



**uMzinyathi District Municipality
Annual Financial Statements
for the year ended June 30, 2023**

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

General Information

Legal form of entity	Municipality
Nature of business and principal activities	The uMzinyathi District Municipality is a municipality that is operating within its constitutional mandate as a water service authority in the form of service delivery to the citizens of South Africa.
Mayoral committee	
Mayor	Cllr Alderman PMS Ngubane
Councillors	Cllr TH Mchunu (Deputy Mayor) Cllr FJ Sikhakhane (Speaker - Resigned) Cllr TL Kunene (Speaker) Cllr BP Madondo Cllr RN Ngubane Cllr PM Ngobese (Chief Whip) Cllr SP Mbatha (MPAC Chairperson) Cllr FN Mthethwa (Rules Committee Chairperson) Cllr BS Chambule Cllr LC Moloji Cllr LG Mabaso Cllr TGL Shabalala Cllr SN Sithole Cllr DM Xaba Cllr ES Shange Cllr LP Mbhele Cllr LT Khumalo Cllr TC Ngubane Cllr RN Ngubane Cllr MM Masondo Cllr SB Mdluli Cllr JN Khoza Cllr SG Hlatshwayo Cllr QM Ngobese Cllr LS Hoffman Cllr M Ntshapha Cllr LB Ntuli Cllr EM Mdluli Cllr ME Ngobe Cllr JB Chonco
Grading of local authority	4
Chief Finance Officer (CFO)	SS Ndlovu (Acting)
Accounting Officer	NT Mkhwanazi
Registered office	39 Victoria Street Princess Magogo Building Dundee 3300
Business address	39 Victoria Street Princess Magogo Building Dundee

uMzinyathi District Municipality

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General Information

	3000
Postal address	PO Box 1965 Dundee 3000
Bankers	Primary Banker: First National Bank Secondary Bankers: Nedbank Bank Limited, Standard Bank Limited and Investec Limited
Auditors	The Auditor General
Telephone	034 219 1500
Website	www.umzinyathi.gov.za
Email	rc3@umzinyathi.gov.za

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

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ABSA	Amalgamated Banks of South Africa
AG	Auditor General
COGTA	Department of Cooperative Governance and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
DM	District Municipality
DORA	Division of Revenue Act
DPW	Department of Public Works
DWS	Department of Water and Sanitation
EPWP	Expanded Public Works Programme
FMCMM	Finance Management Capacity Maturity Model
FMG	Finance Management Grant
FNB	First National Bank
GRAP	Generally Recognised Accounting Practice
IDP	Integrated Development Plan
KZN	KwaZulu Natal
LED	Local Economic Development
LGSETA	Local Government Sector Education and Training Authority
LM	Local Municipality
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MSCOA	Municipal Standard Chart of Accounts
NRA	Normal Retirement Age
PAYE	Pay As You Earn
PFMA	Public Finance Management Act
RRAMS	Rural Road Asset Management Systems
SARS	South African Revenue Service
SCM	Supply Chain Management
SDL	Skills Development Levy

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UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WSDP	Water Services Development Plan
WTW	Water Treatment Works

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Accounting Officer's Responsibilities and Approval

The Umzinyathi Municipality is situated at Princess Magogo Building, No.39 Victoria Street, Dundee. It is a grade 4 municipality established in terms of section 12(1) of the Municipal Structures Act No.117 and published in terms of Provincial Government Notice 346 of the 19th of September 2020. The local government operations are assigned by Section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures Act (Act No.117 of 1998). The accounting officer is required by the Municipal Finance Management Act (Act No. 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, she sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit. The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2024 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 municipality is predominantly dependent on grant funding 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 annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the Accounting Officer on August 31, 2023.



Accounting Officer
NT Mkhwanazi

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	1,817,929	2,468,782
Receivables from Non-Exchange Transactions	4	480,585	157,076
VAT Receivable	5	60,051,926	40,191,808
Receivable from Exchange Transactions	6	158,808,946	152,305,178
Cash and Cash Equivalents/ Bank Overdraft	7	54,098,558	-
		275,257,944	195,122,844
Non-Current Assets			
Investment Property	8	1,884,796	1,976,377
Property, Plant and Equipment	9	2,585,849,731	2,508,273,637
Intangible Assets	10	568,989	1,103,361
Heritage Assets	11	8,655	8,655
Investment in Associates	12	7,933,631	68,828,176
		2,596,245,802	2,580,190,206
Total Assets		2,871,503,746	2,775,313,050
Liabilities			
Current Liabilities			
Payables from Exchange Transactions	13	435,063,237	399,180,267
Transfers Payable	14	4,099,734	1,349,734
VAT Payable	19	58,758,104	48,363,978
Consumer Deposits	15	451,314	451,314
Employee Benefit Obligation	16	1,276,000	1,225,000
Unspent Conditional Grants and Receipts	17	2,550,122	31,080,638
Provisions	18	24,263,745	26,894,663
Bank Overdraft	7	-	11,952,720
		526,462,256	520,498,314
Non-Current Liabilities			
Employee Benefit Obligation	16	24,143,000	23,721,000
Total Liabilities		550,605,256	544,219,314
Net Assets		2,320,898,490	2,231,093,736
Accumulated Surplus		2,320,898,621	2,231,093,741
Total Net Assets		2,320,898,621	2,231,093,741

* See Note 40

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from Exchange Transactions			
Service Charges	21	83,048,397	93,131,515
Rental of Facilities and Equipment	22	490,928	481,793
Interest Earned on Outstanding Debtors	23	32,028,502	30,601,326
Other Income	24	283,734	55,103
Interest Received on Investments	25	6,506,060	1,904,348
Total Revenue from Exchange Transactions		122,357,621	126,174,085
Revenue from Non-Exchange Transactions			
Other Revenue			
Donations Received	26	-	8,405,340
Actuarial Gain on Post Retirement Benefit		3,584,000	3,985,000
Transfer Revenue			
Government Grants & Subsidies	27	770,234,731	673,572,427
Total Revenue from Non-Exchange Transactions		773,818,731	685,962,767
Total Revenue	20	896,176,352	812,136,852
Expenditure			
Employee Related Costs	28	(209,104,460)	(211,928,039)
Remuneration of Councillors	29	(6,129,491)	(6,427,609)
Depreciation and Amortisation	30	(89,100,052)	(93,378,066)
Finance Costs	31	(4,219,304)	(1,589,770)
Lease Rentals on Operating Lease	33	(1,193,343)	(1,193,865)
Provision for Debt Impairment	34	(67,461,012)	(82,562,729)
Post Retirement Benefit		(4,057,000)	(3,201,000)
Contracted Services	35	(118,767,025)	(142,896,939)
Transfers and Subsidies	36	(10,000,000)	(10,000,000)
Loss on Disposal of Assets and Liabilities		(17,998,112)	(2,980,966)
Share of Surpluses or Deficits from Associates		(60,894,545)	(30,817,250)
General Expenses	37	(237,595,170)	(195,803,007)
Total Expenditure		(826,519,514)	(782,779,240)
(Deficit) Surplus for the Year		69,656,838	29,357,612

* See Note 40

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total Net Assets
Opening Balance as Previously Reported	2,234,434,735	2,234,434,735
Adjustments		
Prior Year Adjustments : Note 40	(32,698,606)	(32,698,606)
Balance at July 1, 2021 as Restated*	2,201,736,129	2,201,736,129
Changes in Net Assets		
Surplus for the Year	29,357,612	29,357,612
Total Changes	29,357,612	29,357,612
Opening balance as previously reported	2,231,093,741	2,231,093,741
Adjustments		
Prior Year Adjustments	20,148,042	20,148,042
Restated* Balance at July 1, 2022 as restated*	2,251,241,783	2,251,241,783
Changes in Net Assets		
Surplus for the Year	69,656,838	69,656,838
Total Changes	69,656,838	69,656,838
Balance at June 30, 2023	2,320,898,621	2,320,898,621

Note(s)

* See Note 40

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash Flows From Operating Activities			
Receipts			
VAT Refunds		43,959,679	66,938,856
Sale of goods and services		50,292,740	46,227,063
Grants		757,081,853	697,543,065
Interest Income		6,506,060	1,904,348
Other Revenue		276,213	474,657
		858,116,545	813,087,989
Payments			
Employee costs		(209,104,461)	(201,668,850)
Suppliers		(388,365,960)	(349,753,536)
Finance Costs		(1,193,343)	(1,193,865)
Remuneration of Councillors		(6,129,491)	(6,427,609)
Transfers and Subsidies		(5,950,266)	(8,650,266)
		(610,743,521)	(567,694,126)
Net cash flows from operating activities	39	247,373,024	245,393,863
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	9	(196,063,255)	(243,284,026)
Proceeds from sale of property, plant and equipment	9	1,277,190	-
Purchase of other intangible assets	10	(11,162)	(2,670)
Net Cash Flows from Investing Activities		(194,797,227)	(243,761,353)
Cash flows from financing activities			
Finance Lease Payments		-	(6,018,697)
Net increase/(decrease) in cash and cash equivalents		52,575,797	(4,386,187)
Cash and Cash Equivalents at the Beginning of the Year		909,741	5,295,928
Cash and Cash Equivalents at the End of the Year	7	53,485,538	909,741

* See Note 40

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from Exchange Transactions						
Service Charges	82,952,630	(8,662,957)	74,289,673	83,048,397	8,758,724	N01
Rental of facilities and equipment	568,581	-	568,581	490,928	(77,653)	N02
Interest Earned on Outstanding Debtors	31,551,219	-	31,551,219	32,028,502	477,283	N03
Other Income	255,745	(100,000)	155,745	283,734	127,989	N04
Interest Received on Investments	2,515,200	900,551	3,415,751	6,506,060	3,090,309	N05
Total revenue from exchange transactions	117,843,375	(7,862,406)	109,980,969	122,357,621	12,376,652	
Revenue from non-exchange transactions						
Taxation revenue						
Acturial Gain on Post Retirement Benefit	-	-	-	3,584,000	3,584,000	N07
Transfer revenue						
Government Grants & Subsidies	770,197,000	413,001	770,610,001	770,234,731	(375,270)	N08
Total revenue from non-exchange transactions	770,197,000	413,001	770,610,001	773,818,731	3,208,730	
Total Revenue	888,040,375	(7,449,405)	880,590,970	896,176,352	15,585,382	
Expenditure						
Employee Related Costs	(227,541,728)	12,241,482	(215,300,246)	(209,104,460)	6,195,786	N09
Remuneration of Councillors	(8,029,952)	2,122,646	(5,907,306)	(6,129,491)	(222,185)	N10
Depreciation and Amortisation	(105,884,017)	-	(105,884,017)	(89,100,052)	16,783,965	N11
Finance Costs	-	(115,000)	(115,000)	(4,219,304)	(4,104,304)	N12
Lease Rentals on Operating Lease	(5,171,621)	1,965,123	(3,206,498)	(1,193,343)	2,013,155	N13
Debt Impairment	(21,987,167)	-	(21,987,167)	(67,461,012)	(45,473,845)	N14
Post Retirement Benefit	-	-	-	(4,057,000)	(4,057,000)	N15
Bulk Purchases	(22,864,170)	2,000,000	(20,864,170)	-	20,864,170	N16
Contracted Services	(66,865,575)	(7,613,635)	(74,479,210)	(118,767,025)	(44,287,815)	N17
Transfers and Subsidies	(20,000,000)	10,000,000	(10,000,000)	(10,000,000)	-	N18
General Expenses	(96,121,527)	(4,095,258)	(100,216,785)	(237,595,170)	(137,378,385)	N19
Total Expenditure	(574,465,757)	16,505,358	(557,960,399)	(747,626,857)	(189,666,458)	
Operating Surplus	313,574,618	9,055,953	322,630,571	148,549,495	(174,081,076)	
Loss on disposal of assets and liabilities	-	1,084,793	1,084,793	(17,998,112)	(19,082,905)	N20
Share of Surpluses or Deficits from Associates	29,000,000	(29,000,000)	-	(60,894,545)	(60,894,545)	N21
	29,000,000	(27,915,207)	1,084,793	(78,892,657)	(79,977,450)	
Surplus for the Year	342,574,618	(18,859,254)	323,715,364	69,656,838	(254,058,526)	

