



uMzinyathi District Municipality  
Annual Financial Statements  
for the year ended 30 June 2024

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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### Legal form of entity

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

### Nature of business and principal activities

The 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 TL Kunene (Speaker)

Cllr PM Ngobese (Chief Whip)

Cllr SP Mbatha (MPAC Chairperson)

Cllr FN Mthethwa (Rules Committee Chairperson)

Cllr TZ Mkhize

Cllr FN ZN Ndlovu

Cllr BS Chambule

Cllr LC Moloi

Cllr LG Mabaso

Cllr TGL Shabalala

Cllr SN Sithole

Cllr DM Xaba

Cllr LP Mbhele

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)

S Mbuyazi

### Accounting Officer

NT Mkhwanazi

### Registered office

39 Victoria Street  
Princess Magogo Building  
Dundee  
3000

### Business address

39 Victoria Street  
Princess Magogo Building  
Dundee  
3000

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Postal address</b>	PO Box 1965 Dundee 3000
<b>Bankers</b>	Primary Banker: First National Bank Secondary Bankers: Nedbank Limited, Standard Bank Limited and Investec Limited and ABSA Bank
<b>Auditors</b>	Auditor-General of South Africa (AGSA)
<b>Legislation governing the municipality's operations</b>	Constitution of the Republic of south Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Division of Revenue Act (Act 1 of 2007)
<b>Attorneys</b>	Panel of attorney's
<b>Telephone</b>	034 219 1500
<b>Website</b>	<a href="http://www.umzinyathi.gov.za">www.umzinyathi.gov.za</a>
<b>Email</b>	<a href="mailto:rc3@umzinyathi.gov.za">rc3@umzinyathi.gov.za</a>

# uMzinyathi District Municipality

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### Abbreviations used:

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

# uMzinyathi District Municipality

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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 Services
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WSDP	Water Services Development Plan
WTW	Water Treatment Works
SCM	Supply Chain Management
KM	Kilometers
MISA	Municipal Infrastructure Support Agency
LSA	Long Service Award
UDDA	Umzinyathi District Development Agency

## uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

### Accounting Officer's Responsibilities and Approval

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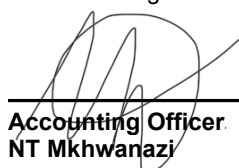
The Umzinyathi Municipality is situated at Princess Magogo building, No.39 Victoria Street, Dundee. It is a grade 4 municipality established in terms of section 12(1) of the Municipal Structures Act No.117 and published in terms of Provincial Government Notice 346 of the 19th of September 2020. The local 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 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 30 June 2025 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The 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 31 August 2024



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Accounting Officer  
NT Mkhwanazi

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	4 201 254	52 648 233
Inventories	4	968 135	1 817 929
VAT receivables	5	38 997 306	46 002 554
Receivables from exchange transactions	6	200 278 500	156 544 578
Receivables from non-exchange transactions	7	27 959	480 585
Statutory receivables	8	1 315 589	13 079 893
		<b>245 788 743</b>	<b>270 573 772</b>
<b>Non-Current Assets</b>			
Investment property	9	1 792 965	1 884 796
Property, plant and equipment	10	2 571 922 167	2 455 566 332
Intangible assets	11	201 897	568 989
Heritage Assets	12	8 655	8 655
Investments in Associates	13	28 748 875	36 542 349
		<b>2 602 674 559</b>	<b>2 494 571 121</b>
<b>Total Assets</b>		<b>2 848 463 302</b>	<b>2 765 144 893</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	14	460 210 988	455 148 012
Transfers payable	15	5 099 734	4 099 734
VAT payable	16	64 447 608	56 780 027
Consumer deposits	17	451 314	451 314
Employee Benefit Obligation	18	2 269 250	1 276 000
Unspent Conditional Grants and Receipts	19	-	2 550 122
		<b>532 478 894</b>	<b>520 305 209</b>
<b>Non-Current Liabilities</b>			
Employee Benefit Obligation	18	25 126 940	24 143 000
<b>Total Liabilities</b>		<b>557 605 834</b>	<b>544 448 209</b>
<b>Net Assets</b>		<b>2 290 857 468</b>	<b>2 220 696 684</b>
Accumulated Surplus		2 290 857 529	2 220 696 749
<b>Total Net Assets</b>		<b>2 290 857 529</b>	<b>2 220 696 749</b>

\* See Note 46



# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	77 637 690	76 527 890
Rental of facilities and equipment	21	499 109	490 928
Interest earned on outstanding debtors	22	40 600 810	36 135 527
Other income	23	1 148 377	281 458
Interest received on investment	24	8 675 343	6 506 060
Actuarial gain on post retirement benefit	18	2 476 057	3 406 301
<b>Total revenue from exchange transactions</b>		<b>131 037 386</b>	<b>123 348 164</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	25	756 094 888	770 234 731
<b>Total revenue</b>		<b>887 132 274</b>	<b>893 582 895</b>
<b>Expenditure</b>			
Employee related costs	26	(250 757 429)	(208 400 007)
Remuneration of councillors	27	(6 930 888)	(6 064 519)
Depreciation and amortisation	28	(82 442 443)	(81 001 279)
Impairments loss	29	(8 784 624)	(8 098 773)
Finance costs	30	(3 837 455)	(7 055 304)
Lease rentals on operating lease	31	(1 700 784)	(1 193 343)
Debt Impairment	32	(46 628 983)	(67 461 012)
Contracted services	33	(201 104 199)	(149 899 728)
Transfers and Subsidies	34	(10 000 000)	(10 000 000)
Loss on disposal of assets and liabilities	10&11	(39 448)	(17 998 112)
Share of Surpluses or Deficits from Associates	13	(7 793 474)	(32 285 827)
General Expenses	35	(196 951 777)	(209 452 051)
<b>Total expenditure</b>		<b>(816 971 504)</b>	<b>(798 909 955)</b>
<b>Surplus for the year</b>		<b>70 160 770</b>	<b>94 672 940</b>

\* See Note 46

## uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	2 251 241 783	2 251 241 783
Adjustments		
Prior year adjustments 46	(125 217 974)	(125 217 974)
<b>Restated* balance at 01 July 2022</b>	<b>2 126 023 809</b>	<b>2 126 023 809</b>
Changes in net assets		
Surplus for the year	94 672 940	94 672 940
Total changes	94 672 940	94 672 940
<b>Restated* balance at 01 July 2023</b>	<b>2 220 696 759</b>	<b>2 220 696 759</b>
Changes in net assets		
Surplus for the year	70 160 770	70 160 770
Total changes	70 160 770	70 160 770
<b>Balance at 30 June 2024</b>	<b>2 290 857 529</b>	<b>2 290 857 529</b>
Note(s)		

\* See Note 46

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service charges		(5 057 634)	13 243 527
Grant receipt		753 544 766	741 704 215
Interest income		49 276 153	42 641 587
Other receipts		2 100 112	448 877
VAT refund		11 764 304	(13 079 893)
		<u>811 627 701</u>	<u>784 958 313</u>
<b>Payments</b>			
Employee related costs		(246 304 182)	(204 520 706)
Suppliers		(386 838 742)	(441 700 793)
Finance Costs		(3 837 455)	(7 055 304)
Remunerartion of Councillors		(6 930 888)	(6 064 519)
Transfers and Subsidies		(9 000 000)	(7 250 000)
		<u>(652 911 267)</u>	<u>(666 591 322)</u>
<b>Net cash flows from operating activities</b>	37	<b><u>158 716 434</u></b>	<b><u>118 366 991</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(207 163 427)	(147 129 470)
Purchase of other intangible assets	11	-	(11 162)
<b>Net cash flows from investing activities</b>		<b><u>(207 163 427)</u></b>	<b><u>(147 140 632)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(48 446 983)</u></b>	<b><u>64 601 013</u></b>
Cash and cash equivalents at the beginning of the year		52 648 233	(11 952 720)
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>4 201 250</u></b>	<b><u>52 648 293</u></b>

\* See Note 46

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	171 421 549	(12 706 493)	<b>158 715 056</b>	77 637 690	<b>(81 077 366)</b>	N01
Rental of facilities and equipment	598 716	(110 220)	<b>488 496</b>	499 109	<b>10 613</b>	N02
Interest earned on outstanding debtors	33 223 434	7 377 376	<b>40 600 810</b>	40 600 810	-	N04
Municipal Revenue UD1	-	-	-	2 476 057	<b>2 476 057</b>	
Other income	239 076	905 210	<b>1 144 286</b>	1 148 377	<b>4 091</b>	N05&6
Interest received - investment	8 570 206	105 137	<b>8 675 343</b>	8 675 343	-	N03
<b>Total revenue from exchange transactions</b>	<b>214 052 981</b>	<b>(4 428 990)</b>	<b>209 623 991</b>	<b>131 037 386</b>	<b>(78 586 605)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	712 654 000	43 440 888	<b>756 094 888</b>	756 094 888	-	N08
<b>Total revenue</b>	<b>926 706 981</b>	<b>39 011 898</b>	<b>965 718 879</b>	<b>887 132 274</b>	<b>(78 586 605)</b>	
<b>Expenditure</b>						
Employee related cost	(241 964 549)	(8 792 872)	<b>(250 757 421)</b>	(250 757 429)	<b>(8)</b>	N09
Remuneration of councillors	(5 907 306)	(1 023 583)	<b>(6 930 889)</b>	(6 930 888)	<b>1</b>	N10
Depreciation and amortisation	(111 495 869)	31 988 537	<b>(79 507 332)</b>	(82 442 443)	<b>(2 935 111)</b>	N11
Impairment loss	-	(8 784 624)	<b>(8 784 624)</b>	(8 784 624)	-	
Finance costs	(5 000 000)	1 262 078	<b>(3 737 922)</b>	(3 837 455)	<b>(99 533)</b>	N12
Lease rentals on operating lease	(2 684 540)	983 756	<b>(1 700 784)</b>	(1 700 784)	-	N13
Debt Impairment	(26 625 359)	-	<b>(26 625 359)</b>	(46 628 983)	<b>(20 003 624)</b>	N14
Contracted Services	(67 896 240)	(83 510 811)	<b>(151 407 051)</b>	(201 104 199)	<b>(49 697 148)</b>	N16
Transfers and Subsidies	(15 000 000)	5 000 000	<b>(10 000 000)</b>	(10 000 000)	-	
General Expenses	(102 582 157)	(65 982 268)	<b>(168 564 425)</b>	(196 951 777)	<b>(28 387 352)</b>	N17
<b>Total expenditure</b>	<b>(579 156 020)</b>	<b>(128 859 787)</b>	<b>(708 015 807)</b>	<b>(809 138 582)</b>	<b>(101 122 775)</b>	
<b>Operating surplus</b>	<b>347 550 961</b>	<b>(89 847 889)</b>	<b>257 703 072</b>	<b>77 993 692</b>	<b>(179 709 380)</b>	
Loss on disposal of assets and liabilities	-	(39 447)	<b>(39 447)</b>	(39 448)	<b>(1)</b>	N19
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	-	-	-	(7 793 474)	<b>(7 793 474)</b>	N21
	-	<b>(39 447)</b>	<b>(39 447)</b>	<b>(7 832 922)</b>	<b>(7 793 475)</b>	
<b>Surplus before taxation</b>	<b>347 550 961</b>	<b>(89 887 336)</b>	<b>257 663 625</b>	<b>70 160 770</b>	<b>(187 502 855)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>347 550 961</b>	<b>(89 887 336)</b>	<b>257 663 625</b>	<b>70 160 770</b>	<b>(187 502 855)</b>	

