572,602)	(21,631,988)
	-	-

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
RB Bhoola	1,127	12	1,139
M & P Nombika	174	51	225
	<b>1,301</b>	<b>63</b>	<b>1,364</b>
30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
RB Bhoola	1,674	1,055	2,729
M & P Nombika	218	-	218
	<b>1,892</b>	<b>1,055</b>	<b>2,947</b>

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Incident

An emergency: Expenditure incurred in accordance with Section 36 of the SCM Regulations in respect of an emergency	1,191,615	5,876,092
Goods and services procured or available from a single provider only:	129,483	1,243,327
Expenditure incurred in accordance with Section 36 of the SCM Regulations in respect of goods and services or available from a single provider only.		
Exceptional case where it is impracticable or impossible to follow the official procurement process: Expenditure incurred in accordance to Section 36 of the Regulations in respect of exceptional case where it is impractical or impossible to follow the official procurement processes.	4,765,107	8,183,116
	<b>6,086,205</b>	<b>15,302,535</b>

## uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>53. Contingent Liabilities</b>		
Claim for damages against the municipality, Breach of Contract regarding the Humberdale Landfill site	300,000	9,557,862
Claim against the municipality in respect of material allegedly instructed to procure in respect of the Electrification of Ward 11	8,338,070	8,338,070
Breach of contract claim in respect of a tender being awarded to service provider but could not commence construction.	4,706,062	4,691,077
Breach of contract claim - rehabilitation of Scottburg CBD	24,602,689	24,902,689
Breach of contract claim due to termination of agreement in respect of therehabilitation Umzinto CBD	13,083,585	13,424,615
Claim against the municipality of an application brought to declare the filling of avacant exco seat	500,000	415,239
Defending action instituted against the municipality for recovery of funds spent by the ratepayers association for the upgrade of roads within the municipal district.	152,670	-
Claim for payment of invoice in respect of the Humberdale landfill site. Coalition Trading has served Summons on the municipality	2,760,111	-
Letter of demand and Summons received in respect of vehicle hired by Umdoni Municipality	1,018,760	-
	<b>55,461,947</b>	<b>61,329,552</b>

## Notes to the Annual Financial Statements

### 54. Prior Period Adjustments

### Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	161,185,364	-	-	161,185,364
Receivables from exchange transactions	35,060,691	(4,587,991)	-	30,472,700
Receivables from non-exchange transactions	57,636,920	9,401	-	57,646,321
Operating lease asset	94,665	-	-	94,665
	<b>253,977,640</b>	<b>(4,578,590)</b>	<b>-</b>	<b>249,399,050</b>
<b>Non-Current Assets</b>				
Investment property	7,905,845	-	-	7,905,845
Property, plant and equipment	645,785,223	(2,296,601)	-	643,488,622
Intangible assets	101,058	-	-	101,058
Heritage assets	261,011	-	-	261,011
	<b>654,053,137</b>	<b>(2,296,601)</b>	<b>-</b>	<b>651,756,536</b>
<b>Total Assets</b>	<b>908,030,777</b>	<b>(6,875,191)</b>	<b>-</b>	<b>901,155,586</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Consumer deposits	2,486,799	-	-	2,486,799
Employee benefit obligation	2,399,999	-	-	2,399,999
Payables from exchange transactions	64,240,952	-	-	64,240,952
Unspent conditional grants and receipts	8,642,416	-	-	8,642,416
Finance lease obligation	130,377	-	-	130,377
Operating Lease liability	150,099	-	-	150,099
	<b>78,050,642</b>	<b>-</b>	<b>-</b>	<b>78,050,642</b>
<b>Non-Current Liabilities</b>				
Employee benefit obligation	28,468,000	-	-	28,468,000
Provisions	22,867,721	(13,428,404)	-	9,439,317
	<b>51,335,721</b>	<b>(13,428,404)</b>	<b>-</b>	<b>37,907,317</b>
<b>Total Liabilities</b>	<b>129,386,363</b>	<b>(13,428,404)</b>	<b>-</b>	<b>115,957,959</b>
<b>Net Assets</b>	<b>778,644,414</b>	<b>6,553,213</b>	<b>-</b>	<b>785,197,627</b>
<b>Net Assets</b>				
Reserves				
Housing development fund	3,142,755	-	-	3,142,755
Accumulated surplus	775,501,659	1,156,404	-	782,054,860
<b>Total Net Assets</b>	<b>778,644,414</b>	<b>1,156,404</b>	<b>-</b>	<b>785,197,615</b>