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Annual Financial Statements for the year ended June 30, 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	342,574,618	(18,859,254)	323,715,364	69,656,838	(254,058,526)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1,491,520	-	1,491,520	1,817,929	326,409	N22
Receivables from Non-Exchange Transactions	128,020,698	800,563	128,821,261	480,585	(128,340,676)	N23
Receivables from Exchange Transactions	125,698,312	(27,051,219)	98,647,093	158,808,946	60,161,853	N24
Cash and Cash Equivalents/ Bank Overdraft	10,250,280	(5,378,129)	4,872,151	54,098,558	49,226,407	N25
	265,460,810	(31,628,785)	233,832,025	215,206,018	(18,626,007)	
Non-Current Assets						
Investment Property	1,977,452	-	1,977,452	1,884,796	(92,656)	N26
Property, Plant and Equipment	2,234,276,314	5,517,511	2,239,793,825	2,585,849,731	346,055,906	N27
Intangible Assets	-	-	-	568,989	568,989	N28
Heritage Assets	29,008,655	(29,000,000)	8,655	8,655	-	N29
Investment in Associates	-	-	-	7,933,631	7,933,631	N30
	2,265,262,421	(23,482,489)	2,241,779,932	2,596,245,802	354,465,870	
Total Assets	2,530,723,231	(55,111,274)	2,475,611,957	2,811,451,820	335,839,863	
Liabilities						
Current Liabilities						
Payables from Exchange Transactions	163,508,505	57,771,658	221,280,163	435,063,237	213,783,074	N31
Transfers Payable	-	-	-	4,099,734	4,099,734	N32
VAT Payable	-	-	-	58,758,104	58,758,104	N33
Consumer Deposits	451,314	-	451,314	451,314	-	N34
Employee Benefit Obligation	-	-	-	1,276,000	1,276,000	N35
Unspent Conditional Grants and Receipts	-	-	-	2,550,122	2,550,122	N36
Provisions	26,088,636	-	26,088,636	24,263,745	(1,824,891)	N37
	190,048,455	57,771,658	247,820,113	526,462,256	278,642,143	
Non-Current Liabilities						
Employee Benefit Obligation	35,272,174	-	35,272,174	24,143,000	(11,129,174)	N35
Total Liabilities	225,320,629	57,771,658	283,092,287	550,605,256	267,512,969	
Net Assets	2,305,402,602	(112,882,932)	2,192,519,670	2,260,846,564	68,326,894	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated Surplus	2,305,402,602	(112,882,932)	2,192,519,670	2,260,846,564	68,326,894	N39

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
VAT Refunds	-	-	-	66,938,856	66,938,856	N40
Sale of goods and services	56,242,171	(34,029,559)	22,212,612	46,227,063	24,014,451	N41
Grant Receipts	770,197,000	413,000	770,610,000	697,543,065	(73,066,935)	N42
Interest income	2,515,200	900,551	3,415,751	1,904,348	(1,511,403)	N43
Other receipts	915,309	(100,000)	815,309	474,657	(340,652)	N44
	829,869,680	(32,816,008)	797,053,672	813,087,989	16,034,317	
Payments						
Employee costs	511,766,433	(31,951,568)	479,814,865	(201,379,096)	(681,193,961)	N45
Suppliers	-	-	-	(350,555,833)	(350,555,833)	N46
Finance Costs	-	-	-	(1,606,975)	(1,606,975)	N47
Remuneration of Councillors	-	-	-	(6,427,609)	(6,427,609)	N48
Transfers and Subsidies	20,000,000	(10,000,000)	10,000,000	(8,500,000)	(18,500,000)	N49
	531,766,433	(41,951,568)	489,814,865	(568,469,513)	(1,058,284,378)	
Net cash flows from operating activities	1,361,636,113	(74,767,576)	1,286,868,537	244,618,476	(1,042,250,061)	
Cash flows from investing activities						
Purchase of property, plant and equipment	298,208,250	6,345,131	304,553,381	(244,802,778)	(549,356,159)	N50
Proceeds from sale of property, plant and equipment	-	1,277,190	1,277,190	-	(1,277,190)	N51
Purchase of other intangible assets	-	-	-	(2,670)	(2,670)	N52
Net cash flows from investing activities	298,208,250	7,622,321	305,830,571	(244,805,448)	(550,636,019)	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	-	(6,018,697)	(6,018,697)	N53
Net increase/(decrease) in cash and cash equivalents	1,659,844,363	(67,145,255)	1,592,699,108	(6,205,669)	(1,598,904,777)	
Cash and cash equivalents at the beginning of the year	6,079,558	(5,170,023)	909,535	5,295,928	4,386,393	N54
Cash and cash equivalents at the end of the year	1,665,923,921	(72,315,278)	1,593,608,643	(909,741)	(1,594,518,384)	
Reconciliation						

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
N01-						The difference due to an increase in consumption of services encouraged by fewer water shedding incidents.
N02 -						Some of the municipal properties being rented out were vacant during the period.
N03 -						The invested funds were fixed for longer periods therefore, increasing the interest portion. The municipality also earned interest on a credit balance of the current account.
N04 -						Balances outstanding from debtors have been escalating since the time of COVID-19 pandemic.
N05 -						The sales for tender documents were throughout the financial year, unlike the previous financial year where certain months were restricted by the Treasury instruction not to advertise tenders whilst impact of the court ruling was being assessed.
N06 -						The amount of gain or losses on disposal of assets depends on the affordability of buyers as assets are auctioned which largely depend on the customer buying power.
N07-						The difference is insignificant.
N08 -						The difference is caused by conditional grant conditions that were not met at the end of the financial year. The funds were therefore not recognised as revenue.
N09 -						The difference is insignificant.
N10 -						The difference is insignificant.
N11 -						The municipality had less additions and completed projects than initially expected.
N12 -						The municipality did not budget for the finance cost on late payments.
N13 -						The bill is based on the changes in consumption.
N14 -						The debt has increased as customers are failing to settle their accounts as they fall due.
N15 -						The budget on the expected increase or decrease on post retirement could not be reasonably estimated.
N16 -						The municipality has partially outsourced the operations and maintenance which was above the budget allocated.
N17 -						There was an increase in the demand for water by the community which resulted to more costs being incurred.
N18 -						The difference is insignificant.
N19 -						The municipality did not budget for the loss on sale of Property, Plant and Equipment as the event is uncertain.
N20 -						The difference is insignificant.
N21 -						Uthukela Water as an associate continues to suffer massive losses.
N22 -						The contract was extended for the provision of fuel by a service provider and consumption patterns also change due to the procurement of vehicles by the municipality in 2022.
N23 -						The accounts where duplicates were reported was written off in the financial year after the investigation by experts on financial systems.
N24 -						The municipality did not estimate the VAT Receivable as the MSCOA Version 6.5 did not allow for the budget to be captured.
N25 -						The municipality could not collect cash as budgeted due to the issue of non-payment by customers.

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
N26 - The difference is insignificant.						
N27 - The were improvements on the existing properties.						
N28 - The differences were due to the changes effected in the current year after conducting the verification and a change in accounting estimate.						
N29 - The difference is insignificant.						
N30 - The entity continues to suffer losses.						
N31 - The municipality did not budget for the non-cash items.						
N32 - The municipality could not honor all the expected payments due to cash flow constraints.						
N33 - The municipality did not budget for the VAT.						
N34 - The difference is insignificant.						
N35 - The difference is insignificant.						
N36 - The spending trends declined on projects financed by conditional grants.						
N37 - The difference is insignificant.						
N38 - The municipality was based on adjusted actuals.						
N39 - The municipality was based on adjusted actuals.						
N40 - The difference is insignificant..						
N41 - The municipality did not budget for VAT.						
N42 - There was an increase in unemployment rate for domestic custoemrs resulting a non-payment of services.						
N43 - LGSETA grant exceeded the planned value due to good performance on planned targets. Moreover in 2022 there was a grant that was transferred at year end and rolled forward to the current financial year.						
N44 - The municipality has invested funds for a longer period therefore yielding more interest.						
N45 - The difference is insignificant.						
N46 - The municipality is struggling to cash back creditors, they are not settled within 30 days.						
N47 - The municipality did not allocate the cashflow item accordingly due to the balance sheet budgeting constraints by the financial system. The item is already covered under Employee Related Costs.						
N48 - The municipality does not budget for the interest and penalties on late payments..						
N49 - The municipality did not allocate the cashflow item accordingly due to the balance sheet budgeting constraints by the financial system. The item is already covered under Employee Related Costs.						
N50 - Due to cashflow challenges, the transfer to Umzinyathi Development Agency could not be transferred in full.						
N51 - The municipality is not able to predict the transactions that result from an auction.						
N52 - The cost containment measures resulted to a reduced spending trends.						

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

N53 - The difference is insignificant.

N54 - The difference is insignificant.

N55 - The difference is insignificant.

The accounting policies on pages 17 to 42 and the notes on pages 43 to 92 form an integral part of the annual financial statements.

Accounting Policies

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 No. 56 of 2003).

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

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

1.1 Going Concern Assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and 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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including such as production estimates, supply demand, together with economic factors such as inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful Lives of Waste and Water Network and Other Assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for Doubtful Debts

On debtors 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.

1.3 Investment Property

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

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

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

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

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.

Cost Model

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 by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30 years

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

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

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

1.4 Property, Plant and Equipment

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

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.4 Property, Plant and Equipment (continued)

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, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

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

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

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

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Depreciation method	Average useful life
Infrastructure	Straight line	10-100 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.

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.4 Property, Plant and Equipment (continued)

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

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

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

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

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

1.5 Infrastructure

The entity recognises infrastructure when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Infrastructure are measured at cost.

A gain or loss arising on initial recognition of infrastructure at fair value less costs to sell and from a change in fair value less costs to sell of infrastructure is included in surplus or deficit for the period in which it arises.

Depreciation is provided on infrastructure where fair value cannot be determined, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Item	Useful life
Other Infrastructure	20-40 years

1.6 Intangible Assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.6 Intangible Assets (continued)

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.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	5 years

1.7 Heritage Assets

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.

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.

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.

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.7 Heritage Assets (continued)

Subsequent Measurement

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

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

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

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

Impairment

The municipality assesses 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 (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Investments in associates

An investment in an associate is carried at cost.

The municipality applies the same accounting for each category of investment.

The municipality recognises a share in surplus or deficit in its separate annual financial statements.

1.9 Financial Instruments

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

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

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.

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

Accounting Policies

1.9 Financial Instruments (continued)

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.

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

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 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:

- equity instruments or similar forms of unitised capital;

uMzinyathi District Municipality

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Accounting Policies

1.9 Financial Instruments (continued)

- 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.

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:

- 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.

Initial Recognition

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

The entity recognises financial assets using trade date accounting.

Initial Measurement of Financial Assets and Financial Liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions, where it is the recipient of the loan.

uMzinyathi District Municipality

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Accounting Policies

1.9 Financial Instruments (continued)

Subsequent Measurement of Financial Assets and Financial Liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair Value Measurement Considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument or based on any available observable market data.

The fair value of a financial liability with a demand feature such as a demand deposit is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

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

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

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

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

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

Gains and Losses

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

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

Impairment and Uncollectibility of Financial Assets

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

Financial assets measured at amortised cost:

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.9 Financial Instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.9 Financial Instruments (continued)

Derecognition

Financial Assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial Liabilities

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

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

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1.9 Financial Instruments (continued)

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

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

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

Finance leases - lessee

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

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

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 rental 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.

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Accounting Policies

1.11 Inventories

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

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

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

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

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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.

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.13 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.

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.

Accounting Policies

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

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

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 tests 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 oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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.

1.14 Employee benefits

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

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

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

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

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

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

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

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

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

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1.14 Employee benefits (continued)

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.:

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

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.

Post-employment benefits: Defined contribution plans

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.

Post-employment benefits: Defined benefit plans

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

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

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date. To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

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

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

uMzinyathi District Municipality

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Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

The rate used to discount post-employment benefit obligations (both funded and unfunded) 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.

Other post retirement obligations

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

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

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.

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.

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.

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Accounting Policies

1.15 Provisions and contingencies (continued)

Provisions are not recognised for future operating surplus (deficit).

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

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

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

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

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

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

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

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

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Accounting Policies

1.15 Provisions and contingencies (continued)

Significant judgements and sources of estimation uncertainty

Impact of COVID-19:

Municipal management considered uncertainty on service delivery which have caused by the outbreak of the COVID-19 pandemic. Several sections of the financial statements such as revenue, provision for bad debts calculations, leave pay provision, receivables collection rate, expenses and going-concern have been effected by the far reaching effects of the COVID-19 pandemic despite the significant decline on the new infections and mortality rate.

1.16 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.

1.17 Comparative figures

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

1.18 Budget information

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

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

The approved budget covers the fiscal period from 7/1/2022 to 6/30/2023.

The budget for the economic entity includes an approved budgets.

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.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.21 Irregular expenditure (continued)

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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 register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 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.

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.

1.23 Events After Reporting Date

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

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

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

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.23 Events After Reporting Date (continued)

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

1.24 Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.25 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.

1.26 Consolidation

1.27 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.28 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.

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.