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	2 468 782	(650 853)	1 817 929	968 135	(849 794)	N22
VAT receivables	-	-	-	38 997 306	38 997 306	N24
Receivables from non-exchange transactions	40 777 732	303 663	41 081 395	27 959	(41 053 436)	N23
VAT Receivable	-	-	-	1 315 589	1 315 589	
Receivables from exchange transactions	329 750 077	(78 817 799)	250 932 278	200 278 500	(50 653 778)	N25
Cash and cash equivalents	161 791 260	(124 253 209)	37 538 051	4 201 254	(33 336 797)	N26
	<b>534 787 851</b>	<b>(203 418 198)</b>	<b>331 369 653</b>	<b>245 788 743</b>	<b>(85 580 910)</b>	

##### Non-Current Assets

Investment property	1 976 377	(183 161)	1 793 216	1 792 965	(251)	N27
Property, plant and equipment	2 729 976 549	(2 728 241)	2 727 248 308	2 571 922 167	(155 326 141)	N28
Intangible assets	4 651 554	(3 786 293)	865 261	201 897	(663 364)	N29
Heritage Assets	8 655	-	8 655	8 655	-	N30
Investments in Associates	-	-	-	28 748 875	28 748 875	N31
	<b>2 736 613 135</b>	<b>(6 697 695)</b>	<b>2 729 915 440</b>	<b>2 602 674 559</b>	<b>(127 240 881)</b>	

#### Total Assets

**3 271 400 986 (210 115 893) 3 061 285 093 2 848 463 302 (212 821 791)**

#### Liabilities

##### Current Liabilities

Payables from exchange transactions	192 268 593	220 966 879	413 235 472	460 210 988	46 975 516	N32
Transfers payable	-	-	-	5 099 734	5 099 734	N33
VAT payable	33 116 551	49 693 674	82 810 225	64 447 608	(18 362 617)	N34
Consumer deposits	451 314	-	451 314	451 314	-	N35
Employee Benefit Obligation	2 630 986	(361 736)	2 269 250	2 269 250	-	N36
	<b>228 467 444</b>	<b>270 298 817</b>	<b>498 766 261</b>	<b>532 478 894</b>	<b>33 712 633</b>	

##### Non-Current Liabilities

Employee Benefit Obligation	25 488 677	(361 737)	25 126 940	25 126 940	-	N39
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#### Total Liabilities

**253 956 121 269 937 080 523 893 201 557 605 834 33 712 633**

#### Net Assets

**3 017 444 865 (480 052 973) 2 537 391 892 2 290 857 468 (246 534 424)**

#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated Surplus	3 017 444 865	(480 052 973)	2 537 391 892	2 290 857 529	(246 534 363)	'1
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# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

VAT Refunds	-	-	-	11 764 304	<b>11 764 304</b>	N17
Service charges	50 855 042	(10 164 151)	<b>40 690 891</b>	(5 057 634)	<b>(45 748 525)</b>	
Grant Receipts	712 654 000	43 440 888	<b>756 094 888</b>	753 544 766	<b>(2 550 122)</b>	N43
Interest income	8 570 206	105 137	<b>8 675 343</b>	49 276 153	<b>40 600 810</b>	N44
Other receipts	963 461	(452 502)	<b>510 959</b>	2 100 112	<b>1 589 153</b>	N45
	<b>773 042 709</b>	<b>32 929 372</b>	<b>805 972 081</b>	<b>811 627 701</b>	<b>5 655 620</b>	

##### Payments

Employee costs	(247 871 855)	5 363 215	<b>(242 508 640)</b>	(253 235 070)	<b>(10 726 430)</b>	N46
Suppliers	(209 599 436)	(89 089 877)	<b>(298 689 313)</b>	(386 838 742)	<b>(88 149 429)</b>	N47
Finance Costs	(5 000 000)	1 262 078	<b>(3 737 922)</b>	(3 837 455)	<b>(99 533)</b>	N48
Transfers and Subsidies	(15 000 000)	5 000 000	<b>(10 000 000)</b>	(9 000 000)	<b>1 000 000</b>	N50
	<b>(477 471 291)</b>	<b>(77 464 584)</b>	<b>(554 935 875)</b>	<b>(652 911 267)</b>	<b>(97 975 392)</b>	

<b>Net cash flows from operating activities</b>	<b>295 571 418</b>	<b>(44 535 212)</b>	<b>251 036 206</b>	<b>158 716 434</b>	<b>(92 319 772)</b>	
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#### Cash flows from investing activities

Capital assets	(486 823 026)	232 502 866	<b>(254 320 160)</b>	(207 163 427)	<b>47 156 733</b>	N52
Net increase/(decrease) in cash and cash equivalents	(191 251 608)	187 967 654	<b>(3 283 954)</b>	(48 446 993)	<b>(45 163 039)</b>	
Cash and cash equivalents at the beginning of the year	6 079 558	(5 170 023)	<b>909 535</b>	52 649 305	<b>51 739 770</b>	N55
<b>Cash and cash equivalents at the end of the year</b>	<b>(185 172 050)</b>	<b>182 797 631</b>	<b>(2 374 419)</b>	<b>4 202 312</b>	<b>6 576 731</b>	

## uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
N1- High number of water shedding leads to inconsistency of water supply, and estimated consumption in no-go areas.						
N2- The different is insignificant.						
N4- Amount received is mainly dependent on the buying power of customer..						
N6- The budget on the expected actuarial gain/loss on post retirement could not be reasonably estimated.						
N8- The difference is insignificant.						
N9- The difference is insignificant.						
N10- The municipality had less additions and completed projects than initially expected						
N12- Eskom Interest charge & late payment penalties						
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 municipality has partially outsourced the operations and maintenance which was above the budget allocated to provide sustainable infrastructure to the district and also the effective maintenance of the existing ones.						
N17- The municipality has partially outsourced the operations and maintenance which was above the budget allocated to provide sustainable infrastructure to the district and also the effective maintenance of the existing ones.						
N18-The municipality did not budget for loss on sale of assets..						
N20-The loss was not budgeted for by the municipality.						
N21- The municipality could not collect cash as budgeted due to the issue of non-payment by customers.						
N22- Due to recognition of water inventory in the current financial period.						
N23- This is due to a non-payment culture by municipality customers.						
N24- The municipality did not budget for the VAT separately.						
N25- Budget consist of interest earned from receivables.						
N26- The municipality did not budget for the VAT separately.						
N40- There was an increase in the unemployment rate for domestic customers resulting to non-payment of services						
N42- Investing funds for long period led to a higher interest earned on investment						
N43- Actuarial Gain						

## uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

N44- VAT Refund was not budgeted for.

N46- The municipality is struggling to cash back creditors, they are not settled within 30 days.

N47- Eskom Interest charge & late payment penalties..

N48- Due to cash flow challenges, the transfer to UDDA could not be transferred in full.



# **uMzinyathi District Municipality**

Annual Financial Statements for the year ended 30 June 2024

## **Significant Accounting Policies**

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Boards 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.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

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

### 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 - Provisions.

### 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.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.4 Property, plant and equipment

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

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

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

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:

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

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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.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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

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

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

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

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

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

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.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.6 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

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

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

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

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:

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

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### 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.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.7 Heritage Assets (continued)

#### Initial measurement

Heritage assets are measured at cost.

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

#### 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 municipality and a financial liability or a residual interest of another municipality.

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 the municipality on terms that are not market related.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.9 Financial Instruments (continued)

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 municipality's statement of financial position.

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

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

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 municipality 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 municipality 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.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.9 Financial Instruments (continued)

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

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

The municipality recognises financial assets using trade date accounting.

### Initial Measurement of Financial Assets and Financial Liabilities

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

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

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

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.9 Financial Instruments (continued)

#### Subsequent Measurement of Financial Assets and Financial Liabilities

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

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality 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 municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

## **Significant Accounting Policies**

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### **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.

## Significant Accounting Policies

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### 1.9 Financial Instruments (continued)

#### Derecognition

##### Financial Assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

If the municipality 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 municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality 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 municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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

## Significant Accounting Policies

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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 municipality 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 municipality 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.

## **Significant Accounting Policies**

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### **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:

## **Significant Accounting Policies**

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### **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.

## **Significant Accounting Policies**

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### **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.

## **Significant Accounting Policies**

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### **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.



## **Significant Accounting Policies**

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

#### **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.

## **Significant Accounting Policies**

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### **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**

#### **Identification**

#### **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:

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

Other long-term employee benefits are all 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 one that derives from an entity's action where, by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and, as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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

### **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.

## **Significant Accounting Policies**

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### **1.15 Provisions and contingencies (continued)**

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.

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 45.

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.

## Significant Accounting Policies

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### 1.15 Provisions and contingencies (continued)

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

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

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

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

### 1.16 Comparative figures

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

### 1.17 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 01 Jul 2023 to 30 Jun 2024.

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.

### 1.18 Unauthorised expenditure

Unauthorized expenditure means any expenditure incurred otherwise than in accordance with section 15 or 11 (3), and includes-

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

### 1.19 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year 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.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.20 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-

National Treasury practice note no.4 of 2008/2009 which was issued in terms of section 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 written off before year end and/or before finalisation of the financial statements must also be recorded approximately 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 approval for write off 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 written off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written off.

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

The process that is used to deal with irregular expenditure is through investigation by council committee and approved by council for write-off. Council write off in terms of S32 of the MFMA which is the process that is followed by Umzinyathi District Municipality.

### 1.21 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.

### 1.22 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

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.22 Events After Reporting Date (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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.

### 1.23 Presentation Currency

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

### 1.24 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.

### 1.25 Interests in other entities

### 1.26 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.

### 1.27 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.

## **Significant Accounting Policies**

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### **1.27 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.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

### 1.28 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.

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

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

Government Grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transactions will flow to the municipality.
- the amount of the revenue can be measured at 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 the grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of 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-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

### 1.29 Investment Income

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

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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## 2. New standards and interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>• GRAP 107 Mergers</li></ul>	01 April 2023	The impact of the is not material.
<ul style="list-style-type: none"><li>• GRAP 106 Transfer of Functions Between Entities Not Under Common Control</li></ul>	01 April 2023	The impact of the is not material.



# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

• GRAP 105 Transfer of Functions Between Entities Under Common Control	01 April 2023	The impact of the is not material.
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact of the is not material.
• GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of the is not material.
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	The impact of the is not material.
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	The impact of the is not material.
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	The impact of the is not material.
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023	The impact of the is not material.