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 54. Prior Period Adjustments (continued)

#### 54.1 Current Assets

##### Receivables from exchange transactions

Balance previously reported	35,060,691	-
Correction of error	(4,587,991)	-
	<b>30,472,700</b>	<b>-</b>

This relates to correction relating to Vat receivable due from SARS for the prior years which has been corrected. This also relates to not claimable input assessed by SARS in prior years reallocated to expense accounts

#### Non-current liabilities

##### Provisions

Balance previously reported	22,867,721	-
Correction of error	(13,428,404)	-
	<b>9,439,317</b>	<b>-</b>

This relates to correction relating to landfill site provision.

#### Sub-heading

#### 54.2 Receivables from non-exchange transactions

Balance previously reported	57,636,920
Correction of error	9,401
	<b>57,646,321</b>

Detailed reconciliation of traffic fines outstanding was performed, resulting in prior period adjustments being effected to the financial statements. In the detailed reconciliation, it was discovered that at times prosecutors take time to process the objections/reversals/adjustments to the fines issued. When the objections/reversals/adjustments have been submitted, the fine would have been already raised in the system and the financial statements.

#### 54.3 Property, plant and equipment

Balance previously reported	645,785,223
Correction of error	(2,296,601)
	<b>643,488,622</b>

These relates to assets being initially classified to incorrect classes of assets.

#### 54.4 Accumulated surplus

Balance previously reported	775,501,652
Correction of error	6,553,208
	<b>782,054,860</b>

The above mentioned prior period errors impacted the accumulated surplus in relation to Property, Plant and Equipment . Receivables from non -exchange transactions and provisions relating to landfill site. This also relates to not claimable input assessed by SARS in prior years reallocated to expense accounts

## Notes to the Annual Financial Statements

### 54. Prior Period Adjustments (continued)

#### Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
<b>Revenue</b>				
<b>Revenue from exchange transactions</b>				
Sale of goods	3,325,960	-	-	3,325,960
Service charges	10,575,025	-	-	10,575,025
Operational revenue	1,352,423	-	-	1,352,423
Rental of facilities and equipment	7,175,758	-	-	7,175,758
Interest received - receivables	1,528,041	-	-	1,528,041
Agency services	2,087,410	-	-	2,087,410
Proceeds from Insurance fund (Allocations in kind)	258,368	-	-	258,368
Actuarial gains	1,902,144	-	-	1,902,144
Investment revenue	13,513,478	-	-	13,513,478
<b>Total revenue from exchange transactions</b>	<b>41,718,607</b>	<b>-</b>	<b>-</b>	<b>41,718,607</b>
<b>Revenue from non-exchange transactions</b>				
<b>Taxation revenue</b>				
Property rates	110,977,037	-	-	110,977,036
Property rates - penalties and interest	9,504,253	-	-	9,504,253
Licence or permits	6,863,600	-	-	6,863,600
<b>Transfer revenue</b>				
Government grants & subsidies	224,836,212	-	-	224,836,212
Fines, Penalties and Forfeits	1,292,942	8,600	-	1,301,542
<b>Total revenue from non-exchange transactions</b>	<b>353,474,044</b>	<b>8,600</b>	<b>-</b>	<b>353,482,643</b>
<b>Total revenue</b>	<b>395,192,651</b>	<b>8,600</b>	<b>-</b>	<b>395,201,250</b>
<b>Expenditure</b>				
Employee related costs	(145,634,138)	-	-	(145,634,138)
Remuneration of councillors	(15,270,667)	-	-	(15,270,667)
Contribution to landfill site provision	(1,385,200)	-	(1,385,200)	-
Depreciation and amortisation	(34,409,084)	(369,616)	-	(34,778,700)
Impairment of cash and non-cash generating assets	42,863,734	-	-	42,863,734
Finance costs	(19,261)	816,241	(1,385,200)	(588,219)
Debt impairment	(18,433,565)	-	-	(18,433,565)
Lease rentals on operating lease	(1,650,418)	-	-	(1,650,418)
Bad debts written off	(9,056,500)	-	-	(9,056,500)
Inventory Consumed	(4,711,953)	-	-	(4,711,953)
Contracted services	(122,880,165)	-	-	(122,880,165)
Transfers and subsidies	(649,927)	-	-	(649,927)
Losses on disposals of assets	(3,857,282)	-	-	(3,857,282)
Operational expenditure	(52,195,027)	-	-	(52,195,027)
<b>Total expenditure</b>	<b>(367,289,453)</b>	<b>(1,185,857)</b>	<b>-</b>	<b>(366,842,827)</b>
<b>Operating surplus</b>	<b>27,903,198</b>	<b>(1,177,257)</b>	<b>-</b>	<b>28,358,423</b>
<b>Surplus for the year</b>	<b>27,903,198</b>	<b>(1,177,257)</b>	<b>-</b>	<b>28,358,423</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