Measurement

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

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.28 Revenue from Exchange Transactions (continued)

Sale of Goods

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

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

Rendering of Services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

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

1.29 Revenue from Non-Exchange Transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

Measurement

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

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.29 Revenue from Non-Exchange Transactions (continued)

Government Grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other Grants and Donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.30 Investment Income

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

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standards	Effective Date	Expected Impact
Grap 1 : Presentation of Annual Financial Statements (Amended)	01 April 2023	The impact is being assessed

3. Inventories

Water for Distribution	113,895	90,356
Fuel (Diesel, Petrol)	-	1,388,281
Chemicals	1,704,034	990,145
	1,817,929	2,468,782

Inventories recognised as an expense during the year 73,209,924 99,556,737

Inventory valuation used a weighted average. The municipality did not have any stock available for fuel at the end of the financial year.

Inventory Pledged as Security

None of the inventories have been pledged as security for the municipality's financial liabilities.

Water for Distribution

Opening Balance	90,356	84,468
System Input Volume	47,545,844	55,248,248
Authorised Consumption	(23,568,544)	(25,999,451)
Water Losses	(9,311,590)	(11,561,428)
Unavoidable Annual real Losses	(15,192,596)	(18,863,385)
Non-Revenue Water	550,425	1,181,904
Closing balance	113,895	90,356

4. Receivables from Non-Exchange Transactions

Other Receivables	18,500	168,105
Unkown Debit Orders	-	(19,305)
Accrued Income	462,085	8,276
	480,585	157,076

The receivables from non-exchange were recognised for the employee and suppliers indebted to the municipality. Prior year balances were restated.

The balance includes an accrued income recognised.

5. VAT Receivable

VAT	60,051,926	40,191,808
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VAT was accounted for on accrual basis and being claimed on a cash basis from SARS. The opening balances were restated to only reflect the VAT receivable from SARS.

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
6. Receivable from Exchange Transactions		
Gross Balances		
Water	370,287,756	352,298,422
Sewerage	119,717,025	72,010,578
Interest	57,571,319	48,217,872
Housing Rental	1,116,426	621,768
Debtors with Credit Balances	8,044,024	9,625,130
	556,736,550	482,773,770
Less: Allowance for Impairment		
Water	(265,346,344)	(234,821,969)
Sewerage	(88,949,741)	(56,620,060)
Interest	(43,631,519)	(39,026,563)
	(397,927,604)	(330,468,592)
Net Balance		
Water	104,941,412	117,476,453
Sewerage	30,767,284	15,390,518
Interest	13,939,800	9,191,309
Housing Rental	1,116,426	621,768
Debtors with Credit Balances	8,044,024	9,625,130
	158,808,946	152,305,178
Water		
Current (0 -30 days)	6,882,048	5,619,719
31 - 60 days	6,272,023	8,627,221
61 - 90 days	10,168,879	9,439,922
91 - 120 days	4,008,508	7,607,682
121 - 365 days	344,062,784	321,003,878
Allowance for Impairment	(265,346,344)	(234,821,969)
	106,047,898	117,476,453
Sewerage		
Current (0 -30 days)	2,121,545	1,164,225
31 - 60 days	1,281,546	1,105,371
61 - 90 days	1,455,168	985,250
91 - 120 days	1,364,603	1,104,161
121 - 365 days	113,494,741	67,651,571
Allowance for Impairment	(88,949,741)	(56,620,060)
	30,767,862	15,390,518
Interest		
Current (0 -30 days)	(199,354)	
31 - 60 days	(21,465)	2,389
61 - 90 days	(97,438)	189
91 - 120 days	(14,366)	10,270
>121 days	57,903,942	48,205,024
Allowance for Impairment	(43,631,519)	(39,026,563)
	13,939,800	9,191,309

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
6. Receivable from Exchange Transactions (continued)		
Housing Rental		
Current (0 -30 days)	51,538	23,426
31 - 60 days	25,769	23,426
61 - 90 days	25,769	23,426
91 - 120 days	25,769	23,426
121 - 365 days	987,581	528,064
	1,116,426	621,768
Debtors with Credit Balances		
Current (0 - 30 days)	8,044,024	9,625,130
Summary of Debtors by Customer Classification		
Less: Allowance for Impairment		
Current +150 days)	(397,927,604)	(330,468,592)
Reconciliation of Allowance for Impairment		
Balance at beginning of the year	(330,468,592)	(247,905,863)
Contributions to allowance	(67,459,012)	(82,562,729)
	(397,927,604)	(330,468,592)

Receivables from Exchange Transactions pledged as security

No receivables from exchange transactions have been pledged as collateral for liabilities of the municipality.

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
7. Cash and Cash Equivalents/ Bank Overdraft		
Cash and Cash Equivalents consist of:		
Cash on Hand	-	218
Bank Balances	28,720,767	(12,015,054)
Short-Term Deposits	25,377,791	62,116
	54,098,558	(11,952,720)

The municipality did not have an overdraft at the end of the financial period.

The following bank accounts were opened and closed during the financial period.

Bank	Type of account	Account number
ABSA	Fixed Deposit	2079922073.00
FNB	Fixed Deposit	74906662470.00
FNB	Fixed Deposit	74929672373.00
FNB	Fixed Deposit	74940433118.00
Standard Bank	Call deposit	420111972.00
Standard Bank	Fixed Deposit	308632095-016
Standard Bank	Fixed Deposit	308632095-017
Standard Bank	Fixed Deposit	308632095-018
Standard Bank	Fixed Deposit	308632095-019
Standard Bank	Fixed Deposit	308632095-020
Standard Bank	Fixed Deposit	308632095-021
Standard Bank	Fixed Deposit	308632095-022
Standard Bank	Fixed Deposit	308632095-023
Standard Bank	Fixed Deposit	308632095-024
Nedbank	Fixed Deposit	037337000049-019
Nedbank	Fixed Deposit	037337000049-020
Nedbank	Fixed Deposit	037337000049-021

Cash and Cash Equivalents Pledged as Collateral

Total financial assets pledged as collateral:	70,000	70,000
The amount not exceeding the sum of R70 000 for bulk posting agreement.		

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

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2022

7. Cash and Cash Equivalents/ Bank Overdraft (continued)

The municipality had the following bank accounts

Account Number / Description	Bank Statement Balances			Cash Book Balances		
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2023	June 30, 2022	June 30, 2021
FNB 62358106279	28,544,261	837,408	8,789,196	28,710,767	(12,231,424)	3,159,826
FNB 62358438044	10,000	10,000	10,000	10,000	(403,765)	9,990
ABSA 9330621802	9,728	16,422	20,350	9,728	16,422	20,350
ABSA 9376913685	21,979,805	-	28,208,109	21,979,805	-	-
ABSA 2080985840	-	-	20,000,000	-	-	-
ABSA 9378234928	19,690	-	-	19,690	-	-
FNB 74321014438	734,988	1,766	-	734,988	1,766	-
FNB 62353578564	7,182	343	-	7,182	343	-
FNB 62821498476	-	-	15	-	-	15
FNB 62861386194	-	-	74	-	-	(74)
FNB 62865115408	-	-	768,117	-	-	2,098,132
FNB 63044866333	31,072	-	-	31,072	-	-
INVESTEC 1100 461 826 500	-	34	34	-	34	34
INVESTEC 1100 461 826 502	11,172	-	-	13,879	-	-
INVESTEC 1100 461 826 503	60,088	42,896	3,728	60,088	42,897	3,728
NEDBANK 7337000049 000001	20,615	393	3,270	20,615	380	3,270
NEDBANK 7337000049 000016	4,373	273	-	4,373	273	265
STANDARD 308632095 003	2,045,389	-	-	2,045,389	-	-
STANDARD 308632095 006	7,175	-	-	7,175	-	173
PETTY CASH	-	-	218	-	218	218
Total	53,485,538	909,535	57,803,111	53,654,751	(12,572,856)	5,295,927

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

8. Investment Property

	2023		2022			
	Cost / Valuation	Accumulated Depreciation and Impairment Loss	Carrying value	Cost / Valuation	Accumulated Depreciation and Impairment Loss	Carrying Value
Investment Property	2,586,275	(701,479)	1,884,796	2,586,275	(609,898)	1,976,377

Reconciliation of Investment Property - 2023

Investment Property	Opening balance	Depreciation	Total
	1,976,377	(91,581)	1,884,796

Reconciliation of Investment Property - 2022

Investment Property	Opening Balance	Depreciation	Total
	2,067,958	(91,581)	1,976,377

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, Plant and Equipment

	2023		2022			
	Cost / Valuation	Accumulated Depreciation and Impairment	Carrying Value	Cost / Valuation	Accumulated Depreciation and Impairment Loss	Carrying Value
Land	5,022,200	-	5,022,200	5,022,200	-	5,022,200
Buildings	30,300,070	(13,779,426)	16,520,644	30,185,070	(12,827,253)	17,357,817
Plant and Machinery	36,762,546	(29,973,278)	6,789,268	36,276,306	(26,730,569)	9,545,737
Motor Vehicles	83,954,672	(47,018,847)	36,935,825	84,993,479	(39,931,430)	45,062,049
Office Equipment	16,169,209	(12,030,029)	4,139,180	15,082,384	(10,287,321)	4,795,063
Infrastructure	1,642,210,792	(789,206,523)	853,004,269	1,663,494,508	(744,662,380)	918,832,128
Infrastructure Work In Progress	1,622,415,524	-	1,622,415,524	1,472,444,735	-	1,472,444,735
Building Work In Progress	41,022,821	-	41,022,821	35,213,908	-	35,213,908
Total	3,477,857,834	(892,008,103)	2,585,849,731	3,342,712,590	(834,438,953)	2,508,273,637

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, Plant and Equipment (continued)

Reconciliation of Property, Plant and Equipment - 2023

	Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment Loss	Total
Land	5,022,200	-	-	-	-	-	5,022,200
Buildings	17,357,817	115,000	-	-	(952,173)	-	16,520,644
Plant and Machinery	9,545,737	1,477,457	(99,956)	-	(4,133,970)	-	6,789,268
Motor Vehicles	45,062,049	4,836,488	(433,412)	-	(10,885,551)	(1,643,749)	36,935,825
Office Equipment	4,795,063	1,323,797	(50,187)	-	(1,929,493)	-	4,139,180
Infrastructure	918,832,128	2,427,592	(18,521,107)	19,187,370	(62,466,690)	(6,455,024)	853,004,269
Infrastructure Work In Progress	1,472,444,735	180,074,008	(10,915,849)	(19,187,370)	-	-	1,622,415,524
Buidling Work In Progress	35,213,908	5,808,913	-	-	-	-	41,022,821
	2,508,273,637	196,063,255	(30,020,511)	-	(80,367,877)	(8,098,773)	2,585,849,731

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, Plant and Equipment (continued)

Reconciliation of Property, Plant and Equipment - 2022

	Opening Balance	Additions	Disposals	Transfers	Other Changes, Movements	Depreciation	Impairment Loss	Total
Land	5,022,200	-	-	-	-	-	-	5,022,200
Buildings	17,544,593	770,983	-	-	-	(957,759)	-	17,357,817
Plant and Machinery	13,945,274	375,055	(286,919)	-	-	(4,487,673)	-	9,545,737
Motor Vehicles	49,796,124	6,744,089	(270,565)	-	-	(11,177,712)	(29,887)	45,062,049
Office Equipment	6,159,493	1,288,720	(526,391)	-	-	(2,082,711)	(44,048)	4,795,063
Infrastructure	888,563,592	15,524,539	(2,847,573)	33,725,495	56,775,221	(70,558,861)	(2,350,285)	918,832,128
Infrastructure Work In Progress	1,355,998,253	218,305,590	-	(33,725,495)	(68,133,613)	-	-	1,472,444,735
Building Work In Progress	34,938,858	275,050	-	-	-	-	-	35,213,908
	2,371,968,387	243,284,026	(3,931,448)	-	(11,358,392)	(89,264,716)	(2,424,220)	2,508,273,637

Pledged as Security

No infrastructure assets or property, plant and equipment were pledged as security.

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening Balance	34,938,858	1,355,998,253	1,390,937,111
Additions/capital expenditure	275,050	218,305,590	218,580,640
Other movements [specify]	-	(68,133,613)	(68,133,613)
Transferred to completed items	-	(33,725,495)	(33,725,495)
	35,213,908	1,472,444,735	1,507,658,643

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

9. Property, Plant and Equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening Balance	35,213,908	1,472,444,735	1,507,658,643
Additions/Capital Expenditure	5,808,913	180,074,008	185,882,921
Other movements [specify]	-	(10,915,849)	(10,915,849)
Transferred to Completed Items	-	(19,187,370)	(19,187,370)
	41,022,821	1,622,415,524	1,663,438,345

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: Maintenance of Buildings and Facilities	1,555,210	3,449,158
Contracted Services: Maintenance of Equipment	13,566,672	8,559,381
Contracted Services: Unspecified Assets	18,836,419	11,597,302
	33,958,301	23,605,841

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.