### 2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	Unknown	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	Unknown	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	Unknown	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	3 032 590	27 718 150
Short-term deposits	1 168 664	24 930 083
	<b>4 201 254</b>	<b>52 648 233</b>

### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral:	70 000	70 000
Terms and conditions		

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
FNB 62358106279	3 032 266	28 544 261	3 022 589	27 708 150
FNB 62358438044	10 000	10 000	10 000	10 000
ABSA 9330621802	9 451	9 728	9 451	9 728
ABSA 9376913685	20 399	21 979 805	20 399	21 979 805
ABSA 9378234928	18 747	19 690	18 747	19 690
FNB 62353578564	58 796	7 182	58 796	7 182
FNB 74321014438	796 959	734 988	796 959	734 988
FNB 63044866333	10 614	31 072	10 614	31 072
INVESTEC 1100 461 826 502	7 193	11 172	7 193	11 172
INVESTEC 1100 461 826 503	185 515	60 088	185 515	60 088
NEDBANK 7337000049 00001	6 497	20 615	6 497	20 615
NEDBANK 7337000049 000016	4 725	4 251	4 725	4 251
NEDBANK 7337000049 000026	27 839	-	27 839	-
STANDARD BANK 308632095-006	6 437	7 176	6 437	7 175
STANDARD BANK 308632095-003	15 492	2 045 389	15 492	2 045 389
<b>Total</b>	<b>4 210 930</b>	<b>53 485 417</b>	<b>4 201 253</b>	<b>52 649 305</b>

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>4. Inventories</b>		
Water for distribution	147 093	113 895
Fuel (diesel, petrol)	99 808	-
Chemicals	721 234	1 704 034
	<b>968 135</b>	<b>1 817 929</b>
Inventories recognised as an expense during the year	101 849 644	73 209 924
Inventory valuation used a weighted average. The municipality did not have any stock available for fuel at the end of the financial year.		
<b>Inventory Pledged as Security</b>		
Non of the inventories have been pledge as security for the municipality's financial liabilities.		
<b>Fuel</b>		
Purchases	15 488 180	-
Issues	(15 388 372)	-
<b>Closing balance</b>	<b>99 808</b>	<b>-</b>
<b>Chemicals</b>		
Opening balance	1 704 034	-
Purchases	6 456 658	-
Issues	(7 439 458)	-
<b>Closing balance</b>	<b>721 234</b>	<b>-</b>
<b>Water for distribution</b>		
Opening balance	113 895	90 356
System input volume	59 477 842	47 545 844
Authorised consumption	(22 812 058)	(23 568 544)
Water losses	(13 932 993)	(9 311 590)
Unavoidable annual real losses	(22 732 781)	(15 192 596)
Non-revenue water	33 188	550 425
<b>Closing balance</b>	<b>147 093</b>	<b>113 895</b>
<b>5. VAT receivables</b>		
Vat receivables	38 997 306	46 002 554
<b>6. Receivable from Exchange Transactions</b>		
<b>Gross balances</b>		
Water	407 281 635	315 718 184
Sewerage	90 268 943	101 237 780
Interest	137 711 051	128 704 769
Housing Rental	1 020 972	767 425
Debtors with Credit Balances	8 552 485	8 044 024
	<b>644 835 086</b>	<b>554 472 182</b>

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>6. Receivable from Exchange Transactions (continued)</b>		
<b>Less: Allowance for impairment</b>		
Water	(268 580 763)	(265 346 344)
Sewerage	(70 985 113)	(88 949 741)
Interest	(104 990 710)	(43 631 519)
	<b>(444 556 586)</b>	<b>(397 927 604)</b>
<b>Net balance</b>		
Water	138 700 872	50 371 840
Sewerage	19 283 830	12 288 039
Interest	32 720 341	85 073 250
Housing Rental	1 020 972	767 425
Debtors with credit balances	8 552 485	8 044 024
	<b>200 278 500</b>	<b>156 544 578</b>
<b>Water</b>		
Current (0 -30 days)	11 726 538	3 829 731
31 - 60 days	9 382 617	4 888 329
61 - 90 days	11 205 857	5 405 453
91 - 120 days	10 571 895	8 792 284
121 - 365 days	369 148 481	96 818 536
Allowance for impairment	(268 580 736)	(265 346 344)
	<b>143 454 652</b>	<b>(145 612 011)</b>
<b>Sewerage</b>		
Current (0 -30 days)	1 327 171	1 111 415
31 - 60 days	1 187 310	1 003 362
61 - 90 days	1 806 686	1 075 857
91 - 120 days	1 257 818	1 228 610
121 - 365 days	73 868 132	96 818 536
Allowance for impairment	(70 985 113)	(88 949 741)
	<b>8 462 004</b>	<b>12 288 039</b>
<b>Interest</b>		
Current (0 -30 days)	(10 490)	3 052 969
31 - 60 days	(1 308)	3 033 433
61 - 90 days	(696)	1 420 444
91 - 120 days	(31)	3 578 082
121 - 365 days	143 791 599	117 619 841
Allowance for impairment	(104 990 710)	(43 631 519)
	<b>38 788 364</b>	<b>85 073 250</b>
<b>Housing rental</b>		
Current (0 -30 days)	28 346	25 769
31 - 60 days	28 346	25 769
61 - 90 days	28 346	25 769
91 - 120 days	28 346	25 769
121 - 365 days	907 588	664 349
	<b>1 020 972</b>	<b>767 425</b>
<b>Debtors with credit balances</b>		
Current (0 -30 days)	8 552 485	8 044 024

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>6. Receivable from Exchange Transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Business</b>		
Current	1 713 060	1 871 300
31 - 60 days	919 541	812 831
61 - 90 days	1 657 130	703 482
91 - 120 days	2 539 273	797 296
121 - 365 days	1 130 454	1 090 826
> 365 days	59 821 955	55 630 846
	<b>67 781 413</b>	<b>60 906 581</b>
<b>GOVERNMENT</b>		
Current (0 -30 days)	3 568 333	1 501 988
31 - 60 days	2 224 706	726 352
61 - 90 days	1 582 466	777 696
91 - 120 days	1 788 045	2 052 667
121 - 365 days	775 832	85 130
> 365 days	59 361 246	54 702 384
	<b>69 300 628</b>	<b>59 846 217</b>
<b>Households</b>		
Current (0 -30 days)	7 790 174	10 793 891
31 - 60 days	7 452 718	5 212 590
61 - 90 days	9 800 597	4 903 603
91 - 120 days	7 530 710	7 221 739
121 - 365 days and more	8 304 822	6 011 709
> 365 days	458 030 474	365 592 405
	<b>498 909 495</b>	<b>399 735 937</b>
<b>Less: Allowance for impairment</b>		
Current (+150 days)	(444 556 586)	(397 927 604)
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(397 927 604)	(330 468 592)
Contributions to allowance	(46 628 982)	(67 459 012)
	<b>(444 556 586)</b>	<b>(397 927 604)</b>

### Consumer debtors pledged as security

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

### 7. Receivables from non-exchange transactions

Other receivables	18 500	18 500
Accrued Income	9 459	462 085
	<b>27 959</b>	<b>480 585</b>

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.

## uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>8. Statutory receivables</b>		
The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:		
Statutory receivable	1 315 589	13 079 893
VAT control account amount payable by SARS		
Current assets	1 315 589	13 079 893

## uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

#### 9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2 586 275	(793 310)	1 792 965	2 586 275	(701 479)	1 884 796

#### Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	1 884 796	(91 831)	1 792 965

#### Reconciliation of investment property - 2023

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

#### Pledged as security

No Investment property is pledged as security:

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 022 200	-	5 022 200	5 022 200	-	5 022 200
Buildings	30 491 675	(14 718 119)	15 773 556	30 300 070	(13 779 426)	16 520 644
Plant and Machinery	33 072 967	(28 340 989)	4 731 978	36 762 546	(29 973 278)	6 789 268
Motor Vehicles	83 954 672	(57 520 031)	26 434 641	83 954 672	(47 018 847)	36 935 825
Office Equipment	16 756 447	(13 396 247)	3 360 200	16 169 208	(12 030 029)	4 139 179
Infrastructure	2 247 573 965	(878 637 749)	1 368 936 216	2 044 406 395	(803 042 055)	1 241 364 340
Infrastructure Work in Progress	1 105 907 985	-	1 105 907 985	1 103 772 055	-	1 103 772 055
Building Work in Progress	41 755 391	-	41 755 391	41 022 821	-	41 022 821
<b>Total</b>	<b>3 564 535 302</b>	<b>(992 613 135)</b>	<b>2 571 922 167</b>	<b>3 361 409 967</b>	<b>(905 843 635)</b>	<b>2 455 566 332</b>



# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of Property, Plant and Equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	5 022 200	-	-	-	-	-	5 022 200
Buildings	16 520 644	244 605	(29 288)	-	(962 405)	-	15 773 556
Plant and Machinery	6 789 268	19 177	(1 068)	-	(2 075 399)	-	4 731 978
Motor Vehicles	36 935 825	-	-	-	(9 865 305)	(635 879)	26 434 641
Office Equipment	4 139 179	863 574	(1 014)	-	(1 641 539)	-	3 360 200
Infrastructure	1 241 364 340	6 025 937	-	197 141 632	(67 446 948)	(8 148 745)	1 368 936 216
Infrastrustructure Work in Progress	1 103 772 055	199 277 562	-	(197 141 632)	-	-	1 105 907 985
Building Work in Progress	41 022 821	732 570	-	-	-	-	41 755 391
	<b>2 455 566 332</b>	<b>207 163 425</b>	<b>(31 370)</b>	<b>-</b>	<b>(81 991 596)</b>	<b>(8 784 624)</b>	<b>2 571 922 167</b>

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of Property, Plant and Equipment - 2023

	Opening balance	Additions	Adjustments	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	4 795 062	1 323 797	-	(50 187)	-	(1 929 493)	-	4 139 179
Infrastructure	916 239 495	5 020 226	388 360 070	(18 521 107)	19 187 370	(62 466 690)	(6 455 024)	1 241 364 340
Work in Progress Infrastructure	1 472 444 734	180 074 008	(518 643 468)	(10 915 849)	(19 187 370)	-	-	1 103 772 055
Building Work in Progress	35 213 908	5 808 913	-	-	-	-	-	41 022 821
	<b>2 505 681 002</b>	<b>198 655 889</b>	<b>(130 283 398)</b>	<b>(30 020 511)</b>	<b>-</b>	<b>(80 367 877)</b>	<b>(8 098 773)</b>	<b>2 455 566 332</b>

#### Pledged as Security

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

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

	Included within Infrastructure	Included within Buildings	Total
Opening balance	1 103 772 056	41 022 820	1 144 794 876
Additions/capital expenditure	199 277 562	878 999	200 156 561
Transferred to completed items	(197 141 632)	-	(197 141 632)
	<b>1 105 907 986</b>	<b>41 901 819</b>	<b>1 147 809 805</b>