### 54. Prior Period Adjustments (continued)

#### 54.5 Fines, Penalties and Forfeits

Balance previously reported	1,292,942
Correction of error	8,600
	<b>1,301,542</b>

Detailed reconciliation of traffic fines outstanding was performed, resulting in prior period adjustments being effected to the financial statements. In the detailed reconciliation, it was discovered that at times prosecutors take time to process the objections/reversals/adjustments to the fines issued. When the objections/reversals/adjustments have been submitted, the fine would have been already raised in the system and the financial statements.

#### 54.6 Finance costs

Balance previously reported	(19,261)
Reclassification	(1,385,200)
Correction of error	816,242
	<b>(588,219)</b>

This relates to reclassification of finance cost for Landfill site it terms of guidelines. This also relates to correction relating to landfill site interest for prior year.

### 55. Donation of Land Received

Donation of Land Received	3,669,740	-
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### 56. Change in estimate

#### Property, plant and equipment

The useful lives of Property Plant and Equipment were assessed by management. At the end of the current period management has revised their estimate ranging to 3 years for different asset categories. The effect of this revision has decreased the depreciation charge for the current and the future period by R3 443 396 in respect of these assets. The assessment was done at year end when the assets were approaching the end of the useful lives and the economic benefits still accruing to the municipality.

Depreciation previously reported	11,364,952	7,738,014
Change in estimate	(3,443,396)	(2,665,524)
<b>Depreciation restated</b>	<b>7,921,556</b>	<b>5,072,490</b>

#### Landfill site

The survey was conducted by the surveyor and based on the available airspace the liability amounts to R 16 649 222. Therefore, R 6 288 532 represent the change in estimate. The change has decreases as compared to last financial year due to the capping method which was ammended to suit the latest environmental legislation.

#### Humberdale Landfill Site

Landfill Site liability after unwinding interest	(22,937,754)	(12,483,170)
Landfill Site liability as at 30 June 2024	16,649,222	9,439,318
	<b>(6,288,532)</b>	<b>(3,043,852)</b>

### 57. Segment information

#### General information

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 57. Segment information (continued)

#### Identification of segments

The municipality is organised and reports to management on the basis of major functional areas. 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.

#### Aggregated segments

The municipality operates within its municipal jurisdiction, as per the boundaries and demarcation. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout were sufficiently similar to warrant aggregation..

#### Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1	Roads and Stormwater
Segment 2	Waste Management
Segment 4	Housing
Segment 5	Planning and Development
Segment 6	Recreational Facilities
Segment 7	Libraries and archives
Segment 8	Community halls and facilities

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Segment information (continued)

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

2024

	Roads and Stormwater	Waste Management	Housing	Planning and Development	Recreational facilities	Libraries and archives	Community halls and facilities	Total
<b>Revenue</b>								
<b>Revenue from exchange transactions</b>								
Service charges	-	11,151,174	-	-	-	-	-	11,151,174
Sale of good and rendering of service	-	-	-	520,829	355,862	30,700	61,285	968,676
Rental of facilities and equipment	-	-	35,772	-	-	122	223,919	259,813
Interest recieved -Investments	-	1,927,156	-	-	-	-	-	1,927,156
Operational Revenue	708,696	-	-	-	-	21,792	-	730,488
Revenue from non-exchange transactions	-	-	-	-	-	-	-	-
Government grant and Subsidies	43,135,601	-	800,000	4,477,914	2,178,584	8,417,000	-	59,009,099
Fines ,Penalties and Forfiets	-	-	-	-	-	1,693	-	1,693
Licences and Permits(Non-exchange)	-	-	-	-	1,668	-	-	1,668
Property Rates - Penalties Imposed	-	-	-	-	-	-	21,080	21,080
<b>Total segment revenue</b>	<b>43,844,297</b>	<b>13,078,330</b>	<b>835,772</b>	<b>4,998,743</b>	<b>2,536,114</b>	<b>8,471,307</b>	<b>306,284</b>	<b>74,070,847</b>

## uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

	Roads and Stormwater	Waste Management	Housing	Planning and Development	Recreational facilities	Libraries and archives	Community halls and facilities	Total
<b>57. Segment information (continued)</b>								
Unallocated - Acturial Gains								1,721,917
Unallocated - Agency Services								2,589,398
Unallocated - Interest recieved -Investments								14,607,648
Unallocated - Operational Revenue								511,620
Unallocated - Rental of Facilities and Equipment								7,360,540
Unallocated - Sale of Goods and Rendering of Services								2,039,134
Unallocated - Fines, Penalties and Forfeits								1,894,609
Unallocated - Government grants & subsidies								175,562,000
Unallocated - Licences and Permits(Non-exchange)								2,950,932
Unallocated - Property Rates								120,535,254
Unallocated - Property Rates - Penalties Imposed								12,130,928
Interest received - Receivables								(50,658)
Donation of Land Recieved								3,669,470
Fines, Penalties and Forfeits								1,196,700
Government grants & subsidies								175,561,999
Licences and Permits(Non-exchange)								2,950,932
Property Rates								132,666,182
<b>Total revenue reconciling items</b>								<b>344,680,720</b>
<b>Entity's revenue</b>								<b>418,751,567</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

	Roads and Stormwater	Waste Management	Housing	Planning and Development	Recreational facilities	Libraries and archives	Community halls and facilities	Total
<b>57. Segment information (continued)</b>								
<b>Expenditure</b>								
Employee related cost	(10,304,902)	(14,080,702)	(2,485,159)	(11,342,110)	(7,755,167)	(10,663,123)	(12,735,367)	(69,366,530)
Contracted services	(41,462,319)	(10,874,319)	(621,690)	(4,329,794)	(6,667,986)	(94,300)	(5,081,356)	(69,131,764)
Operational expenditure	(127,727)	(217,249)	(19,687)	(152,209)	(119,350)	(494,757)	(102,530)	(1,233,509)
Depreciation and amortisation	(32,079,322)	-	-	-	-	-	(4,998,259)	(37,077,581)
Inventory Consumed	(2,561,671)	(690,358)	-	-	(141,150)	(350,355)	(243,630)	(3,987,164)
Loss on Disposal of Assets	(10,146)	-	-	-	-	-	(232,777)	(242,923)
Impairment of cash and non-cash generating assets)	(8,718)	-	-	-	-	-	-	(8,718)
Transfers and Subsidies	-	-	-	(1,422,171)	-	-	-	(1,422,171)
Finance cost	-	(921,371)	-	-	-	-	-	(921,371)
Lease rental on operating lease	-	-	-	-	-	(631,115)	-	(631,115)
<b>Total segment expenditure</b>	<b>(86,554,805)</b>	<b>(26,783,999)</b>	<b>(3,126,536)</b>	<b>(17,246,284)</b>	<b>(14,683,653)</b>	<b>(12,233,650)</b>	<b>(23,393,919)</b>	<b>(184,022,846)</b>
<b>Total segmental surplus/(deficit)</b>								<b>258,093,693</b>
Unallocated - Contracted Services								(38,407,775)
Unallocated - Debt Impairment								(24,747,085)
Unallocated - Depreciation and Amortisation								(4,407,551)
Unallocated - Employee Related Cost								(81,331,114)
Unallocated - Impairment of cash and non-cash generating assets								(4,564,022)
Unallocated - Inventory Consumed								(3,069,239)
Unallocated - Loss on disposal of assets								(1,658,459)
Unallocated - Operational expenditure								(51,589,826)
Unallocated - Remuneration of Councillors								(16,330,032)
Unallocated - Transfers and Subsidies								(1,599,285)
Unallocated - Finance Cost								(5,752)
Unallocated - Lease rental on operating lease								(1,802,833)
Total revenue reconciling items								-
<b>Entity's surplus (deficit) for the period</b>								<b>5,215,715</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