Funding of property, plant and equipment acquisitions

uMzinyathi District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
9. Property, Plant and Equipment (continued)		
Disclosure : Halted & Delayed Projects		
Muden Bulk Water Supply Scheme	256,383,307	256,383,307
Muden Bulk Water Phase 4B (Contract Value R 21 165 881) - Halted	43,544,348	43,544,348
Muden Phase 4C (Contract Value R5 865 000) - Delayed	5,193,210	5,193,210
Muden Bulk Water Phase 4A (Contract Value R23 997 929) - Delayed	23,648,608	23,648,608
Muden Kwalatha (Contract Value R23 742 761) - Halted	22,618,280	22,618,280
Muden Bulk Supply Phase 3B (Contract Value R20 243 185) - Delayed	16,144,483	16,144,483
Muden Phase 3C (Contract Value R27 947 473) - Halted	29,941,378	29,941,378
Ophathe Water Supply Phase 3 (Contract Value R15 970 002) - Halted	2,977,378	2,977,378
Installation Mechanical and Electrification (Contract Value R17 279 555) - Halted	15,157,505	15,157,505
Interconnecting Pipework (Contract Value R5 435 208) - Halted	4,767,726	4,767,726
Completion of 9.8LM Long Pipeline (Contract Value R26 076 624) - Halted	22,818,631	22,818,631
10.2KM Long Pipeline (Contract Value R24 232 801) - Halted	21,256,843	21,256,843
Construction of Civic Works (Contract Value R55 694 454) - Halted	48,429,960	48,429,960
Supply and Installation of Mechanical (Contract Value R5 568 860) - Halted	4,884,957	4,884,957
Ophathe Water Supply Scheme	33,399,347	17,772,614
Ophathe Water Supply Scheme Phase 3 (Reticulation) (Contract Value: R48 277 584) - Halted	17,871,713	-
Ophathe Water Supply Scheme Phase 3 (Contract Value: R6 798 058) - Halted	4,496,239	-
Ophathe Water Supply Scheme (Phase 3) (Contract Value: R15 970 002) - Halted	11,031,396	-
Douglas Water Supply Scheme	49,086,831	48,860,764
Douglas Water Supply Scheme (Contract Value R49 086 831) - Halted	35,564,728	-
Umzinyathi Disaster Centre	41,310,776	35,213,908
Disaster Centre Contract Value R37 350 927) - Halted	34,935,674	34,935,674
Disaster Centre Phase 1 (Contract Value R1 894 115) - Delayed	2,029,885	-
Disaster Centre Phase 2 (Contract Value R6 979 973) -Terminated	4,347,917	-
Greytown Bulk Water	336,780,033	334,245,207
2.5ML Enhlalakahle Reservoir (Contract Value R6 082 506) - Delayed	5,335,532	5,335,532
Kranskop Water ARG (Contract Value R6 242 448) - Halted	4,772,041	4,772,041
15.2KM Long Pipeline (Contract Value R157 374 845) - Halted	138,048,110	138,048,110
9.8KM Pipeline (Contract Value R49 300 267) - Halted	43,245,848	43,245,848
10.2KM Long Pipeline (Contract Value R51 408 486) - Halted	45,095,163	45,095,163
2.5ML Umvoti Reservoir (Contract Value R7 891 875) - Halted	6,922,697	6,922,697
Construction of 250KL Reservoir (Contract Value R1 816 391) - Halted	1,593,325	1,593,325
Construction of 250KL Reservoir (Contract Value R2 150 068) - Halted	1,886,025	1,886,025
Construction of 250KL Reservoir (Contract Value R4 278 637) - Halted	3,743,191	3,743,191
Supply and Installation Electrical (Contract Value R24 858 317) - Halted	21,615,928	21,615,928
Greytown Bulk Water Phase 2 (Contract Value R6 206 179) - Halted	6,206,179	6,206,179
RDHV Consulting (Contract Value R0 - Delayed	54,585,441	54,585,441
Construction of 250 KL Gaywood Reservoir (Contract Value R4 278 637) - Halted	3,720,554	3,720,554
Umsinga Regional Bulk Water	182,813,595	182,813,595
Sampofu Water Commission (Delayed) (Contract Value R27 451 450) - Delayed	37,487,870	37,487,870
Msinga Phase 4A (Contract Value R36 330 421) - Halted	47,352,434	47,352,434
Construction of Reservoir (Delayed) (Contract Value R13 228 183) - Delayed	32,011,730	32,011,730
Keates Drift 3C (Muden) (Contract Value R27 947 473) - Halted	6,454,474	6,454,474
Raw Water Main (Contract Value R3 960 226) - Halted	3,473,918	3,473,918
Arument of Water Treat Works (Contract Value R7 439 596) - Halted	6,525,961	6,525,961
2.5ML Enhlalakahle Reservoir (Contract Value R6 082 506) - Halted	5,333,532	5,333,532
2.5ML Enhlalakahle (Contract Value R6 328 162) - Halted	6,378,913	6,378,913
2.0ML Kranskop Reservoir (Contract Value R5 334 443) - Halted	4,679,336	4,679,336
Pipeline to Enhlalakahle (Contract Value R13 499 840) - Halted	11,841,965	11,841,965
Enhlalakahle Trunk Main (Contract Value R12 127 951) - Halted	10,638,553	10,638,553
Construction of Raw Water (Contract Value R12 121 516) - Halted	10,632,909	10,632,909
Kwa-Kopi Water Supply (Delayed)	52,095,243	-
Kwa-Kopi Water Supply Phase 2 (Contract Value R15 491 965) - Completed	13,561,431	-
Kwa-Kopi Water Supply Phase 3 (Contract Value R32 114 074) - Delayed	38,533,812	-
Kranskop Borehole	703,791	-
Kranskop Borehole (Contract Value R6 242 448) - Halted	703,791	-

uMzinyathi District Municipality

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Figures in Rand	2023	2022
9. Property, Plant and Equipment (continued)		
Seven Water Supply Scheme	18,924,214	-
Seven Water Supply Scheme (Contract Value R25 835 112) - Delayed	18,924,214	-
Msinga Mumba	24,080,989	-
Msinga Mumba (Contract Value R19 137 819) - Delayed	24,080,989	-

Muden Bulk: Awaiting connection to the water source.

Ophathe Water Supply Scheme: Awaiting connection to the water source.

Douglas Water Supply Scheme: Poor performance by contractors.

Disaster Management Centre: The project was under investigation and later delayed by poor performance by contractors..

Greytown Bulk : Insufficient funding.

Umsinga Regional Bulk Water Scheme: Awaiting the connection by ESKOM.

Kwakopi Water Supply Scheme: Poor performance by contractors.

seven Water Supply Scheme: Poor performance by contractors.

Msinga Mumba: Awaiting the connection by ESKOM.

Kranskop Borehole: Poor performance by contractors.

The following projects related to projects for which business plans were not funded. Feasibility study costs were recognised as an expense:

- Nquthu North Eastern Services
- Hlimbithwa Water Supply
- Msinga Othame
- Hlazakazi Water Supply

uMzinyathi District Municipality

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10. Intangible Assets

	2023			2022		
	Cost / Valuation	Accumulated Amortisation and impairment Loss	Carrying value	Cost / Valuation	Accumulated Amortisation and impairment Loss	Carrying value
Computer Software, Other	3,059,366	(2,490,377)	568,989	3,113,048	(2,009,687)	1,103,361
Reconciliation of Intangible Assets - 2023						
	Opening balance	Additions	Disposals	Amortisation	Total	
Computer Software, Other	1,103,361	11,162	(3,593)	(541,941)	568,989	
Reconciliation of Intangible Assets - 2022						
	Opening balance	Additions	Disposals	Amortisation	Total	
Computer Software, Other	1,734,148	2,670	(27,842)	(605,615)	1,103,361	

uMzinyathi District Municipality
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11. Heritage Assets

	2023		2022	
	Cost / Valuation	Accumulated Impairment Losses	Carrying Value	Cost / Valuation
Ornamental Chains	8,655	-	8,655	8,655
			Accumulated Impairment Losses	Carrying Value
			-	8,655

Reconciliation of Heritage Assets 2023

Ornamental Chains	Opening balance 8,655	Total 8,655
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Reconciliation of Heritage Assets 2022

Ornamental Chains	Opening balance 8,655	Total 8,655
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uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand				2023	2022
12. Investment in Associate					
Investments in Associates					
Name of Company	Determination of ownership interest	% ownership interest 2023	% ownership interest 2022	Carrying amount 2023	Carrying amount 2022
uThukela Water (Pty) Ltd	Investment	33.00 %	33.00 %	7,933,631	68,828,176
				7,933,631	68,828,176
				7,933,631	68,828,176

The carrying amounts of the Associate are shown net of impairment losses.

The separate annual financial statements of the Associate are available at the registered office of the associate.

Movements in Carrying Amount

Opening Balance	68,828,175	99,650,995
Share in Deficit of Associate	(60,894,545)	(30,822,820)
	7,933,630	68,828,175

Summary of economic entity's interest in associate

Revenue	230,077,164	185,493,457
Expenses	(414,606,087)	(278,895,943)
Net Profit	(184,528,923)	(93,402,486)
Percentage Share in Associate	33.00 %	33.30 %
Share of Deficit of Associate	-	(43,812,986)
Total Assets	743,903,152	884,477,921
Total Liabilities	(531,363,815)	(487,409,661)
Net Assets	212,539,337	397,068,260

The financial results of the Associate were restated for the prior year.

13. Payables from Exchange Transactions

Trade Payables	326,922,101	286,217,474
Payments Received in Advance	8,044,024	9,625,130
Salary Control	649,768	300,795
Unallocated Deposits	2,875,005	-
Third Parties Payable	-	10,259,189
Retentions	90,134,863	86,563,569
Bonus Accrual	6,437,476	6,214,110
	435,063,237	399,180,267

There was a restatement of Trade Payables.

14. Transfers Payable

Transfers Payable	4,099,734	1,349,734
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The previously disclosed amount of R1 500 000 was adjusted to reflect the transactions that were processed in the previously financial year to the value of R150 266 with regards to the payment that was already processed on behalf of the agency.

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

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	2023	2022
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15. Consumer Deposits

Water	451,314	451,314
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The Consumer Deposits relates to monies paid for connections before any services could be rendered. These amounts relates to prior period deposits. The municipality has ceased collecting deposits hence there is no movement in the recent years except for refunds when properties are transferred or sold.

16. Employee Benefit Obligations

Defined Benefit Plan

Post Retirement Medical Aid Plan

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

Carrying Value		
Post Employment Medical Benefit	(14,248,000)	(14,023,000)
Long Service Award	(11,171,000)	(10,923,000)
	(25,419,000)	(24,946,000)

Non-Current Liabilities	(24,143,000)	(23,721,000)
Current Liabilities	(1,276,000)	(1,225,000)
	(25,419,000)	(24,946,000)

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

Opening Balance	14,023,000	14,209,000
Current Service Costs	1,031,000	1,204,000
Interest Costs	1,645,000	1,459,000
Benefits paid	(288,000)	(282,000)
Actuarial gain	(2,163,000)	(2,567,000)
	14,248,000	14,023,000

Changes in the present value of long service awards liability are as follows:

Opening Balance	10,923,000	11,521,000
Current Service Costs	1,415,000	1,518,000
Interest Costs	1,191,000	1,043,000
Benefits Paid	(937,000)	(1,741,000)
Actuarial Loss/(Gain)	(1,421,000)	(1,418,000)
	11,171,000	10,923,000

Calculation of Actuarial Gains and Losses

Post Employment Benefits	(2,163,000)	(1,418,000)
Long Service Awards	(1,421,000)	(2,567,000)
	(3,584,000)	(3,985,000)

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

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16. Employee Benefit Obligations (continued)

Key Assumptions Used

Assumptions used at the reporting date:

Discount Rates Used	11.75 %	11.37 %
Consumer Price Index	5.93 %	5.49 %
Salary Increase Rate	6.93 %	7.54 %
Net Effect Discount Rate	4.50 %	3.57 %

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases.

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

uMzinyathi District Municipality

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16. Employee Benefit Obligations (continued)

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11.85% per annum has been used. The corresponding index-linked yield at this term is 4.11%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 31 March 2023.

Plan B

Health Care Cost Inflation Rate

A health care cost inflation rate of 8.46% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.96%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.13% which derives from $((1+11.85\%)/(1+8.46\%))-1$.

The expected inflation assumption of 6.96% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.11%) and those of fixed interest bonds (11.85%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+11.85\%-0.50\%)/(1+4.11\%))-1$.

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

Maximum Subsidy Inflation Rate

This assumption is required to reflect estimated future changes in the maximum amount to which subsidies are limited. This maximum amount is set at R 5,007.00 per family per month for the year ending 30 June 2024. The annual increases to this maximum amount are periodically specified by the local government bargaining council.