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 10. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Buildings	Total
Opening balance	1 472 444 735	35 213 908	1 507 658 643
Additions/capital expenditure	180 074 008	5 808 913	185 882 921
Disposal	(10 915 849)	-	(10 915 849)
Transferred to completed items	(19 187 370)	-	(19 187 370)
Prior year error	(518 643 468)	-	(518 643 468)
	<b>1 103 772 056</b>	<b>41 022 821</b>	<b>1 144 794 877</b>

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

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

Contracted services: Maintenance of Buildings and Facilities	268 635	1 555 210
Contracted Services: Maintenance of Equipment	45 205 559	13 566 672
Contracted Services: Unspecified Assets	5 904 458	15 978 380
	<b>51 378 652</b>	<b>31 100 262</b>

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

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 10. Property, plant and equipment (continued)

#### Disclosure : Halted & Delayed Projects

Muden Bulk Water Supply Scheme	-	256 383 307
Muden Bulk Water Phase 4B (Contract Value R 21 165 881) - Delayed	-	43 544 348
Muden Phase 4C (Contract Value R 5 865 000) - Delayed	-	5 193 210
Muden Bulk Water Phase 4A (Contract Value R 23 997 929) - Delayed	-	23 648 608
Muden Kwalatha (Contract Value R 23 742 761) - Halted	-	22 618 280
Muden Bulk Supply Phase 3B (Contract Value R 20 243 185) - Delayed	-	16 144 483
Muden Phase 3C (Contract Value R 27 947 473) - Delayed	-	29 941 378
Ophathe Water Supply Phase 3 (Contract Value R 15 970 002) - Halted	-	2 977 378
Installation Mechanical and Electrification (Contract Value R 17 279 555) - Halted	-	15 157 505
Interconnecting Pipework (Contract Value R 5 435 208) - Halted	-	4 767 726
Completion of 9.8LM Long Pipeline (Contract Value R 26 076 624) - Halted	-	22 818 631
10.2KM Long Pipeline (Contract Value R 24 232 801) - Halted	-	21 256 843
Construction of Civic Works (Contract Value R 55 694 454) - Halted	-	48 429 960
Supply and Installation of Mechanical (Contract Value R 5 568 860) - Halted	-	4 884 957
Ophathe Water Supply Scheme	-	33 399 347
Ophathe Water Supply Scheme Phase 3 (Reticulation) (Contract Value: R 48 277 584) - Halted	-	17 871 713
Ophathe Water Supply Scheme Phase 3 (Contract Value: R 6 798 058) - Halted	-	4 496 239
Ophathe Water Supply Scheme Phase 3 (Contract Value: R 15 970 002) - Halted	-	11 031 396
Douglas Water Supply Scheme	-	49 086 831
Douglas Water Supply Scheme (Contract Value R 49 086 831) - Halted	-	35 564 728
Umsinyathi Disaster Centre	-	41 310 776
Disaster Centre (Contract Value R 37 350 927) - Halted	-	34 935 674
Disaster Centre Phase 1 (Contract Value R 1 894 115) - Delayed	-	2 029 885
Disaster Centre Phase 2 (Contract Value R 6 979 973) - Terminated	-	4 347 917
Greytown Bulk Water	-	336 780 033
2.5ML Enhlalakahle Reservoir (Contract Value R 6 082 506) - Delayed	-	5 335 532
Kranskop Water ARG (Contract Value R 6 242 448) - Halted	-	4 772 041
15.2KM Long Pipeline (Contract Value R 157 374 845) - Halted	-	138 048 110
9.8KM Pipeline (Contract Value R 49 300 267) - Halted	-	43 245 848
10.2KM Long Pipeline (Contract Value R 51 408 486) - Halted	-	45 095 163
2.5ML Umvoti Reservoir (Contract Value R 7 891 875) - Halted	-	6 922 697
Construction of 250KL Reservoir (Contract Value R 1 816 391) - Halted	-	1 593 325
Construction of 250KL Reservoir (Contract Value R 2 150 086) - Halted	-	1 886 025
Construction of 250KL Reservoir (Contract Value R 4 278 637) - Halted	-	3 743 191
Supply and Installation Electrical (Contract Value R 24 858 317) - Halted	-	21 615 928
Greytown Bulk Water Phase 2 (Contract Value R 6 206 179) - Halted	-	6 206 179
RDHV Consulting (Contract Value R 0) - Delayed	-	54 585 441
Construction of 250KL Gavwood Reservoir (Contract Value R 4 278 637) - Halted	-	3 720 554
Umsinga Regional Bulk Water	-	182 813 595
Sampofu Water Commission (Contract Value R 27 451 450) - Delayed	-	37 487 870
Msinga Phase 4A (Contract Value R 36 330 421) - Halted	-	47 352 434
Construction of Reservoir (Contract Value R 13 228 183) - Delayed	-	32 011 730
Keates Drift 3C (Muden) (Contract Value R 27 947 473) - Halted	-	6 454 474
Raw Water Main (Contract Value R 3 960 226) - Halted	-	3 473 918
Argument of Water Treat Works (Contract Value R 7 439 596) - Halted	-	6 525 961
2.5ML Enhlalakahle Reservoir (Contract Value R 6 082 506) - Halted	-	5 333 532
2.5ML Enhlalakahle (Contract Value R 6 328 162) - Halted	-	6 378 913
2.0ML Kranskop Reservoir (Contract Value R 5 334 443) - Halted	-	4 679 336
Pipeline to Enhlalakahle (Contract Value R 13 499 840) - Halted	-	11 841 965
Enhlalakahle Truck Main (Contract Value R 12 127 951) - Halted	-	10 638 553
Construction of Raw Water (Contract Value R 12 121 516) - Halted	-	10 632 909
Kwa-Kopi Water Supply (Delayed)	-	52 095 243
Kwa-Kopi Water Supply Phase 2 (Contract Value R 15 491 965) - Completed	-	13 561 431
Kwa-Kopi Water Supply Phase 3 (Contract Value R 32 114 074) - Delayed	-	38 533 812
Kranskop Borehole	-	703 791
Kranskop Borehole (Contract Value R 6 242 448) - Halted	-	703 791

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>10. Property, plant and equipment (continued)</b>		
Seven Water Supply Scheme	-	18 924 214
Seven Water Supply Scheme (Contract Value R 25 835 112) - Delayed	-	18 924 214
Msinga Mumbé	-	24 080 989
Msinga Mumbé (Contract Value R 19 137 819) - Delayed	-	24 080 989
Halted project in the current year	-	-
Greytown Water Bulk Construction of Civil Works for Extension of Greytown WTW	25 595 271	-
Tayside Upstraction of Bulk Water (T2021-27)	28 764 072	-
KwaKopi Water Supply Scheme Phase 3 (T2020-04)	36 674 084	-
Kranskop Boreholes Water Supply A	1 578 608	-
Greytown Water Bulk Completion 15,2KM Long Pipeline	109 108 690	-
Ophathe 3 Northern Section Construction of Bulk Water & Reticulation Networks (T2014-15/1)	43 693 387	-
Ntinini Water supply scheme T2020-37	8 203 777	-
2,5 ML Height Reservoir T2015-04	6 507 612	-
Umhlaba Omusha/Velekuhle T2015-26	3 650 975	-
Disaster Centre Phase 1 T2015-9	34 645 018	-
Umsinyathi rudimentary	24 463 955	-
Delayed project in the current year	-	-
Ntini (Casino) Reticulation Network	50 560 919	-
Ruigtefontein Extension And Kunene Farm Water Reticulation (Edumeni)	12 725 572	-
Sampofu Regional Water Supply: Commissioning of Bulk Infrastructure in Msinga LM (T2021-26)	36 027 230	-
Upgrade of Mthembu West Phase 1 Turnkey(Mashunka Area)	106 720 190	-
Kwaparafini/Ngcengeni Water Supply Phase 2A	31 097 081	-
Kwaparafini/Ngcengeni Water Supply Phase 2B	15 115 615	-
Nkobongwini Water Supply Scheme Phase 3B (T2023-25)	20 350 596	-
Ophathe Water Supply Scheme Phase 3 AFA (Oshikishikini)	10 754 503	-
Upgrade of Nquthu - Thelezini Water Supply Scheme : Construction of 50/90MM Diameter X 15KM Long DPE Reticulation Network (T2021-46)	40 609 196	-
Douglas Water Supply Scheme - Completion of Phase 3A	4 486 987	-
Muden Bulk Water Phase 2A (T2018-09)	34 311 538	-
Muden Bulk Water Phase 4B (T2016-06)	5 783 985	-
Muden Bulk Water Phase 3C (T2018-12)	32 005 195	-
Upgrade of Nquthu-Thelezeni Water Supply Scheme: Construction of 45MM Diameter X 15KM Long uPVC Class 16 Raising Main from Terminal Reservoir to Service Reservoir (T2021-45)	47 196 436	-
Disaster Phase1A	2 219 549	-
Disaster Phase 2	4 890 882	-
Gunjana Water Supply Phase 3A	4 477 108	-
	<b>782 218 031</b>	<b>1 982 624 851</b>

NTININI (CASINO) RETICULATION NETWORK-Scope of works extended until 10 March 2024. Extension

RUIGTEFONTEIN EXTENSION AND KUNENE FARM WATER RETICULATION (Endumeni) -Cash flow and nonperformance. New Contractor has been appointed on the 27 June 2023.

SAMPOFU REGIONAL WATER SUPPLY- COMMISSIONING OF BULK INFRASTRUCTURE IN MSINGA LM (T2021-26) The project delays are as follows: The water source Package plant was locked by the supplier. The Eskom connection on two Pumpstations was outstanding during the start of the project. The blockage on the Intake chamber due to river floods. Eskom mini-substation failure at Tugela ferry and Ezibomvini Pumpstation. Cable theft on three pumpstations. Additional Requested submitted waiting for approval by the client

UPGRADE OF MTHEMBU WEST PHASE 1 TURNKEY (MASHUNKA AREA)-Delay in Supply of Concrete from the Local. The Project was delayed due to the Business Forum. Slow Progress on site. Delay in payments by client.

## uMzinyathi District Municipality

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

KWAPHARAFINI/ NGCENGENI WATER SUPPLY PHASE 2A - Cash flow and non-performance. Delays of Non-Payments from the Client.

KWAPHARAFINI/ NGCENGENI WATER SUPPLY PHASE 2B - Cash flow and non-performance. Delays of Non-Payments from the Client.