	Roads and Stormwater	Waste Management	Housing	Planning and Development	Recreational facilities	Libraries and archives	Community halls and facilities	Total
<b>57. Segment information (continued)</b>								
<b>Assets</b>								
Segment assets acquisitions	19,511,620	695,634	-	-	49,130	-	21,295,405	41,551,789
Unallocated - Assets								867,599,067
<b>Total assets as per Statement of financial Position</b>								<b>909,150,856</b>

### 2023

	Roads and Stormwater	Waste Management	Housing	Planning and Development	Recreational Facilities	Libraries and Archives	Community Halls and facilities	Total
<b>Revenue</b>								
Revenue from Exchange transactions	-	-	-	-	-	-	-	-
Service Charges	-	10,575,024	-	-	-	-	-	10,575,024
Sale of goods and rendering of services	-	-	-	655,538	210,497	24,718	43,421	934,174
Rental of facilities and equipment	-	-	35,772	-	-	730	249,649	286,151
Operational revenue	-	-	-	-	-	19,160	-	19,160
Revenue from Non - Exchange transactions	-	-	-	-	-	-	-	-
Fines, Penalties and Forfeits	-	-	-	-	-	592	-	592
Government grant and subsidies	44,632,106	-	-	1,772,000	-	10,268,000	-	56,672,106
Property rates - Penalties and Interest	-	-	-	-	-	-	18,492	18,492
Licences and Permits	-	-	-	-	17,387	-	-	17,387
<b>Total segment revenue</b>	<b>44,632,106</b>	<b>10,575,024</b>	<b>35,772</b>	<b>2,427,538</b>	<b>227,884</b>	<b>10,313,200</b>	<b>311,562</b>	<b>72,519,198</b>



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Segment information (continued)

Unallocated - Proceeds from Insurance fund (Allocations in kind)								258,368
Unallocated - Actuarial gains - employee benefits								1,902,144
Unallocated - Agency Services								2,087,410
Unallocated - Interest received - Investment								13,513,487
Unallocated - Interest received - Receivables								1,528,041
Unallocated - Rental of facilities equipment								6,889,606
Unallocated - Sale of Goods and Rendering of Services								2,391,783
Unallocated - Fines, Penalties and Forfeits								1,300,950
Unallocated - Government grants & subsidies								164,168,000
Unallocated - Licences and Permits(Non-exchange)								6,846,211
Unallocated - Property Rates								110,977,037
Unallocated - Property Rates - Penalties Imposed								1,451,537
Unallocated - Operational revenue								1,333,261
<b>Total revenue reconciling items</b>								<b>314,647,835</b>
<b>Entity's revenue</b>								<b>395,201,253</b>
<b>Expenditure</b>								
Employee related cost	(1,117,410)	(2,383,756)	(2,399,176)	(9,424,103)	(6,690,561)	(10,364,142)	(10,631,654)	(43,010,802)
Contracted Services	(61,369,801)	(12,275,111)	(413,589)	(2,793,976)	(3,760,582)	(310,805)	(3,587,952)	(84,511,816)
Operational Expenditure	-	-	(19,087)	(449,505)	(157,675)	(587,908)	(92,330)	(1,306,505)
Depreciation and Armortisation	(15,080,440)	-	-	-	-	-	(3,211,775)	(18,292,215)
Inventory Consumed	(814,198)	(602,885)	-	(68,120)	(182,876)	(309,238)	(71,925)	(2,049,242)
Impairment loss	18,710,440	966,198	-	-	-	-	21,984,759	41,661,397
Loss on disposal of Assets	(3,322,627)	-	-	-	-	-	(795,377)	(4,118,004)
Finance cost	-	(568,958)	-	-	-	-	-	(568,958)
Lease rentals on operating lease	-	-	-	-	-	(228,101)	-	(228,101)
<b>Total segment expenditure</b>	<b>(62,994,036)</b>	<b>(14,864,512)</b>	<b>(2,831,852)</b>	<b>(12,735,704)</b>	<b>(10,791,694)</b>	<b>(11,800,194)</b>	<b>3,593,746</b>	<b>(112,424,246)</b>
<b>Total segmental surplus/(deficit)</b>								<b>184,943,444</b>

## uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

	Roads and Stormwater	Waste Management	Housing	Planning and Development	Recreational Facilities	Libraries and Archives	Community Halls and facilities	Total
<b>57. Segment information (continued)</b>								
Unallocated - Bad Debt write off								9,056,499
Unallocated - Contracted Services								38,368,345
Unallocated - Debt Impairment								18,433,565
Unallocated - Depreciation and Amortisation								16,116,868
Unallocated - Employee Related Cost								102,623,330
Unallocated - Finance costs								19,260
Unallocated - Impairment of cash and non-cash generating assets								(1,202,335)
Unallocated - Inventory Consumed								2,662,709
Unallocated - Loss on disposal of assets								(260,122)
Unallocated - Operational expenditure								50,888,518
Unallocated - Remuneration of Councillors								15,270,666
Unallocated - Transfers and Subsidies								649,926
Unallocated - Lease rentals on operating lease								1,422,317
<b>Entity's surplus (deficit) for the period</b>								<b>28,358,423</b>
<b>Assets</b>								
Segment assets acquisitions	23,624,248	8,145,700	-	327,541	-	48,950	17,206,169	49,352,608
Unallocated assets								860,574,472
<b>Total assets as per Statement of financial Position</b>								<b>909,927,080</b>

### 58. Budget differences

#### Material differences between budget and actual amounts

Property Rates- The amount accrued on rates amounts to R120.5 million, against the expected R128.6 million. This has resulted in 6% variance. The variance is immaterial as its below 10%.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 58. Budget differences (continued)

Refuse Removal - Amount accrued on refuse removal is R11.1 million against the expected R12.9 million. Variance is sitting at 14%. The variance is due to under-collection.

Employee costs - An amount of R151.6 million has been spent to date on employee related costs against the expected R169.2 million. The variance is sitting at 10%. The variance is due to vacant posts not filled resulting from resignations, retirements and deaths. .

Debt impairment - Expenditure is R24.7 million against the expected budget of R7 million. The debt impairment is higher that anticipated.

#### Investment Revenue

This relates to interest received on the call account deposits held. Interest recognised amounts to R14.5 million against the expected R10.5 million. The variance is 39%. This huge variance is caused by the six months' fixed deposit that matured in January and the higher-than-anticipated interest rates.

Other Own Revenue - Rental of facilities and Equipment: R7.6 million has been recognised instead of the expected R7.1 million. Variance is sitting at 6.6% and immaterial. Fines: R1.1 million has been recognised instead of the expected R1.5 million. Variance is 24.3%. There are system challenges in the traffic fines system which are currently being resolved. Reconciliations by Finance Department will be finalised once the system challenges are resolved and the data will then be loaded into the financial system. Licenses and permits: R2.9 million has been recognised, and the municipality expected to recognise R6.1 million. The variance is sitting at 52%. This variance is due to grade F being conducted instead of Grade A. DOT has not yet allowed full access to the municipality, resulting in fewer transactions being processed. Agency Fees; The amount recognised amounts to R2.5 million and the municipality expected to recognise R2.6 million. Variance is sitting at - 9.3%. The variance is due to over-collection. Operational Revenue: R533 thousand has been recognised instead of the expected R364 thousand. This category includes general revenue sources like building plan fees, subdivisions revenue, campsite fees and scholar patrol revenue. The variance is -46%. The variance is due to activities that that were more than anticipated. Interest earned from receivables: R1.8 million has been accrued instead of the expected R218 thousand. Variance is 760%. The variance is due to the increasing old debt and Sanral debt that is beyond 120 days hence generating huge interest. The impact of the poor economy is affecting the municipality to a greater extent as customers are struggling to pay.

Transfers and subsidies - Expenditure is R2.7 million against the year-to-date budget of R3.9 million. The variance is 30%. An amount of R1.1 million has been budgeted under this category for disaster relief expenses (this occurs as and when required). Spending is low because the budget set aside for the Fire and Disaster had low spending as at end of June.

Operational Costs - This line item includes all other operating expenses such as accommodation, telephone costs, electricity, protective clothing, audit fees etc. Expenditure is R51.3 million against the expected budget of R67.8 million. The variance is 24%. This variance is caused by expenditure such as accommodation, travel cost, hire charges etc. which are incurred only when there is a need.

Contracted Services - Expenditure is R107.3 million against the year-to-date budget of R145.7 million. Variance is 26%.