Recent past annual increases balanced with sustainability needs of employees have resulted in this assumption being set at 75% of salary inflation. The future salary inflation assumption of 7.96%, was set to be 1.00% above expected CPI inflation. Thus a maximum subsidy inflation assumption of 5.97% per annum was used. The next increase to the maximum subsidy was assumed to occur with effect from 1 July 2023.

Replacement Ratio

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

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 63 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

uMzinyathi District Municipality

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16. Employee Benefit Obligations (continued)

Mortality before retirement has been based on the SA 85-90 mortality tables, adjusted for female lives. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependants

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have a subsidised spouse dependant. For current retiree members, actual subsidised spouse dependants were used and the potential for remarriage was ignored.

Financial Variables

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%.

Medical Aid Benefit

Age Band	Promotional Increases
20	9 %
25	9 %
30	6 %
35	6 %
40	5 %
50+	3 %
	38

Withdrawal Assumptions

Age	2023 Males	2023 Females	2022 Males	2022 Females
20-24	9	9	9	9
25-29	8	8	8	8
30-34	6	6	6	6
35-39	5	5	5	5
40-44	5	5	5	5
45-49	4	4	4	4
50-54	3	3	3	3
	40	40	40	40

Long Service Awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 249 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Completed Years of Service

uMzinyathi District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
16. Employee Benefit Obligations (continued)		
Years	Total Service % of Salary	LongFormula Award Calculate Long Service
5		2 %05/249*Annual Salary
10		4 %10/249*Annual Salary
15		8 %20/249*Annual Salary
20, 25, 30, 35, 40 and 45		12 %30/249*Annual Salary

Membership Data

Current Employees	2023	2022
Number of Employees	435	435
Average Annual Salary	291,136	291,136
Average Age (Years)	43	43
Number of Spouses	9	9
	291,623	291,623

17. Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts comprises of:

Unspent Conditional Grants and Receipts

Water Services Infrastructure Grant	-	24,080,638
Disaster Management	-	5,000,000
Emergency Drilling of Boreholes	2,550,122	2,000,000
	2,550,122	31,080,638

See Note 27 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised. The expenditure to the value of R29 586 622 was recognised in the current financial year in respect of the unspent conditional grant from the prior years. As a result an unspent balance was increased by R15 377 087.

18. Provisions

Reconciliation of Provisions - 2023

	Opening Balance	Additions	Total
Leave Provision	26,894,663	(2,630,918)	24,263,745

Reconciliation of Provisions - 2022

	Opening Balance	Movements	Total
Leave Provision	26,088,196	806,467	26,894,663

19. VAT Payable

Tax Payable	58,758,104	48,363,978
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The Municipality accounts for value added tax on an accrual basis but claimed / paid over to SARS on a cash basis in accordance with Section 15 (2) of the Value Added Tax (Act No. 89 of 1991).

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

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20. Revenue		
Service Charges	83,048,397	93,131,515
Rental of Facilities and Equipment	490,928	481,793
Interest Earned on Outstanding Debtors	32,028,502	30,601,326
Other Income	283,734	55,103
Interest Received on Investments	6,506,060	1,904,348
Donations Received	-	8,405,340
Actuarial Gain on Post Retirement Benefit	3,584,000	3,985,000
Government Grants & Subsidies	770,234,731	673,572,427
	896,176,352	812,136,852
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service Charges	83,048,397	93,131,515
Rental of Facilities and Equipment	490,928	481,793
Interest Earned on Outstanding Debtors	32,028,502	30,601,326
Other Income	283,734	55,103
Interest Received on Investment	6,506,060	1,904,348
	122,357,621	126,174,085
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation Revenue		
Donations Received	-	8,405,340
Actuarial Gain Post Retirement Benefit	3,584,000	3,985,000
Transfer Revenue		
Government Grants & Subsidies	770,234,731	673,572,427
	773,818,731	685,962,767
21. Service Charges		
Sale of Water	70,812,346	102,729,360
Sewerage and Sanitation Charges	13,482,398	13,442,142
Cost of Free Basic Services	(1,246,347)	(23,039,987)
	83,048,397	93,131,515
22. Rental of Facilities and Equipment		
Premises		
Rental Income	490,928	481,793
23. Interest Earned on Outstanding Debtors		
Interest - Receivables	32,028,502	30,601,326
24. Other Income		
Tender Documents	281,274	50,209
Administration Fees	2,460	4,894
	283,734	55,103

uMzinyathi District Municipality

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25. Interest on Investments		
Interest Revenue		
Bank	6,506,060	1,904,348
26. Donations Received		
Donations		
Donations Received	-	8,405,340

uMzinyathi District Municipality

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27. Government Grants and Subsidies		
Operating Grants		
Equitable Share	458,007,000	402,121,000
LGSETA	524,853	407,065
Expanded Public Works Programme	4,779,000	4,841,000
Local Government Finance Management Grant	1,800,000	1,550,000
RRAMS	2,439,000	2,330,000
	467,549,853	411,249,065
Capital Grants		
Municipal Infrastructure Grant	216,735,000	206,904,000
Water Services Infrastructure Grant	80,000,000	49,919,362
Emergency Drilling of Boreholes Grant	5,949,878	5,500,000
	302,684,878	262,323,362
	770,234,731	673,572,427

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of 6 kilo litres @ R8.01 exclusive of VAT, which is funded from the grant.

LGSETA

Current-year receipts	524,853	407,065
Conditions met - transferred to revenue	(524,853)	(407,065)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Municipal Infrastructure Grant

Current-year receipts	216,735,000	206,904,000
Conditions met - transferred to revenue	(216,735,000)	(206,904,000)
	-	-

uMzinyathi District Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2023 2022

27. Government Grants and Subsidies (continued)

All conditions for the grant were met. EPWP projects must comply with the project selection criteria determined in the EPWP grant manual, the EPWP guidelines set by Department of Public Works (DPW) and the Ministerial Determination updated annually on 1 November each year. Eligible municipalities must sign a funding agreement with the DPW before the first grant disbursement, with their final EPWP project list attached. Reports must be loaded on the EPWP reporting system within 15 days after the end of every quarter in order for progress to be assessed. Municipalities must maintain beneficiary and payroll records as specified in the audit requirements in the EPWP grant manual. The EPWP grant cannot be used to fund the costs of permanent municipal personnel; however, a maximum of five per cent of the grant can be used to fund contract based capacity required to manage data capturing and onsite management costs related to the use of labour intensive methods. The EPWP grant can only be utilised for EPWP purposes, for the projects approved in each municipality's EPWP project list. To receive the first planned grant disbursement, eligible municipalities must submit a signed Incentive. Subsequent grant disbursements are conditional upon eligible municipalities reporting quarterly on EPWP performance within the required timeframes. Municipalities must implement their approved EPWP project list and meet agreed job creation targets. EPWP branding must be incorporated on any existing signage as per corporate identity manual.

Rural Roads Asset Management Systems

Current-year receipts	2,439,000	2,330,000
Conditions met - transferred to revenue	(2,439,000)	(2,330,000)
	-	-

All conditions for the grant were met. The grant was utilised to provide local municipalities with validated information to enable municipalities to identify and prioritise road maintenance requirements within their own budgets, to improve the condition and extend the lifespan of road infrastructure within the district.

Regional Bulk Infrastructure Grant

Balance unspent at beginning of year	-	7,109,788
Conditions not met - recalled	-	(7,109,788)
	-	-

All conditions for the grant were met.

Water Services Infrastructure Grant

Balance unspent at beginning of year	24,080,638	-
Current-year receipts	80,000,000	74,000,000
Conditions met - transferred to revenue	(95,377,087)	(49,919,362)
Conditions not met - recalled	(8,703,551)	-
	-	24,080,638

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Local Government Finance Management Grant

Current-year receipts	1,800,000	1,550,000
Conditions met - transferred to revenue	(1,800,000)	(1,550,000)

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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27. Government Grants and Subsidies (continued)

	-	-
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Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Expanded Public Works Programme

Current-year receipts	4,779,000	-
Conditions met - transferred to revenue	(4,779,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Disaster Management Grant

Balance unspent at beginning of year	5,000,000	5,000,000
Conditions met - transferred to revenue	(5,000,000)	-
	-	5,000,000

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Emergency Drilling of Boreholes Grant

Balance unspent at beginning of year	2,000,000	2,000,000
Current-year receipts	6,500,000	-
Conditions met - transferred to revenue	(5,949,878)	-
	2,550,122	2,000,000

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
28. Employee Related Costs		
Basic Salary	150,807,033	137,868,773
Bonus	11,386,341	10,629,985
Medical Aid	6,646,474	5,992,821
Unemployment Insurance Fund	1,028,247	1,023,336
Skills Development Levy	1,747,754	1,784,430
Leave Provision	(588,199)	5,725,048
Standby Allowance	4,905,348	5,509,874
Defined Contribution Plan	1,402,699	1,911,760
Overtime	1,558,527	13,820,700
Acting Allowance	2,285,842	1,830,197
Car Allowance	3,968,166	3,958,931
Housing Allowance	839,805	784,044
Pension	22,558,609	20,491,096
Telephone Allowance	468,274	498,060
Bargaining Council Levies and Other	89,540	98,984
	209,104,460	211,928,039

Remuneration of Municipal Manager

Annual Remuneration	436,686	748,605
Car Allowance	59,024	101,184
Housing Allowance	82,151	140,831
Telephone Allowance	10,500	18,000
Other	99,047	-
Contributions to UIF, Medical and Pension Funds	60,018	98,686
	747,426	1,107,306

The Municipal Manager resigned during the financial year. Two senior managers acted on the position on a rotational basis.

Remuneration of Chief Finance Officer

Annual Remuneration	600,300	600,300
Acting Allowance	9,128	-
Car Allowance	120,000	120,000
Housing Allowance	29,217	29,217
Telephone	18,000	18,000
Other	153,486	21,541
Contributions to UIF, Medical and Pension Funds	173,363	165,707
	1,103,494	954,765

Remuneration of Senior Manager Community Services

Annual Remuneration	465,443	-
Car Allowance	70,880	-
Housing Allowance	46,751	-
Telephone Allowance	1,315	-
Other	102,899	-
Contributions to UIF, Medical and Pension Funds	15,393	-
	702,681	-

The Senior Manager Community Services was appointed during the financial year.

Remuneration of Senior Manager Technical Services

Annual Remuneration	673,336	400,200
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uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
28. Employee Related Costs (continued)		
Car Allowance	115,011	70,000
Housing Allowance	53,323	30,071
Telephone Allowance	1,500	10,500
Other	38,200	-
Contributions to UIF, Medical and Pension Funds	9,957	6,208
	891,327	516,979

The Senior Manager Technical Services was appointed during the financial year.

Remuneration of Senior Manager Corporate Services

Annual Remuneration	52,959	628,375
Car Allowance	20,000	136,598
Housing Allowance	2,697	48,390
Telephone Allowance	-	18,000
Other	-	52,365
Contributions to UIF, Medical and Pension Funds	894	144,007
	76,550	1,027,735

The Senior Manager Corporate Services resigned during the financial year. The position was vacant for the greater part of the year. The new Senior Manager was appointed on the 1st of June 2023.

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

28. Employee Related Costs (continued)

Remuneration of Senior Manager Planning and Development

Annual Remuneration	686,009	686,009
Car Allowance	66,000	66,000
Housing allowance	54,944	54,944
Telephone	18,000	18,000
Other	22,557	4,170
Contributions	197,396	189,666
	1,044,906	1,018,789

The note has been restated to reconcile to the balances disclosed on the statement of financial performance.

29. Remuneration of Councillors

Councillors Allowances	6,129,491	6,427,609
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In-kind Benefits

The Mayor, Deputy Mayor and Speaker are full-time with access to the office and provided with a secretariat support. Each office bearer uses a separate Council owned vehicles for official duties and provided with bodyguards.

Additional Information

The disclosure note has been amended to correct an error on the previous financial year.