NKOBONGWINI WATER SUPPLY SCHEME PHASE 3B (T2023-25)- The Project was delayed due to Business forum. Slow Progress on Site. The was terminated on 16th July 2024. Preparation for the

OPHATHE WATER SUPPLY SCHEME PHASE 3 AFA (OSHIKISHIKINI)- Cash flow problem from the client

UPGRADE OF NQUTHU-THELEZINI WATER SUPPLY SCHEME: CONSTRUCTION OF 50/90MM DIAMETER X 15KM LONG HDPE - Reticulation Network (T2021-46)- Scope of work extended until 10 March 2024. Delays caused by Pumps Theft. Cash Flows issues

DOUGLAS WATER SUPPLY SCHEME - COMPLETION OF PHASE 3A -Contractor has been Appointed in November. Cash Flows issues due the Client late payments

MUDEN BULK WATER PHASE 2A (T2018-09) -Project was delayed by the late payments by the Client but it is now progressing well, the contractor has abandoned the site and been given a letter of intention to terminate. SCM Process delays. The Contract has been re-tender

MUDEN BULK WATER PHASE 4C (T2016-06) -Late payments and Covid 19, Project was delayed by cash flows issues. Slow Progress on site

MUDEN BULK WATER PHASE 3C (T2018-12) - Late payments and Covid 19, Project was delayed by cash flows issues. SCM Process delays. The Contract has been re-tender

UPGRADE OF NQUTHU-THELEZINI WATER SUPPLY SCHEME: CONSTRUCTION OF 450MM DIAMETER X 5KM LONG uPVC CLASS 16 RISING MAIN FROM TERMINAL RESERVOIR TO SERVICE RESERVOIR (T2021-45)-Delays in payment by the municipality. Extension of time claims approved.

The contractor experienced delays in the delivery of materials by suppliers, hard rock and abnormal weather on site. Extension of time approved Contractor abandoning site and not providing support to site staff. Engineer has issued a non-performance certificate. Termination Letter was in issued on the 28 June 2024."

DISASTER PHASE 1A- Finalisation of snags

DISASTER PHASE 2- Contract Terminated due to contractor cash flow problem

GUNJANA WATER SUPPLY PHASE 3A-Contract terminated due to poor performance.

#### Delayed Projects

GREYTOWN WATER BULK CONSTRUCTION OF CIVIL WORKS FOR EXTENSION OF GREYTOWN WTW -Project is on hold due to funds exhausted on the project.

## uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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#### 10. Property, plant and equipment (continued)

TAYSIDE UPSTRACTION OF BULK WATER(T2021-27)- The project is on Hold. The pumps were procured and paid for, and waiting for installation the reservoir was completed. Additional funds are required to complete the outstanding work, and the revised business plan has been discussed with DWS.

KWAKOPI WATER SUPPLY SCHEME PHASE 3 (T2020-04)- Internal JV Disputes and Cash Flow challenges, Reference from local business forum / ready-mix supplier Changes in Contractor's key personnel.

KRANSKOP BOREHOLE WATER SUPPLY AUGUMENTATION- Project is incomplete. The funds are exhausted for the Completion of the Works.

GREYTOWN WATER BULK COMPLETION 15,2 KM LONG PIPELINE GREYTOWN -Project is incomplete. The funds are exhausted for the Completion of the Pipeline Connecting to the Craig burn Dam.

OPHATHE 3 NORTHEN SECTION CONSTRUCTION OF BULK WATER & RETICULATION NETWORKS (T2014-15/1) -The project was undertaken by Thembaletu Civils and the project is not fully completed due to outstanding snags that needs to be completed to achieve the completion. This project was completed successfully by the contractor, but due to the fact there was no water at that time to test the infrastructure, we couldn't complete it. So, when we finally supplied water and tested the infrastructure, we identified some snags on the system. The contractor who was appointed for this project is no longer in business.

NTININI WATER SUPPLY SCHEME (OGAZINI, NGWEBENI & SIKHONKWANE) (T 2020-37)- The project is on hold. The consultant suspended their services due to non-payment. Subsequently the contractor stops the work.

2,5 ML HEIGHT RESERVOIR- Funds exhausted.

CONSTRUCTION OF GAYWOOD RESERVOIR - Funds exhausted.

DISASTER CENTRE PHASE 1- Under Investigation.

UMZINYATHI RUDIMENTARY- Under Investigation.

## uMzinyathi District Municipality

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#### 11. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 573 241	(2 371 344)	201 897	3 059 366	(2 490 377)	568 989

#### Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Impairment loss	Total
Computer software	568 989	(8 076)	(359 016)	201 897

#### Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1 103 361	11 162	(3 593)	(541 941)	568 989



## uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

#### 12. Heritage Assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Ornamental Chains	8 655	-	8 655	8 655	-	8 655

#### Reconciliation of Heritage Assets 2024

	Opening balance	Total
Ornamental Chains	8 655	8 655

#### Reconciliation of Heritage Assets 2023

	Opening balance	Total
Ornamental Chains	8 655	8 655

#### Pledged as security

No heritage assets pledged as security:

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 13. Investment in Associate

#### Investments in Associates

Name of company	Determination of ownership interest	% ownership interest 2024	% ownership interest 2023	Carrying amount 2024	Carrying amount 2023
uThukela Water (Pty) Ltd	Investment	33,00 %	33,00 %	28 748 875	36 542 349
				28 748 875	36 542 349
				28 748 875	36 542 349

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	36 542 348	68 828 175
Share in deficit of Associate	(7 766 956)	(32 285 827)
	<b>28 775 392</b>	<b>36 542 348</b>

#### Summary of economic entity's interest in associate

Revenue	341 041 711	230 121 203
Expenses	(364 577 942)	(327 957 042)
Net profit	(23 536 231)	(97 835 839)
Percentage share	33,00 %	33,00 %
Share of deficit of Associate	(7 793 474)	(32 285 827)
Total assets	1 204 116 454	840 393 307
Total liabilities	(519 822 359)	(541 741 554)
Net assets	684 294 095	298 651 753

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

### 14. Payables from exchange transactions

Trade payables	312 649 346	325 974 800
Debtors with credit balances	8 552 485	8 044 024
Salary Control	6 221 742	271 430
Unallocated deposits	1 946 392	21 674
Leave accrual	29 342 621	24 263 745
Retentions	94 042 354	90 134 863
Bonus Accrual	7 456 048	6 437 476
	<b>460 210 988</b>	<b>455 148 012</b>

### 15. Transfers Payable

Development Agency	5 099 734	4 099 734
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### 16. VAT payable

VAT accrual	64 447 608	56 780 027
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# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 17. 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.

### 18. Employee benefit obligations

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

#### Carrying value

Post employment Medical Benefit	(14 163 917)	(14 248 000)
Long Service Award	(13 232 273)	(11 171 000)
	<b>(27 396 190)</b>	<b>(25 419 000)</b>
Non-current liabilities	(25 126 940)	(24 143 000)
Current liabilities	(2 269 250)	(1 276 000)
	<b>(27 396 190)</b>	<b>(25 419 000)</b>

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

Opening balance	14 248 000	14 023 000
Current Service Cost	1 006 000	1 031 000
Interest cost	1 774 000	1 645 000
Benefit paid	(295 934)	(288 000)
Actuarial gain	(2 568 149)	(2 163 000)
	<b>14 163 917</b>	<b>14 248 000</b>

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

Opening balance	11 171 000	10 923 000
Current service cost	1 398 000	1 415 000
Interest cost	1 257 000	1 191 000
Benefit paid	(685 820)	(937 000)
Actuarial Loss/(Gain)	92 092	(1 421 000)
	<b>13 232 272</b>	<b>11 171 000</b>

#### Calculation of actuarial gains and losses

Actuarial (gains) losses – Post retirement benefit obligation	(2 568 149)	(2 163 000)
Actuarial (gains) losses – Long service award	92 092	(1 421 000)
	<b>(2 476 057)</b>	<b>(3 584 000)</b>

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,78 %	11,75 %
Consumer Price Index	5,10 %	5,93 %
Salary Increase Rate	6,10 %	6,93 %
Net Effect Discount Rate	4,42 %	4,50 %

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:

#### 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 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.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2023 the duration of liabilities was 6.38 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 10.78% per annum, and the yield on inflation-linked bonds of a similar term was about 4.94% per annum. This implies an underlying expectation of inflation of 5.10% per annum  $([1 + 10.78\% - 0.5\%] / [1 + 4.94\%] - 1)$ .

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.10% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.42% per annum  $([1 + 10.78\%] / [1 + 6.10\%] - 1)$ .

#### Plan B

A healthcare cost inflation rate of 8.90% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2023, the duration of liabilities was 14.83 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 13.50% per annum, and the yield on the inflation linked bonds of a similar term was about 5.22% per annum, implying an underlying expectation of inflation of 7.40% per annum  $([1 + 13.50\% - 0.5\%] / [1 + 5.22\%] - 1)$ .

However, it is the relative levels of the discount rate and healthcare inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 4.23% per annum  $([1 + 13.50\%] / [1 + 8.90\%] - 1)$ . This year's valuation basis is therefore weaker than the previous year's basis from a discount rate perspective.

#### 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.

#### Normal Retirement Age

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

#### Mortality Rates

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

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### 18. 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 Variable

##### 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%.

##### Long Service Awards Withdrawal Assumption in %

Age	2024 Males	2024 Females	2023 Males	2023 Females	Promotional Increases
20	9	9	9	9	-
25	9	9	8	8	-
30	6	6	6	6	-
35	6	6	5	5	-
40	5	5	5	5	-
45	5	5	4	4	-
50+	3	3	3	3	-
	<b>43</b>	<b>43</b>	<b>40</b>	<b>40</b>	<b>-</b>

#### LONG SERVICE AWARDS

Umzinyathi offers bonuses for every 5 years of completed service from 5 years to 45 years.

**Below we outline the benefits awarded to qualifying employees.**

Completed service (years)	Long Service Leave Award (Working Days)	Long Service Bonus Award (% of Annual Salary)	Determination of cash bonus R
5	5	2%	(5/249) x Annual Salary
10	10	4%	(10/249) x Annual Salary
15	20	8%	(20/249) x Annual Salary
20,25,30,35,40 and 45	30	12%	(30/249) x Annual Salary

A day of accumulated leave is worth 1/249 of the annual salary.

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Umzinyathi advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

An employee with five or more years' service with the Municipality, who leaves the service of the Municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro-rata LSA for any uncompleted (five-year) period of service. The pro-rata factor applicable is the number of years of service since an employee's most recent service milestone, divided by five.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

#### Sensitivity analysis

##### Healthcare cost trends

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

2024	One percentage point increase %	One percentage point decrease	
Discount rate	14	-	
Consumer price Inflation	7	-	
Health care cost inflation	9	-	
2023	One percentage point increase %	One percentage point decrease	
Discount rate	13	-	
Consumer price Inflation	7	-	
Health care cost inflation	8	-	

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are.