Mayor

Allowance	590,296	558,321
Cellphone Allowance	44,400	42,190
Travel Allowance	196,765	186,107
Contributions to Pension and Other	7,717	7,299
	839,178	793,917

Deputy Mayor

Allowance	430,915	477,862
Cellphone Allowance	44,400	45,697
Travel Allowance	157,412	162,004
Contributions to Pension Fund and Other	84,627	14,208
	717,354	699,771

Speaker

Allowance	452,858	447,710
Cellphone Allowance	39,126	42,739
Travel Allowance	150,953	149,237
Contributions to Pension Fund and Other	5,971	5,903
	648,908	645,589

Other Councillors

Allowances	4,882,814	4,160,363
Contributions to Pension Fund	110,020	150,615
	4,992,834	4,310,978

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
30. Depreciation and Amortisation		
Property, Plant and Equipment	89,100,052	93,378,066
31. Finance Costs		
Interest on Long Term Liability	-	821,304
Interest on Late Payments	4,219,304	768,466
	4,219,304	1,589,770
32. Operating Lease		
The municipality (Lessee) is renting out office space from Aheers (Lessor) from which a monthly rental is payable by the municipality.		
33. Lease Rentals on Operating Lease		
Premises		
Contractual Amounts	186,423	182,680
Office Equipment		
Contractual Amounts	1,006,920	1,011,185
	1,193,343	1,193,865
34. Debt Impairment		
Debt Impairment	67,461,012	82,562,729
35. Contracted Services		
Outsourced Services		
Catering Services	755,213	1,189,232
Cleaning Services	55,028	109,167
Professional Staff	15,590,578	35,711,030
Connection/Dis-Connection	4,777,700	5,672,556
Security Services	4,161,478	27,869,058
Sewerage Services	10,770,252	7,429,009
Electrical	771,727	-
Consultants and Professional Services		
Business and Advisory	22,392,064	34,974,564
Laboratory Services	224,728	-
Legal Services	3,752,012	4,400,912
Contractors		
Artists and Performers	-	43,000
Event Promoters	610,000	1,124,000
Maintenance of Buildings and Facilities	1,555,210	3,449,158
Maintenance of Equipment	13,566,672	8,559,381
Maintenance of Unspecified Assets	18,836,419	11,597,302
Medical Services	275,413	32,794
Safeguard and Security	20,349,776	-
Sports and Recreation	116,875	428,576
Stage and Sound Crew	61,380	37,700
Pauper Burial Services	144,500	269,500
	118,767,025	142,896,939

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
36. Transfers		
Other Transfers		
Umzinyathi Development Agency	10,000,000	10,000,000
37. General Expenses		
Advertising	2,496,581	2,805,352
Auditors Remuneration	7,349,248	3,261,745
Bank Charges	479,205	224,396
Commission - Third Party	230,644	116,994
Consumables	95,593,154	42,154,860
Delivery expenses	2,585,893	2,250,128
Entertainment	-	1,793
Hire Charges	45,669,202	23,488,076
Insurance	1,329,141	694,095
Conferences and Seminars	156,010	90,794
IT Expenses	2,887,743	1,699,376
Staff Hiring	1,320,549	17,301,873
Motor Vehicle Expenses	1,056,979	-
Fuel and Oil	28,119,358	50,389,974
Postage and Courier	1,375	-
Protective Clothing	174,099	527,635
Leaverships & Bursaries	3,442,476	4,938,950
Subscriptions and Membership Fees	2,636,168	5,875,973
Telephone	2,069,745	1,652,598
Transport and Freight	7,069,304	3,197,134
Travel & Accommodation	2,859,086	1,322,016
Water and Electricity	25,571,927	31,854,887
Specimen and Samples	66,144	62,123
Information Technology	2,979	7,515
Awards	1,289,808	-
Compensation Fund Assessment Fee	3,138,352	1,884,720
	237,595,170	195,803,007

Items were reclassified from General Expenses and reclassified on items within the Contracted Services and Bulk Purchases. The changes are detailed in Note 40.

38. Auditors' Remuneration

Fees	7,349,248	3,261,745
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uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
39. Cash Generated From Operations		
Surplus	69,656,838	29,357,612
Adjustments for:		
Depreciation and Amortisation	89,100,052	93,378,066
Gain / Losses	17,998,112	2,980,966
Share in Deficit	60,894,545	30,817,250
Debt Impairment	67,461,012	82,562,729
Movements in Retirement Benefit Assets and Liabilities	473,000	(784,000)
Movements in Provisions	(2,630,918)	806,467
Donations Received	-	8,405,340
Changes in working capital:		
Inventories	650,853	(977,262)
Receivables from Exchange Transactions	(31,305,938)	(73,512,276)
Receivables from Non-Exchange Transactions	(323,509)	(62,707)
Payables from Exchange Transactions	10,645,485	34,906,010
VAT	(9,465,992)	12,195,084
Transfers Payable	2,750,000	1,349,734
Unspent Conditional Grants and Receipts	(28,530,516)	23,970,850
	247,373,024	245,393,863

40. Prior Year Adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments to address audit findings up to 2021/22 financial year:

Statement of Financial Position

2022

	Note	Previously Reported	Correction of error	Restated	Restated
VAT Receivable (E11, E18)		-	463,329	39,728,479	40,191,808
Receivable from Exchange Transactions (E3, E4, E5, E8, E9, E10, E15)		210,095,699	(57,790,521)	-	152,305,178
Receivable from Non-Exchange Transactions (E16, E19)		7,554,298	(7,397,222)	-	157,076
Property Plant and Equipment (E11, E12, E13)		2,522,715,387	(14,441,750)	-	2,508,273,637
Investment in Associate (E1)		55,866,059	12,962,118	-	68,828,177
Payables from Exchange Transactions (E2, E5, E6, E8, E11)		(407,434,444)	8,254,177	-	(399,180,267)
VAT Payable (E2, E11, E18)		(7,277,650)	(1,357,849)	(39,728,479)	(48,363,978)
Transfers Payable (E)		(1,500,000)	150,266	-	(1,349,734)
Unspent Conditional Grants and Receipts (E7)		(15,703,551)	(15,377,087)	-	(31,080,638)
Accumulated Surplus (E2, E3, E6, E12, E13, E16)		(2,305,628,280)	74,534,539	-	(2,231,093,741)
		58,687,518	-	-	58,687,518

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand		2023	2022		
40. Prior Year Adjustments (continued)					
Statement of Financial Performance					
2023					
	Note	Previously Reported	Correction of error	Change in accounting policy	Restated
Service Charges (E8, E9, E10)		86,764,571	2,950,785	3,416,159	93,131,515
Government Grants & Subsidies (E7)		688,949,514	(15,377,087)	-	673,572,427
Interest Earned on Outstanding Debtors (E3)		30,444,412	156,914	-	30,601,326
Bulk Purchases (E17)		(27,874,889)	-	27,874,889	-
Finance Cost (E2)		(1,606,975)	17,205	-	(1,589,770)
Depreciation and Amortisation (E7)		(89,961,908)	-	(3,416,159)	(93,378,067)
Lease Rentals on Operating Leases (E)		(1,211,731)	17,866	-	(1,193,865)
Provision for Debt Impairment (E15)		(19,371,815)	(63,190,914)	-	(82,562,729)
Contracted Services (E2, E14)		(142,427,652)	(469,287)	-	(142,896,939)
Share of Surpluses and Deficits(E1)		(43,779,367)	12,962,117	-	(30,817,250)
General Expenses (E2, E12, E14, E17)		(189,024,585)	21,096,467	(27,874,889)	-
Surplus For The Year		290,899,575	(41,835,934)	-	249,063,641

Cash flow statement

2022

	Note	Previously Reported	Correction of error	Restated
Cash Flow from Operating Activities				
Employee Related Costs (E19)		201,379,096	(4,803,973)	-
Suppliers (E19)		350,555,833	(4,803,973)	-
Finance Cost (E19)		1,606,975	(17,205)	-
Transfers and Subsidies (E19)		8,500,000	150,266	-
		562,041,904	(9,474,885)	-
				552,567,019

2023

Errors

E1 : The share in surplus or deficits from an investment in associate was restated due to a change on the surplus or profit previously utilised for the calculation.

E2 : Expenditure incurred and recognised in an incorrect financial year was corrected.

E3 : An adjustment was passed to roll back the benefit that was earned by customers who could not submit the verification documentation for the financial year.

E4 : An adjustment was made to allocate payments that were previously unallocated.

E5 : An adjustment was made for clearance certificates that were previously included on the debtors with credit balances.

E6 : An adjustment was made to reduce the transfer and subsidies due to the agency as the payment was already made on behalf of the agency.

E7 : An adjustment was made to derecognise expenditure on WSIG project that was only approved by the funder in the current financial year as there were delays in approving the project.

E8 : An adjustment was made to correct the billing transactions for water provided by water tankers (gooseneck meter).

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

40. Prior Year Adjustments (continued)

E9 : An adjustment was made to reverse the cost of free basic services for customers who could not be verified as indigents.

E10 : An adjustment was made to recognise interest on the adjusted cost of free basic services for customers who could not be verified as indigents.

E11 : A reversal of an invoice for WIP that was recognised in an incorrect period was done.

E12 : An adjustment for unbundling of infrastructure projects incorrectly capitalised and reversing accumulated depreciation.

E13 : An adjustment was made for transfer of projects from work in progress to infrastructure assets as the projects were completed in 2022.

E14 : An adjustment was made for reclassifying expenditure that incorrectly classified within General Expenses and Contracted Services.

E15 : Debt impairment was recalculated and adjusted.

E16 : Duplicated transactions as a result of a system error were written off against an Accumulated Surplus.

E17 : Bulk Purchases were reallocated to General Expenses.

E18 : VAT was split as per the account type between assets and liabilities.

E19 : Cashflow was restated to address the audit findings, adjustments on the figures were due to recalculations.

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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40. Prior Year Adjustments (continued)

Change in Accounting Estimate

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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40. Prior Year Adjustments (continued)

Property, Plant and Equipment

There was a change in accounting estimate occurred during the year. These changes related to depreciation method of all assets class, which was reviewed in the current financial year. Depreciation decreased by R9 767 273 for the 2023/24 financial period. It is impractical to determine the future effect of this change in estimate for the other Property, Plant and Equipment class. The below are the effects of the change in accounting estimate:

Figures in Rand	2023	2022
Buildings decreased by	-	20,373
Furniture and Equipment decreased by	-	189,996
Water Infrastructure decreased by	-	9,767,273
	-	9,977,642

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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41. Related Parties

Relationships
Associates

Uthukela Water (Pty) Ltd. The entity is an investment in associate of Amajuba District Municipality, Newcastle Local Municipality and Umzinyathi District Municipality, and is responsible for supplying these municipalities with bulk water services.

Related Party Balances

Amounts Included in Property Plant and Equipment

Umzinyathi Development Agency	-	734,751
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The amount relates to moveables that were transferred from the municipality to the entity in the 2021/22 financial year.

Amounts Included in Trade Payable

Uthukela Water (Pty) Ltd	103,115,392	83,819,563
Umzinyathi Development Agency	4,099,734	1,349,734

The amount relates to the purchases of bulk water from the entity.

Amounts Included in Expenses :Transfers and Subsidies

Umzinyathi Development Agency	10,000,000	10,000,000
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The amount relates to the funds given to the Agency for operations and projects.

Amounts Included in General Expenses

Uthukela Water (Pty) Ltd	23,260,593	27,874,889
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The amount relates to bulk water purchases from Uthukela Water.

Umzinyathi Development Agency

The municipality has successfully established an entity for the financial year 2021/22, this entity reports in terms of the MFMA as a separate entity. It prepares its own financial statements that are also audited separately. The Annual financial statements for both parties will be consolidated by the 30th of September 2023. The entity is wholly owned and controlled by Umzinyathi District Municipality. During the financial year 2022/23 the parent municipality lent a Massey Ferguson tractor, Model 2013, registration NDE19628 which was returned at the end of the financial year.

Key Management

Please refer to Note 28 above for a detailed breakdown of the remuneration of key management personal as the municipality considers key management personal a related party to the municipality.

Department of Cooperative Governance and Traditional Affairs

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

41. Related Parties (continued)

The KZN Department of COGTA is considered a related party of the municipality as the municipality is currently placed under administration and COGTA has appointed a Ministerial Representative at the cost of the department. The Ministerial Representative is expected to assist the municipality with the implementation of governance systems and procedures. The Ministerial Representative participates in the financial and operating policy decisions of the municipality. For that reason COGTA has a significant influence over the operations of the municipality and therefore has been recognised as a related party.

42. Commitments

Authorised Capital Expenditure

Already contracted for but not provided for		
• Authorised Capital Expenditure	129,148,894	265,683,258
Total capital commitments		
Already contracted for but not provided for	129,148,894	265,683,258

Authorised Operational Expenditure

Already contracted for but not provided for		
• Authorised Operational Expenditure	15,566,419	22,801,591
Total Operational Commitments		
Already contracted for but not provided for	15,566,419	22,801,591

Total Commitments

Total Commitments		
Authorised capital expenditure	129,148,894	265,683,258
Authorised operational expenditure	15,566,419	22,801,591
	144,715,313	288,484,849

This committed expenditure relates to property and operating expenditure that will be financed by government grants and own revenue generated. Commitments are more than twelve months.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	264,714	882,646
- in second to fifth year inclusive	-	378,240
	264,714	1,260,886

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
43. Fruitless and Wasteful Expenditure		
Opening balance as previously reported	31,494,346	5,054,163
Correction of prior period error	-	25,762,652
Opening balance as restated	31,494,346	30,816,815
Add: Expenditure identified - current	3,508,582	677,531
Closing Balance	35,002,928	31,494,346

44. Deviation From Supply Chain Management Regulations

Quotations:

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.

Bids:

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. All invalid deviations were reclassified to an irregular expenditure disclosure note.

SCM Regulations 36		
Expenditure incurred	3,124,647	114,947

45. Irregular Expenditure

Opening balance as previously reported	1,810,479,206	1,688,124,201
Correction of prior period error	13,162,467	(14,353,765)
Opening balance as restated	1,823,641,673	1,673,770,436
Add: Irregular Expenditure - Current	214,560,889	136,708,770
Less: Amount written off - current	(347,248,627)	-
Closing Balance	1,690,953,935	1,810,479,206

Cases Under Investigation

Municipal Systems Act	735,010,495	347,248,627
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Adjustments

The opening balance was restated due to the standing time reallocated to fruitless and wasteful expenditure.

An investigation for financial years 2017/18 and 2018/19 was concluded and recommendations presented to Council for the expenditure.

A new investigation was launched for the financial year 2019/20 and 2021/22 which was in progress at the end of the financial year.

46. Unauthorised Expenditure

Opening balance as previously reported	827,532,840	469,541,854
Opening Balance as Restated	827,532,840	469,541,854
Add: Expenditure identified - current	316,859,410	357,990,986
Closing Balance	1,144,392,250	827,532,840

uMzinyathi District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
47. Additional Disclosure in Terms of Municipal Finance Management Act		
Contributions to Organised Local Government		
Opening balance	-	3,549,746
Current year subscription / fee	2,528,265	2,525,849
Amount paid - previous years	-	(4,435,070)
	2,528,265	1,640,525
Audit Fees		
Opening Balance	1,707,745	1,350,692
Current Year Fees	7,139,172	4,913,716
Amount Paid - Current Year	(5,556,477)	(3,205,971)
Amount paid - previous years	1,593,742	(1,350,692)
	4,884,182	1,707,745
PAYE and UIF		
Current Year Subscription/ Fee	24,873,291	35,128,427
Pension and Medical Aid Deductions		
Current Year Subscription / Fee	21,880,492	24,945,282
VAT		
VAT Receivable	60,051,926	40,191,808
VAT payable	58,758,104	48,363,978
	118,810,030	88,555,786

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

uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

47. Additional Disclosure in Terms of Municipal Finance Management Act (continued)

Councillors and Employees' Arrear Consumer Accounts

The following councillors and employees had arrear accounts outstanding for more than 90 days at June 30, 2023:

June 30, 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Nhlebelo S S	4,211	7,196	11,407
Chambule B S	2,241	8,863	11,104
Zungu Z	807	6,628	7,435
Mawila M P	409	-	409
Mnguni N M	387	4,045	4,432
Munassar A	2,033	376	2,409
Buthelezi A F	1,276	216	1,492
Thungo B P	960	1,104	2,064
Moodley S	1	59	60
Ramlakan B D	64	283	347
	12,389	28,770	41,159

June 30, 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Nhlebelo S S	2,958	11,402	14,360
Mokhantso M T	5,103	8,407	13,510
Chambule B S	1,674	8,841	10,515
Buthelezi A F	766	794	1,560
Shangase C B	768	8,985	9,753
Mawila M P	1,469	3,103	4,572
Thungo B P	558	4,001	4,559
Mtshali T C	484	634	1,118
Mnguni N M	221	261	482
Shangase C B	277	2,980	3,257
Ndlovu N Z T	44	1,985	2,029
Maphumulo S M	1,887	11,228	13,115
Moodley S	437	-	437
Moodley S	1	56	57
	16,647	62,677	79,324

Supply Chain Management Regulations

Suppliers with family and spouses in the service of the state

Brand Partners (Hon Nomusa Dube-Ncube MEC)	1,469,140	1,686,426
MDG (PK Gcaleka :Umzinyathi District Municipality)	-	502,181
Sizokwakha Security (PP Sithole :Emadlangeni Local Municipality)	4,651,110	5,277,221
	6,120,250	7,465,828

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47. Additional Disclosure in Terms of Municipal Finance Management Act (continued)		
Suppliers in the Service of the State		
Goba (Trueman Goba: National Home Builders Registration Council)	18,319,930	-
Oxior Civil Enterprise JV Katsila (M Mafuma :Public Works - Mpumalanga)	-	3,671,455
Ilifa Consulting (Joyce Dolly Tembe: Public Investment Corporation Limited Corporate)	697,609	-
	19,017,539	3,671,455

Additional information

Mathew Francis was removed from the this disclosure due to an exemption granted for legal practitioners.

Non-compliance with the Municipal Finance Management Act

In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. The municipality had cases of non-compliance on the following matters as communicated by the National Treasury:

1. Non-compliance with the requirements of Section 22(b)(i) of the Municipal Finance Management Act No. 56 of 2003.

48. COVID-19 Expenditure

The municipality did not incur further capital expenditure under the COVID-19 interventions for the current financial year.

Expenditure Incurred

General Expenditure	-	199,295
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uMzinyathi District Municipality

Annual Financial Statements for the year ended June 30, 2023

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49. Contingencies

Contingent liabilities incurred relating to interests in other entities

Municipality

Litigations and value of claims pending against the municipality were estimated at **R117 470 441.20**, are as follows:

1. Mining Pressure Systems vs Umzinyathi DM

The claim is in respect of the services renders under a cession agreement with Phumi JV Ishishini, the estimated liability is R8 235 512,91.

2. Mining Pressure Systems vs Umzinyathi DM

The claim is in respect of the services renders under a cession agreement with Bankuna, the estimated liability is R8 602 805,54.

3. Thuthu Nibambo vs Umzinyathi DM

The claim is in respect of an unlawful appointment of a service provider, the estimated liability is R504 333.15.

4. L Mthembu and Associates vs Umzinyathi DM

The claim is in respect of the services rendered which were not verified by the municipality, the estimated liability is R395 901,78.

5. L Mthembu and Associated vs Umzinyathi DM

The claim is in respect of services rendered which were not verified by the municipality, the estimated liability is R445 287,33..

6. Ubuso Obuhle Trading (Pty) Ltd vs Umzinyathi DM

The claim is in respect of services rendered under a cession agreement, the estimated liability is R990 631.38.

7. Brand Partners vs Umzinyathi DM

The claim is in respect of services rendered not verified by the municipality, the estimated liability is R2 597 098,15..

8. Bosch Projects vs Umzinyathi DM

The claim is in respect of services allegedly rendered to the municipality for project management, the estimated liability is R3 306 804,68.

9. KwaZulu Natal Department of Co-operative Governance and Traditional Affairs

The claim is in respect of the conditional grant retained by the municipality, the estimated liability is R65 947,87.

10. R&B Pipeline Contractors vs Umzinyathi DM

The claim is in respect of services allegedly rendered to the municipality for project management, the estimated liability is R1 312 232,33.

uMzinyathi District Municipality

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49. Contingencies (continued)

11. Sinotho Electrical and Civil Engineering CC vs Umzinyathi DM

The claim is in respect of services allegedly rendered to the municipality for project management, the estimated liability is R4 219 815,10.

12. Lindulwazi Projects vs Umzinyathi DM & Honourable MEC for KZN COGTA

The claim is in respect of services allegedly rendered to the municipality, the estimated liability is R6 544 005,90.

13. Bonakude Consultants vs Umzinyathi DM

The claim is in respect of services allegedly rendered to the municipality for internal audit, the estimated liability is R3 371 730,05.

14. Sinotho Electrical and Civil Engineering CC vs Umzinyathi DM

The claim is in respect of services allegedly rendered to the municipality for project management, the estimated liability is R1 820 298,02.

15. Forec Electrical CC & Mohummeds Hardware JV vs Umzinyathi DM

The claim is in respect of services allegedly rendered to the municipality, the estimated liability is R14 542 563,82.

16. Forec Electrical CC vs Umzinyathi DM

The claim is in respect of services allegedly rendered to the municipality, the estimated liability is R58 959 108,70.

17. Mncube MN vs Umzinyathi

The claim is in respect to a public liability, the estimated liability is R5 000,00.

Labour Matters

1. Umzinyathi DM vs Gcabashe S
2. Umzinyathi DM vs Buthelezi SMB & Prinsloo CW
3. Umzinyathi DM vs Buthelezi TT
4. Umzinyathi DM vs Dlamini M
5. Umzinyathi DM vs Sithole VW
6. Umzinyathi DM vs Hlongwane STN
7. Umzinyathi DM vs Sibiya V
8. Umzinyathi DM vs Makhathini L

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49. Contingencies (continued)

9. Umzinyathi DM vs Madonsela N

10. Umzinyathi DM vs Shelembe NT

11. Umzinyathi DM vs Mthembu S

12. Umzinyathi DM vs Hadebe S

13. Umzinyathi DM vs Nkosi V

14. Umzinyathi DM vs Ximba M

15. Umzinyathi DM vs Mtshali S

16. Umzinyathi DM vs Mhlongo S

17. Umzinyathi DM vs Luthuli EB

18. Umzinyathi DM vs Mkhize N

Associates

Contingent liabilities incurred relating to the entity's interests in associates, are as follows:

1. Umvoti/ uThukela Water (Pty) Ltd

Umvoti presented to the municipality an outstanding balance of R407 585 owing by uThukela Water (Pty) Ltd the water service authority whom was responsible for the water reticulation function within the district. Umvoti has liaised with uThukela Water (Pty) Ltd to pay the outstanding balance however uThukela Water (Pty) Ltd has advised Umvoti that the debt be settled by Umzinyathi, since uMzinyathi took over the reticulation function on the 1st of July 2013. The dispute arises because neither uThukela Water (Pty) Ltd or Umvoti has submitted proof of the liability or debt in a form an invoice or any relevant supporting documentation.

2. Uthukela Water (Pty) Ltd

There's a dispute for an amount of R43 400 474 between uThukela water (Pty) Ltd and Umzinyathi District Municipality as uThukela water (Pty) Ltd claims that the municipality owes an amount of R110 734 609 which can not be proven in full

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49. Contingencies (continued)

Contingent Assets

Litigations and value of claims pending in favour of the municipality were estimated at **R130 083 211,97**, details are as follows:

1. Umzinyathi vs Soni

Umzinyathi DM is suing Mr Soni for domestic water consumption, the estimated claim is R343 922,73.

2. Umzinyathi vs Trustee Prembhai Family Trust

Umzinyathi DM is suing Mr Soni for domestic water delivery, the estimated claim is R1 030 016,65.

3. Umzinyathi vs Fusion Guarantee

Umzinyathi DM won the counter claim against Soundrite who can no longer honor the claim due to affordability. The municipality has a guarantee contract permitting a claim to be instituted against Fusion Guarantee. The estimated claim is R8 741 378,23..

4. Umzinyathi vs Tsotetsi Mchunu Inc.

Umzinyathi DM is suing the law firm for unduly benefiting for the services rendered, the estimated claim is R5 482 016,91.

5. Umzinyathi vs AC Industrial, EMS Ntombela, SP Zulu, TR Malunga & T Mnyandu

Umzinyathi DM is suing the service provider for assets constructed that had missing or incorrect co-ordinates. The claim is in terms of Section 106 of the MFMA. The estimated claim is R102 635 877,46.

6. Umzinyathi DM vs TR Malunga

Umzinyathi DM is suing the former accounting officer for the financial loss suffered with regards to the contract of the service provider that was terminated without following a due process. The estimated claim is R11 850 000,00.

50. Events After the Reporting Date

There were two events that occurred after the balance sheet date on contingencies as previously disclosed.

- A labour matter between the municipality and the employee (Umzinyathi DM vs Dlamini) was concluded after the reporting date.

- The municipality appointed a Municipal Manager in August 2023. An Acting Chief Financial Officer was appointed.

51. Going Concern

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

52. Financial Viability

The Annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The following indicators have a negative outlook on the going concern of the municipality:

- Creditors days in 2023 are (257 Days)
- Debtors' days in 2023 are (2 660 Days)

uMzinyathi District Municipality

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52. Financial Viability (continued)

Non-compliance (30 days) – The municipality is currently not paying all their creditors within the accepted 30 days when they are due. This also resulted in an increase in fruitless and wasteful expenditure due to interest on overdue creditors account and the municipality will be operating at the deficit for a longer period of time: Despite the above negative indicators, the municipality is a going concern because of the following: It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide water services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution.

As at 30 June 2023, the municipality's current liabilities exceeded the current assets by R (125 337 812) (2022: R (252 320 563) resulting in the municipality being technically insolvent.