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are :

#### Discount rate

Assumed discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rate would have the following effects:

2024	30 June 2024 %	One percentage point decrease	
Discount rate	14	-	
Consumer Price inflation	7	-	
Health care cost inflation	9	-	
2023	30 June 2023 %	One percentage point decrease	
Discount rate	13	-	
Consumer price index	7	-	
Health care cost inflation	8	-	

### 19. Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Emergency Drilling Boreholes	-	2 550 122
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See note 25 for reconciliation of grants from National/Provincial Government.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

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<b>20. Service Charges</b>		
Sale of water	66 297 532	62 206 593
Sewerage and sanitation charges	13 709 082	14 843 654
Cost of free basic services	(2 368 924)	(522 357)
	<b>77 637 690</b>	<b>76 527 890</b>
<b>21. Rental of Facilities and Equipment</b>		
<b>Premises</b>		
Rental income	499 109	490 928
<b>22. Interest earned on outstanding debtors</b>		
Interest earned	40 600 810	36 135 527
<b>23. Other Income</b>		
Tender Documents	23 309	278 998
Administration Fees	363	2 460
Insurance Refund	1 124 705	-
	<b>1 148 377</b>	<b>281 458</b>
<b>24. Interest on Investments and other</b>		
<b>Interest revenue</b>		
Bank	8 675 343	6 506 060

# uMzinyathi District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>25. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	489 713 000	453 007 000
LGSETA	418 766	524 853
Expanded Public Works Programme	4 942 000	4 779 000
Local Government Finance Management Grant	1 850 000	1 800 000
RRAMS	2 449 000	2 439 000
	<b>499 372 766</b>	<b>462 549 853</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	211 672 000	216 735 000
Disaster Management Grant	-	5 000 000
Water Services Infrastructure Grant	42 500 000	80 000 000
Emergency Drilling of Boreholes Grant	2 550 122	5 949 878
	<b>256 722 122</b>	<b>307 684 878</b>
	<b>756 094 888</b>	<b>770 234 731</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>LGSETA</b>		
Current-year receipts	418 766	524 853
Conditions met - transferred to revenue	(418 766)	(524 853)
	-	-
<b>Municipal Infrastructure Grant</b>		
Current-year receipts	211 672 000	216 735 000
Conditions met - transferred to revenue	(211 672 000)	(216 735 000)
	-	-
Conditions have been met (see note 19).		
This grant is used to construct basic municipal infrastructure to provide basic services for the benefit of poor households. Other than the unspent amount. The conditions of the grant were met.		
<b>Rural Roads Asset Management Systems</b>		
Current-year receipts	2 449 000	2 439 000
Conditions met - transferred to revenue	(2 449 000)	(2 439 000)
	-	-
<b>Water Services Infrastructure Grant</b>		
Balance unspent at beginning of year	-	24 080 638
Current-year receipts	42 500 000	80 000 000
Conditions met - transferred to revenue	(42 500 000)	(95 377 087)
Withheld by Treasury	-	(8 703 551)
	-	-
<b>Local Government Finance Management Grant</b>		



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### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>25. Government grants &amp; subsidies (continued)</b>		
Current-year receipts	1 850 000	1 800 000
Conditions met - transferred to revenue	(1 850 000)	(1 800 000)
	-	-

Conditions have been met (see note 19).

The purpose of this grant is to promote and support reforms in financial management by building capacity to implement the Municipal Finance Management Act (MFMA). The conditions of the grant were met and no funds have been withheld.

#### Expanded Public Works Programme

Current-year receipts	4 942 000	4 779 000
Conditions met - transferred to revenue	(4 942 000)	(4 779 000)
	-	-

Conditions have been met. (see note 19).

The Expanded Public Works Programme is a special performance-based incentive provided to municipalities that contribute to the employment creation efforts of the expanded public works programme through the employment of previously unemployed people. The condition of the grant was met and no funds have been withheld.

#### Disaster Management Grant

Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(5 000 000)
	-	-

#### Emergency Drilling of Boreholes Grant

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

Conditions still to be met - remain liabilities (see note 19).

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>26. Employee Related Costs</b>		
Basic	170 293 364	150 807 033
Bonus	13 236 106	11 386 341
Medical aid - company contributions	7 166 677	6 646 474
UIF	1 066 779	1 028 247
Leave pay provision charge	7 910 563	(588 199)
Standby Allowance	5 546 559	4 905 348
Defined contribution plans	1 006 000	1 031 000
Overtime payments	3 605 080	1 558 527
Long-service awards	1 398 000	1 415 000
Acting allowances	2 500 571	2 285 842
Car allowance	11 130 274	3 968 166
Housing benefits and allowances	910 296	839 805
Pension	24 262 305	22 238 609
Non pensionable	109 306	320 000
Telephone Allowance	544 329	468 274
Bargaining Council Levies and other	71 220	89 540
	<b>250 757 429</b>	<b>208 400 007</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	699 824	436 686
Acting Allowance	-	36 547
Car Allowance	220 000	59 024
Gratuity	20 340	-
Housing allowance	35 774	82 151
Termination Payout	-	99 047
Telephone Allowance	16 500	10 500
Contributions to UIF, Medical and Pension Funds	14 505	39 264
	<b>1 006 943</b>	<b>763 219</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	195 375	600 300
Acting Allowance	18 256	9 128
Car Allowance	60 000	120 000
Gratuity	3 390	-
Housing Allowance	10 458	29 217
Standby Allowance	-	20 231
Subsistence Allowance	-	3 246
Reimbursive KM	-	97 255
Telephone	4 500	18 000
Contribution to UIF, Medical and Pension Funds	12 071	117 836
	<b>304 050</b>	<b>1 015 213</b>
<b>Remuneration of Senior Manager Community Services</b>		
Annual Remuneration	720 743	465 443
Car Allowance	94 506	70 880
Gratuity	20 340	-
Housing	62 335	46 751
Reimbursive KM	-	100 449
Subsistence	-	2 450
Telephone	30 000	1 315
Contribution to UIF, Medical and Pension Funds	96 243	12 779
	<b>1 024 167</b>	<b>700 067</b>

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 26. Employee Related Costs (continued)

#### Remuneration of Senior Manager Technical Services

Annual Remuneration	986 282	673 336
Car Allowance	153 348	115 011
Gratuity	20 340	-
Housing Allowance	71 098	53 323
Telephone	30 000	1 500
Reimbursive	-	36 984
Subsistence	-	1 216
Contribution to UIF, Medical and Pension Funds	2 262	9 957
	<b>1 263 330</b>	<b>891 327</b>

#### Remuneration of Senior Manager Corporate Services

Annual Remuneration	675 695	210 052
Car Allowance	240 000	54 150
Housing Allowance	46 168	14 794
Telephone	19 500	4 500
Gratuity	20 340	-
Contribution to UIF, Medical and Pension Funds	95 937	17 898
	<b>1 097 640</b>	<b>301 394</b>

#### Remuneration of Senior Manager Planning and Development

Annual Remuneration	770 673	686 009
Acting Allowance	9 140	27 419
Car Allowance	66 000	66 000
Gratuity	20 340	-
Housing Allowance	54 944	54 944
Reimbursive KM	-	21 949
Telephone	18 000	18 000
Subsistence	-	608
Contributions to UIF, Medical and Pension Funds	66 864	71 097
	<b>1 005 961</b>	<b>946 026</b>

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

### 27. Remuneration of Councillors

Remuneration	6 930 888	6 064 519
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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.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>27. Remuneration of Councillors (continued)</b>		
<b>Mayor</b>		
Remuneration	653 513	590 296
Cellphone Allowance	47 004	44 400
Travel Allowance	217 838	196 765
Contribution to Pension and Other	8 538	7 717
	<b>926 893</b>	<b>839 178</b>
<b>Deputy Mayor</b>		
Remuneration	409 495	430 915
Cellphone Allowance	46 919	44 400
Travel Allowance	174 267	157 412
Contribution to Pension Fund and Other	111 262	84 627
	<b>741 943</b>	<b>717 354</b>
<b>Speaker</b>		
Remuneration	522 812	452 858
Cellphone Allowance	47 004	39 126
Travel Allowance	174 271	150 953
Contribution to Pensions Fund and Other	6 882	5 971
	<b>750 969</b>	<b>648 908</b>
<b>Other Councillors</b>		
Remuneration	4 283 015	4 882 814
Contribution to Pension Fund	228 070	110 020
	<b>4 511 085</b>	<b>4 992 834</b>
<b>28. Depreciation and Amortisation</b>		
Property, plant and equipment	81 991 596	80 367 877
Investment property	91 831	91 580
Intangible Assets	359 016	541 822
	<b>82 442 443</b>	<b>81 001 279</b>
<b>29. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	8 784 624	8 098 773
<b>30. Finance Costs</b>		
Employee benefit finance cost obligation	3 130 533	3 555 000
Interest on Late Payments	706 922	3 500 304
	<b>3 837 455</b>	<b>7 055 304</b>

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>31. Lease Rentals on Operating Lease</b>		
<b>Premises</b>		
Contractual amounts	398 852	186 423
<b>Lease rentals on operating lease - Other</b>		
Contractual amounts	1 301 932	1 006 920
	<b>1 700 784</b>	<b>1 193 343</b>
<b>32. Debt Impairment</b>		
Debt impairment	46 628 983	67 461 012
<b>33. Contracted Services</b>		
<b>Outsourced Services</b>		
Administrative and Support Staff	2 181 209	813 382
Cleaning Services	36 244	55 028
Clearing and Grass Cutting Services	1 589 694	634 066
Connection/Dis-Connection	9 571 150	4 777 700
Electrical	651 515	771 727
Professional Staff	19 045 199	15 590 578
Security Services	38 137 283	24 511 254
Sewerage Services	3 900 648	10 770 252
Water Takers	40 979 022	29 096 660
<b>Consultants and Professional Services</b>		
Business and Advisory	23 647 412	25 886 237
Laboratory Services	410 997	224 728
Legal Services	5 977 621	3 751 348
Catering Services	2 141 003	755 213
<b>Contractors</b>		
Event Promoters	701 500	610 000
Maintenance of Buildings and Facilities	268 635	1 555 210
Maintenance of Equipment	45 205 559	13 566 672
Maintenance of Unspecified Assets	5 904 458	15 978 380
Medical Services	282 050	275 413
Pauper Burial Services	180 000	144 500
Sports and Recreation	70 000	70 000
Stage and Sound Crew	223 000	61 380
	<b>201 104 199</b>	<b>149 899 728</b>
<b>34. Transfer and subsidies</b>		
<b>Other Transfers</b>		
Umzinyathi Development Agency	10 000 000	10 000 000

## uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>35. General expenses</b>		
Advertising	2 859 989	1 668 881
Auditors remuneration	5 237 827	7 349 248
Awards	272 000	1 289 808
Bank charges	830 065	479 205
Commission paid- Third Party	84 896	230 644
Compensation Fund Assessment Fee	3 646 593	3 138 352
Conferences and seminars	203 107	156 010
Consumables	68 353 893	95 593 154
Delivery expenses	1 472 100	2 585 893
Fuel and oil	33 746 708	28 574 546
Hire Charges	21 671 342	16 572 542
IT expenses	641 163	2 445 907
Connection fees	222 628	2 979
Insurance	1 825 545	2 050 809
Learnership and Bursaries	4 975 252	3 442 476
Motor vehicle expenses	1 146 104	1 056 979
Postage and courier	-	1 375
Protective clothing	3 550 161	174 099
Rates	1 054 697	1 371 305
Re-imbursement of ward committees	123 180	-
Seating Allowances	93 370	10 414
Skills Development Levy	2 085 208	1 802 313
Specimen and Sample	65 277	66 144
Staff Hiring	-	507 168
Subscriptions and membership fees	113 384	2 636 168
Telephone and fax	2 459 769	2 069 745
Transport and freight	3 025 737	7 069 304
Travel and Accommodation	6 574 034	2 859 086
Voluntarily	148 500	46 875
Water and Electricity	30 469 248	24 200 622
	<b>196 951 777</b>	<b>209 452 051</b>

Items were reclassified from general expenses and reclassified on items within the contracted services and employees related costs.