The following factors could affect the going concern assumptions indicated above and needed to be properly managed as indicated:

- The municipality is experiencing challenges with collecting the revenue relating to water and sanitation. This is due to the weakness in controls that are intended to manage the revenue at the local municipalities.
- The obligation to Uthukela Water Board of R103 115 391 (2022: R100 465 121) and Department of Water and Sanitation of R58 630 827 (2022: R58 061 043) contributes as biggest creditors for the municipality over which there continue to threaten the going concern for the municipality. The municipality has signed payment agreements with both Uthukela water board and the Department of Water and Sanitation to manage this risk; and
- The litigations against the municipality were valued at R21 910 320 (2022: R167 806 998) resulting to a continuity risk for the municipality. Management continues to closely monitor the risk through its risk management processes.
- The litigations in favour of the municipality were valued at R127 451 396 (2022: R120 522 877) which could impact positively on the reduction of the continuity risk for the municipality. Management continues to closely monitor the risk through its risk management processes.

The following measures will be implemented by management as part of the revenue enhancement strategy and cost containment strategy:

- The expenditure committee will be formed to monitor the implementation of the cost containment strategy and to ensure economically efficient spending.
- The revenue enhancement task team will be appointed to implement and monitor the revenue enhancement strategy and identification of additional revenue streams.
- The debt collection strategies have been implemented to reduce the issue of debtors not paying timeously.
- The financial recovery plan was adopted and monitored on a monthly basis.
- With the assistance of COGTA and MISA the municipality will implement a water loss reduction plan which is intended to curb the ballooning water losses.
- The municipality will be considering obtaining a long term debt to recover from the current status whilst strengthening the debt collection measures.

Despite the above negative indicators, the municipality continues to adopt the going concern assumption as it is management's view that the municipality will continue to operate in its present form in the foreseeable future, as it is primarily funded by government grants and will continue to be funded from the DoRA in the foreseeable future. In addition, management has embarked on an aggressive programme of debt recovery to ensure improved future cash inflows. The improvement by and large from the previous financial year position is encouraging and testament to the measures put in place.

uMzinyathi District Municipality

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52. Financial Viability (continued)

There is no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation. In addition, the municipality collects revenue for services rendered and this will augment their cash flows in subsequent years. Municipality must ensure that all allocations are spend fully in order the VAT returns will supplement the income of the municipality.

Operating Grants	Original Budget 2022/23	Original Budget 2023/24	Proposed Budget 2024/25
Equitable Share	453,007,000	488,712,000	526,952,000
LG SETA	350,000	350,000	350,000
Local Government Finance Management	1,800,000	1,850,000	3,268,000
Expanded Public Works Programme	4,779,000	-	-
Rural Roads Assets Management Systems	2,439,000	2,449,000	2,537,000
Subtotal	462,375,000	493,361,000	533,107,000
	462,375,000	493,361,000	533,107,000

Capital Grants	Original Budget 2022/23	Original Budget 2023/24	Proposed Budget 2024/25
Municipal Infrastructure	216,735,000	226,873,000	237,660,000
Water Services Infrastructure	80,000,000	88,901,000	93,801,000
Disaster Management	5,000,000	-	-
Water Intervention Programme (Boreholes)	6,500,000	-	-
Subtotal	308,235,000	315,774,000	331,461,000
	308,235,000	315,774,000	331,461,000

53. Risk Management

Liquidity Risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses.

uMzinyathi District Municipality

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53. Risk Management (continued)

Credit Risk

Receivables

Receivables are amounts owing by consumers and are presented net of impairment loss. The municipality has a credit control policy in place and the exposure to credit risk is monitored continuously. The municipality establishes an allowance for doubtful debts that represents its estimate of anticipated losses in respect of receivables. Payments of accounts of consumer debtors who are unable to pay, are negotiated in line with the 'credit control policy and terms of payments are agreed upon with the consumer.

Cash and Cash Equivalents

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy. The municipality does not consider there to be any significant exposure to credit risk

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

Financial Assets

Inventories	1,817,929	2,468,782
Receivable from Exchange Transactions	158,808,946	152,305,178
VAT Receivable	60,051,926	40,191,808
Receivable from Non-Exchange Transactions	480,585	157,076
Cash and Cash Equivalents	54,098,558	-
	275,257,944	195,122,844

Financial Liabilities

Payables from Exchange Transactions	432,581,762	399,180,267
Consumer Deposits	451,514	451,514
Bank Overdraft	-	11,952,720
	433,033,276	411,584,501

Market Risk

Interest rate risk

The municipality's policy is to manage interest rate risk so that fluctuations in variable costs do not have a material impact on surplus. All long term debts are subject to fixed rates.

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uMzinyathi District Municipality

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54. Segment Information

General information

Identification of segments

The municipality is organised and reports to management on the basis of two major functional areas: Trading services (Water Services and Infrastructure Development) and Governance & Administration (Budget and Treasury Office; Corporate Services; Planning and Economic Development; Municipal Manager's Office; and Community Services). 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 services are provided in 6 Towns in the KwaZulu-Natal Province within uMzinyathi jurisdiction. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the District were sufficiently similar to warrant aggregation. Management monitors performance per level per town, in monthly management reports.

Segment surplus or deficit, assets and liabilities

Segment assets and liabilities

2023

	Trading Services	Governance and Administratio n	Total segment assets	Total segment liabilities
Inventories	1,817,929	-	1,817,929	-
Receivables From Non-Exchange Transactions	-	480,585	480,585	-
Receivables From Exchange Transactions	158,808,946	-	158,808,946	-
Investment Properties	-	1,884,796	1,884,796	-
Property, Plant and Equipment	23,911,276,862	116,996,774	2,585,849,732	-
Intangible Assets	-	568,989	568,989	-
Heritage Assets	-	8,655	8,655	-
Investment in Associates	-	7,933,631	7,933,631	-
Cash and Cash Equivalents	-	54,098,558	54,098,558	-
Total segment assets	24,071,903,737	181,971,988	2,811,451,821	-
Reconciling items				
Payables From Exchange Transactions			(4,325,063,237)	(4,325,063,237)
Transfers Payable			(4,099,734)	(4,099,734)
VAT Payable			(58,758,104)	(58,758,104)
Consumer Deposits			(451,314)	(451,314)
Employee benefit Obligation			(1,276,000)	(1,276,000)
Unspent Conditional Grants and Receipts			(2,550,122)	(2,550,122)
Provisions			(24,263,745)	(24,263,745)
Employee Benefit Obligation			(24,143,000)	(24,143,000)
Total as per Statement of financial Position			,629,153,435	,440,605,256

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54. Segment Information (continued)

2022

	Trading Services	Governance and Administration	Total segment assets	Total segment liabilities
Inventories	2,468,782	-	2,468,782	-
Receivables From Non-Exchange Transactions	-	157,076	157,076	-
Receivables From Exchange Transactions	152,305,178	-	152,305,178	-
Investment Properties	-	1,976,377	1,976,377	-
Property, Plant and Equipment	2,244,561,841	127,406,542	2,508,273,636	-
Intangible Assets	-	1,103,361	1,103,361	-
Heritage Assets	-	8,655	8,655	-
Investment in Associate	-	68,828,176	68,828,176	-
Total segment assets	2,399,335,801	199,480,187	2,735,121,241	-
Reconciling items				
Payables From Exchange Transactions			(399,180,267)	(399,180,267)
Transfers Payable			(1,349,734)	(1,349,734)
VAT Payable			(48,363,978)	(48,363,978)
Consumer Deposits			(451,314)	(451,314)
Employee benefit Obligation			(1,225,000)	(1,225,000)
Unspent Conditional Grants			(31,080,638)	(31,080,638)
Provisions			(26,894,663)	(26,894,663)
Bank Overdraft			(11,952,720)	(11,952,720)
Employee Benefits			(23,721,000)	(23,721,000)
Total as per Statement of financial Position			2,190,901,927	(544,219,314)

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	Mayor & Council	Corporate Services	Budget & Treasury Office	Technical Services	Municipal Manager	Planning & Economic Development	Community Services	Total
Revenue								
Interest, Dividend and Rent on Land	-	-	-	32 028 502	-	-	-	32 028 502
Interest Received on Investment	-	-	6 506 060	-	-	-	-	6 506 060
Rental from Fixed Assets	-	490 928	-	-	-	-	-	490 928
Sales of Goods and Rendering of Services	-	-	283 734	-	-	-	-	283 734
Service Charges	-	-	14 843 654	68 204 744	-	-	-	83 048 397
Transfers and Subsidies	10 194 446	70 532 074	105 929 501	499 826 081	11 703 429	41 619 144	30 430 056	770 234 731
Actuarial Gain on Post Retirement Benefits	-	3 584 000	-	-	-	-	-	3 584 000
Total Segment Revenue	10 194 446	74 607 002	127 562 949	600 059 326	11 703 429	41 619 144	30 430 056	896 176 352
Expenditure								
Contracted Services	197 815	15 637 022	15 411 400	84 933 156	827 700	490 594	1 269 338	1 118 767 025
Depreciation and Amortisation	-	-	17 960 624	70 565 462	-	-	573 965	89 100 052
Interest, Dividends and Rent on Land	-	111 227	1 200 795	2 907 282	-	-	-	4 219 304
Operating Leases	-	1 193 343	-	-	-	-	-	1 193 343
Remuneration of Councillors	6 129 491	-	-	-	-	-	-	6 129 491
Share of Surplus/Deficit attributable to As	-	-	-	-	-	60 894 545	-	60 894 545
Post Retirement Benefits	-	4 057 000	-	-	-	-	-	4 057 000
Transfers and Subsidies	-	-	-	-	-	10 000 000	-	10 000 000
General Expenses	1 935 766	15 886 656	10 179 565	199 874 286	2 264 528	1 706 277	5 748 091	237 595 170
Disposal of Fixed and Intangible Assets	-	-	17 998 112	-	-	-	-	17 998 112
Impairment Loss (Gains and Losses)	-	-	-	67 461 012	-	-	-	67 461 012
Employee Related Cost [Expenditure]	-	35 877 518	34 840 994	90 869 363	7 252 637	12 221 903	28 042 045	209 104 460
Total Segment Expenditure	8 263 071	72 762 767	97 591 490	516 610 561	10 344 866	85 313 320	35 633 439	826 519 513
Surplus for the Year	1 931 375	1 844 235	29 971 459	83 448 765	1 358 563	43 694 176	5 203 383	69 656 839

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	Mayor & Council	Corporate Services	Budget & Treasury Office	Technical Services	Municipal Manager	Planning & Economic Development	Community Services	Total
Revenue								
Interest, Dividend and Rent on Land	-	-	-	32 348 760	-	-	-	32 348 760
Operational Revenue	-	-	4 894	-	-	-	-	4 894
Rental from Fixed Assets	-	482 747	-	-	-	-	-	482 747
Sales of Goods and Rendering of Services	-	-	50 209	-	-	-	-	50 209
Service Charges [Revenue - Exchange Revenue	-	-	1 079 306	90 316 603	-	-	-	91 395 909
Transfers and Subsidies [Revenue - Non-exch	12 562 004	66 298 554	72 502 387	473 293 728	11 628 699	28 621 229	32 428 242	697 354 854
Total Segment Revenue	12 562 004	66 781 311	73 636 796	595 959 091	11 628 699	28 621 229	32 428 242	821 637 373
Expenditure								
Contracted Services	131 280	14 967 181	21 673 825	100 246 848	1 146 659	2 696 249	2 034 797	142 896 939
Depreciation and Amortisation	-	-	19 403 050	73 975 016	-	-	-	93 378 066
Finance Costs	-	169 021	1 200 795	219 954	-	-	-	1 589 770
Inventory Consumed	-	-	-	-	-	-	-	-
Operating Leases	-	1 193 865	-	-	-	-	-	1 193 865
Operational Cost	-	-	-	-	-	-	-	-
General Expenses	1 574 501	17 349 246	6 221 624	161 709 666	3 796 666	1 340 926	3 810 378	195 803 007
Remuneration of Councilors	6 427 609	-	-	-	-	-	-	6 427 609
Share of Surplus/Deficit attributable to As	-	-	-	-	-	-	-	-
Statutory Payments other than Income Taxes	-	-	30 817 250	-	-	-	-	30 817 250
Transfers and Subsidies	-	-	-	-	-	-	-	-
Post Retirement Benefit	-	-	-	-	-	10 000 000	-	10 000 000
Disposal of Fixed and Intangible Assets (Ga	-	-	3 201 000	-	-	-	-	3 201 000
Provision for Debt Impairment	-	-	2 980 966	-	-	-	-	2 980 966
Employee Related Cost [Expenditure]	-	-	-	82 562 729	-	-	-	82 562 729
	-	44 234 879	35 181 123	82 701 876	8 941 494	13 124 372	27 744 284	211 928 039
Total Segment Expenditure	8 133 390	77 914 192	120 679 632	501 416 190	13 884 819	27 161 547	33 589 470	782 779 239