The changes are detailed in note 46

### 36. Auditors' Remuneration

Fees	5 237 827	7 349 248
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## uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>37. Cash generated from operations</b>		
Surplus	70 160 770	94 672 940
<b>Adjustments for:</b>		
Depreciation and amortisation	82 442 443	81 001 279
Loss on disposal of assets and liabilities	39 448	17 998 112
Investment in associates	7 793 474	(72 320 805)
Impairment loss	8 784 624	8 098 773
Provision for debt impairment	46 628 983	67 461 012
Actuarial gains on post retirement	(2 476 057)	(3 406 301)
<b>Changes in working capital:</b>		
Inventories	849 794	650 853
VAT receivables	7 005 248	(5 810 746)
Receivables from Exchange Transactions	(90 362 905)	(71 700 412)
Receivables from Non-Exchange Transactions	452 626	(323 509)
Statutory receivables	11 764 304	(13 079 893)
Payables from exchange transactions	5 062 976	55 505 517
VAT Payables	7 667 581	8 416 049
Transfers Payable	1 000 000	2 750 000
Unspent Conditional Grants and Receipts	(2 550 122)	(28 530 516)
Employee benefit obligation	4 453 247	3 879 301
Provisions	-	(26 894 663)
	<b>158 716 434</b>	<b>118 366 991</b>

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 38. 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 Trade Payables

Uthukela Water (Pty) Ltd	120 920 884	103 115 392
Umzinyathi Development Agency	5 099 734	4 099 734

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	38 208 846	23 260 593
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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 2021/2022, 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.

#### Key Management

Please refer to Note 26 above for a detailed breakdown of the remuneration of key management personnel as the municipality considers key management personnel a related party to the municipality.

#### Department of Cooperative Governance and Traditional Affairs

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 system 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.



# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 39. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	462 589 939	359 060 863
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##### Total capital commitments

Already contracted for but not provided for	462 589 939	359 060 863
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#### Total Commitments

##### Total commitments

Authorised capital expenditure	462 589 939	359 060 863
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Capital commitment has been restated. Operating commitment has been removed as this has no requirement to be disclosed

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	-	264 714
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Office photocopying machine operating lease expired during the current financial year. The municipality is renting out office space from which a monthly rental is payable by the municipality and lease rentals has entered into a month to month phase. No contingent rent is payable.

### 40. Unauthorised Expenditure

Opening balance as previously reported	1 035 111 774	827 532 840
Add: Unauthorised expenditure - current	107 974 749	207 578 934
Less: Write off approved by council	(819 988 336)	-
<b>Closing balance</b>	<b>323 098 187</b>	<b>1 035 111 774</b>

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

Non-cash	30 831 743	52 543 503
Cash	77 143 005	155 035 431
	<b>107 974 748</b>	<b>207 578 934</b>

#### Analysed as follows: non-cash

Depreciation and amortisation	2 935 112	-
Finance cost	99 533	6 940 304
Loss on disposal of property, plant and equipment	-	25 012 092
Impairment losses	20 003 625	20 591 107
Actuarial valuation	7 793 474	-
	<b>30 831 744</b>	<b>52 543 503</b>

#### Analysed as follows: cash

Employee related cost	7	-
Inventory consumed	24 519 271	81 269 296
Contracted services	49 697 147	73 766 134
Operational cost	2 926 580	-
	<b>77 143 005</b>	<b>155 035 430</b>

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 40. Unauthorised Expenditure (continued)

#### Unauthorised expenditure: Budget overspending – per municipal department:

Executive and council	1 535	188 070
Office of the municipal manager	3 595 735	230 073
Administration	3 812 587	2 711 807
Finance	17 271 833	43 572 830
Planning and development	334 202	-
Water management	82 957 980	156 954 098
Community and social development	877	3 922 055
	<b>107 974 749</b>	<b>207 578 933</b>

#### Recoverability steps taken/criminal proceedings

There have not been any recoverable steps taken in the current year.

#### Disciplinary steps taken/criminal proceedings

There have not been any disciplinary steps taken in the current year.

#### Recoverability of unauthorised expenditure

There have not been any recoverable steps taken in the current year.

### 41. Irregular Expenditure

Opening balance as previously reported	1 739 828 388	1 810 479 206
Correction of prior period error	-	20 008 967
<b>Opening balance as restated</b>	<b>1 739 828 388</b>	<b>1 830 488 173</b>
Add: Irregular Expenditure - current	242 382 304	256 588 842
Less: Amount written off - current	(582 537 847)	(347 248 627)
<b>Closing Balance</b>	<b>1 399 672 845</b>	<b>1 739 828 388</b>

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 41. Irregular Expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Extension longer than initial period of one year	None	37 021 436	-
Contract extension/variations above legislated threshold	None	29 904 324	-
Objective criteria for use of panel not established	None	2 539 200	-
Blank reason		7 412 820	-
Cession agreement T2023-10	None	472 092	-
Variation orders above threshold	None	-	35 727 203
Irregular consultant appointment	None	2 525 848	-
Additional scope of work	None	290 930	-
SCM process not followed	None	136 499 052	-
SCM process not followed- Cession	None	11 237 313	-
SCM process not followed-Deviation reclassification	None	443 329	-
SCM process not followed, tender O&M is on an objection stage and the use of regulation 36 was made	None	10 183 418	-
Bid adjudication committee not composed in accordance with SCM regulation 29(2)	None	3 852 542	-
		<b>242 382 304</b>	<b>35 727 203</b>

### Cases Under Investigation

Municipal Systems Act	1 390 411 287	735 010 495
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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 2017/2018 was conclude and recommendations presented to council for the expenditure.

A new investigation was launched for the financial year 2019/2020 and 2021/2022 which was in progress at the end of the financial year.

## uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>41. Irregular Expenditure (continued)</b>		
<b>Recoverability steps taken/criminal proceedings</b>		
There have not been any recoverable steps taken in the current year.		
<b>Disciplinary steps taken/criminal proceedings</b>		
There have not been any disciplinary steps taken in the current year.		
<b>42. Fruitless and Wasteful Expenditure</b>		
Opening balance as previously reported	46 095 255	31 494 346
Correction of prior year error	-	11 092 327
Add fruitless expenditure current	842 866	3 508 582
Less: Amount written off - current	(4 492 287)	-
<b>Closing balance</b>	<b>42 445 834</b>	<b>46 095 255</b>

## **uMzinyathi District Municipality**

Annual Financial Statements for the year ended 30 June 2024

### **Notes to the Annual Financial Statements**

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Figures in Rand

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#### **42. Fruitless and Wasteful Expenditure (continued)**

##### **Details of fruitless and wasteful expenditure**

##### **Amount recovered**

No amounts were recovered in the current year.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Fruitless and Wasteful Expenditure (continued)

#### Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of 4 492 287 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

#### Recoverability steps taken/criminal proceedings

There have not been any recoverable steps taken in the current year.

#### Disciplinary steps taken/criminal proceedings

There have not been any disciplinary steps taken in the current year.

### 43. 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

Exceptional case

Emergency

39 319	3 124 647
9 282 176	-
<b>9 321 495</b>	<b>3 124 647</b>

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 44. Additional Disclosure in Terms of Municipal Finance Management Act

#### Contributions to Organised Local Government

Current year subscription / fee	248 300	266 832
Amount paid - current year	(248 300)	(266 832)
	-	-

#### Audit Fees

Opening balance	3 002 693	1 679 978
Current year fees	6 055 534	8 555 297
Amount paid - current year	(8 622 081)	(7 232 582)
	<b>436 146</b>	<b>3 002 693</b>

#### PAYE and UIF

Current year fees	40 211 913	32 744 274
Amount paid - current year	(36 655 203)	(32 744 274)
	<b>3 556 710</b>	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	48 466 435	44 242 187
Amount paid - current year	(48 466 435)	(44 242 187)
	-	-

The accounting officer confirms that the salaries, allowances and benefits are in accordance with the framework in s 219 of the Constitution, S124(1)(a).

#### VAT

VAT payable	(64 447 608)	(56 780 027)
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VAT output payables and VAT input receivables are shown in note 5&16.

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

#### Councillors Arrear Consumer Accounts

There are no arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
No councillors are in arrears.	-	-	-
30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Chambule B S	2 241	8 863	11 104

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 44. Additional Disclosure in Terms of Municipal Finance Management Act (continued)

#### 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
MDG (Mfundo Dawn Gcaleka)	1 979 051	-
Sizokwakha Security (PP Sithole: Emadlangeni Local Municipality)	-	4 651 110
	<b>1 979 051</b>	<b>6 120 250</b>

There is no expenditure incurred in the current year.

#### Suppliers in the Service of the State

Goba (Trueman Goba) National Home Builders registration Council	2 818 340	18 319 930
Ilifa (Joyce Dolly Tembe) Public Investment Corporation Limited Corporate	-	697 609
	<b>2 818 340</b>	<b>19 017 539</b>

#### Additional information

##### 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.



## uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>45. Contingencies</b>		
Contingent liabilities incurred relating to interest in other entities		
<b>Municipalities</b>		
Mining Pressure Systems vs Umzinyathi District Municipality	-	8 235 512
Mining Pressure Systems vs Umzinyathi District Municipality	-	8 602 806
Thuthu Nibambo vs Umzinyathi District Municipality	-	504 333
L Mthembu and Associates vs Umzinyathi District Municipality	-	395 902
L Mthembu and Associates vs Umzinyathi District Municipality	-	445 287
Ubuso Obuhle Trading (Pty) Ltd vs Umzinyathi District Municipality	1 035 619	990 631
Brand Partner vs Umzinyathi District Municipality	-	2 597 098
Bosch Project vs Umzinyathi District Municipality	-	3 306 805
KwaZulu Natal Department of Co-operative Governance and Traditional Affairs	-	65 948
R&B Pipeline Contractors vs Umzinyathi District Municipality	-	1 312 232
Sinotho Electrical and Civil Engineering CC vs Umzinyathi District Municipality	-	4 219 815
Lindulwazi Projects vs Umzinyathi District Municipality& Honourable MEC for KZN	6 940 747	6 544 006
COGTA		
Bonakude Consultant vs Umzinyathi District Municipality	3 627 611	3 371 730
Sinotho Electrical and Civil Engineering CC vs Umzinyathi District Municipality	4 446 400	1 820 298
Forec Electrical CCV & Mohammeds Hardware JV vs Umzinyathi District Municipality	14 542 564	14 542 564
Forec Electrical CC vs Umzinyathi District Municipality	58 959 109	58 959 109
Mncube MN vs Umzinyathi District Municipality	-	5 000
	<b>89 552 050</b>	<b>115 919 076</b>

Casting in the prior year disclosure note was incorrect in difference by R1 551 362.20, this has been adjusted. Amounts appearing with no current year balances have been concluded.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 45. Contingencies (continued)

#### Contingent Assets

Litigations and value of claims pending in favour of the municipality were estimated at R140 680 477.26, details are as follows:

#### Contingent Assets

Umzinyathi vs Soni	364 337	343 923
Umzinyathi vs Trustee Prembhai Family Trust	1 094 383	1 030 017
Umzinyathi vs Fusion Guarantee	9 261 097	8 741 378
Umzinyathi vs Tsotetsi Mchunu Inc	5 985 467	5 482 017
Umzinyathi vs AC Industrial, EMS Ntombela, SP Zulu, TR Malunga & T Mnyandu	112 055 193	102 635 877
Umzinyathi DM vs TR Malunga	11 920 000	11 850 000
	<b>140 680 477</b>	<b>130 083 212</b>

### 46. Prior Year Adjustments

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

#### Statement of financial position

##### 2023

	As previously reported	Correction of error	Re-classification	Restated
Cash and cash equivalents	54 098 558	(1 450 325)	-	52 648 233
Inventories	1 817 929	-	-	1 817 929
Receivables from Exchange Transactions	158 808 946	(2 264 368)	-	156 544 578
VAT Receivables	60 051 926	(969 479)	(13 079 893)	46 002 554
Receivables from non-exchange transactions	480 585	-	-	480 585
Statutory receivables	-	-	13 079 893	13 079 893
Investment property	1 884 796	-	-	1 884 796
Property, plant and equipment	2 585 849 731	(130 283 399)	-	2 455 566 332
Intangible assets	568 989	-	-	568 989
Heritage Assets	8 655	-	-	8 655
Investments in Associates	7 933 631	28 608 718	-	36 542 349
Payables from exchange transactions	(435 063 237)	4 178 970	(24 263 745)	(455 148 012)
Transfers Payable	(4 099 734)	-	-	(4 099 734)
VAT payable	(58 758 104)	1 978 077	-	(56 780 027)
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)
Accumulated Surplus	(2 320 898 490)	100 201 806	-	(2 220 696 684)
	-	-	-	-

#### Statement of financial performance

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023		
<b>46. Prior Year Adjustments (continued)</b>				
<b>2023</b>				
	As previously reported	Correction of error	Re-classification	Restated
Service charges	83 048 397	(6 520 507)	-	76 527 890
Rental of facilities and equipment	490 928	-	-	490 928
Interest earned on outstanding debtors	32 028 502	4 107 025	-	36 135 527
Other income	283 734	(2 276)	-	281 458
Interest received on investment	6 506 060	-	-	6 506 060
Actuarial Gain on Post Retirement Benefit	3 584 000	-	(177 698)	3 406 302
Government grants & subsidies	770 234 731	-	-	770 234 731
Employee related costs	(209 104 460)	-	704 453	(208 400 007)
Remuneration of councillors	(6 129 491)	-	64 972	(6 064 519)
Depreciation and amortisation	(89 100 052)	-	8 098 773	(81 001 279)
Impairments loss	-	-	(8 098 773)	(8 098 773)
Finance costs	(4 219 304)	-	(2 836 000)	(7 055 304)
Lease rentals on operating lease	(1 193 343)	-	-	(1 193 343)
Provision for Debt Impairment	(67 461 012)	-	-	(67 461 012)
Post Retirement Benefit	(4 057 000)	-	4 057 000	-
Contracted services	(118 767 025)	-	(31 156 453)	(149 899 728)
Transfers and Subsidies	(10 000 000)	-	-	(10 000 000)
Loss on disposal of assets and liabilities	(17 998 112)	-	-	(17 998 112)
Share of Surpluses or Deficits from Associates	(60 894 545)	28 608 718	-	(32 285 827)
General Expenses	(237 618 920)	(1 176 856)	29 343 726	(209 452 051)
<b>Surplus for the year</b>	<b>69 633 088</b>	<b>25 016 104</b>	<b>-</b>	<b>94 672 941</b>
<b>Cash flow statement</b>				
<b>2023</b>				
	As previously reported	Correction of error	Restated	
Cash flow from operating activities				
Service charges	50 292 740	(45 465 262)	4 827 478	
Grant receipt	757 081 853	(15 377 638)	741 704 215	
Interest income	6 506 060	36 135 527	42 641 587	
Other receipt	276 213	172 664	448 877	
VAT refund	43 959 679	(54 434 269)	(10 474 590)	
	<b>858 116 545</b>	<b>(78 968 978)</b>	<b>779 147 567</b>	
Payments				
Employee related cost	(209 104 461)	4 583 755	(204 520 706)	
Suppliers	(388 365 960)	47 525 157	(435 891 117)	
Finance cost	(1 193 343)	(5 861 961)	(7 055 304)	
Remuneration of councillors	(6 129 419)	64 972	(6 064 519)	
Transfers and subssidies	(5 950 266)	(1 299 734)	(7 250 000)	
	<b>(610 743 449)</b>	<b>45 012 189</b>	<b>(660 781 646)</b>	
Cash flow from financing activities				
Purchase of property,plant and equipment	(196 063 255)	142 309 511	(53 753 744)	
Proceeds from sale of property,plant and equipment	(1 277 190)	1 277 190	-	
Purchase of intangible assets	(11 162)	-	(11 162)	
	<b>(197 351 607)</b>	<b>143 586 701</b>	<b>(53 764 906)</b>	

**Notes to the Annual Financial Statements**

Figures in Rand	2024	2023
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**46. Prior Year Adjustments (continued)**

**Errors**

The following prior period errors adjustments occurred:

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>46. Prior Year Adjustments (continued)</b>		
<b>Cash and cash equivalent</b>		
Balance previously reported	- 54 098 558	
Less: payments not cleared	- (1 450 325)	
	<b>- 52 648 233</b>	
Correction of payment that were not cleared in the prior year.		
<b>Receivables from Exchange Transaction</b>		
Balance previously reported	- 158 808 946	
Correction of error	- (2 264 367)	
	<b>- 156 544 579</b>	
Correction of an error adjustment to interest and billing.		
<b>VAT Receivables</b>		
Balance previously reported	- 60 051 926	
Reclassified amount to Statutory receivables	- (13 079 893)	
correction of error	- (969 479)	
	<b>- 46 002 554</b>	
Reclassification from VAT receivables to Statutory receivables and reduction of payables.		
<b>Statutory receivables</b>		
Balance previously reported	- -	
Reclassified from VAT Receivables	- 13 079 893	
	<b>- 13 079 893</b>	
Reclassification from VAT receivable to Statutory receivables.		
<b>Property, plant and equipment</b>		
Balance previously reported	- 2 585 849 731	
Correction of error	- (130 283 399)	
	<b>- 2 455 566 332</b>	
Correction of an error project derecognised from work in progress and project transferred from work in progress.		
<b>Trade payables from exchange transactions</b>		
Balance previously reported	- 435 063 237	
Reclassification from provisions	- 24 263 745	
Correction of an error	- (4 178 970)	
<b>Restated balance</b>	<b>- 455 148 012</b>	
Reclassification from provisions and correction of reduction in expenditure.		
<b>VAT payables</b>		
Balance previously reported	- 58 758 104	
correction of error	- (1 978 077)	
	<b>- 56 780 027</b>	
Correction of an error- reduction to payables in prior years.		
<b>Provisions</b>		

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 46. Prior Year Adjustments (continued)

Balance previously reported	-	24 263 745
Reclassification to payables from exchange	-	(24 263 745)
	-	-

Reclassification to payables from exchange transactions from provisions.

### Accumulated surplus

Balance previously reported	-	2 320 898 490
Accumulative changes	-	(100 201 806)
<b>Restated balance</b>	-	<b>2 220 696 684</b>

Accumulation of all the adjustments made in the prior years.

### Employee related costs

Balance previously reported	-	209 104 460
Reclassification of SDL to operating expenses	-	(1 747 754)
Reclassification from post retirement to employee cost	-	1 043 301
<b>Restated balance</b>	-	<b>208 400 007</b>

Reclassification of SDL to operating expenses and changes in defined contributions.

### Contracted Services

Balance previously reported	-	118 743 276
Reclassification of water tankers from general services	-	29 026 660
Reclassification from sports and recreation to contracted services	-	46 875
Reclassification to Admin and support	-	813 382
Reclassification from IT expenses	-	441 836
Reclassification to Business and advisory	-	827 700
<b>Restated balance</b>	-	<b>149 899 729</b>

Reclassification of water tankers from general services to contracted services, sport and recreations to contracted services, to admin and support, from IT expenses and to business and advisory.

### General expenses

Balance previously reported	-	237 618 920
Reclassification of water tankers to contracted services	-	(29 026 660)
Reclassification from sports and recreation contracted	-	(46 875)
Reclassification from Employee cost to Operating cost	-	1 802 313
Reclassification to Admin and support	-	(813 382)
Reclassification from IT expenses	-	(441 836)
Reclassification to Business and advisory	-	(827 700)
Reclassification from Councillors to Operating expense	-	10 414
correction of error-adjustment to fuel and oil and insurance	-	1 176 856
<b>Restated balance</b>	-	<b>209 452 050</b>

Reclassification of water tankers from general services to contracted services, sport and recreations to contracted services, to admin and support, from IT expenses and to business and advisory, from Councillors to operating expenses and correction of an error (adjustment to fuel and oil and insurance).

### Service charges

Balance previously reported	-	83 048 397
Correction of error	-	(6 520 507)
	-	<b>76 527 890</b>

Correction of an error which was previously reported-reduction of billing.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>46. Prior Year Adjustments (continued)</b>		
<b>Interest earned on outstanding debtors</b>		
Balance previously reported	-	32 028 502
Correction of error	-	4 107 025
	-	<b>36 135 527</b>
Correction of an error which was previously reported, raising of interest on customer debt at the correct interest percentage.		
<b>Other income</b>		
Balance previously reported	-	283 734
Correction of error	-	(2 276)
	-	<b>281 458</b>
Correction of an error which was previously reported, missallocation.		
<b>Actuarial Gain on Post Retirement Benefit</b>		
Balance previously reported	-	3 584 000
Adjustment	-	(177 698)
<b>Restated balance</b>	-	<b>3 406 302</b>
Adjusting balance which was previously reported to reflect correct interpretation of actuarial report.		
<b>Remuneration of councillors</b>		
Balance previously reported	-	6 129 491
Reclassification from Councillors remuneration to operating expense	-	(64 972)
	-	<b>6 064 519</b>
Reclassification from Councillors remuneration to operating expense.		
<b>Depreciation and amortisation</b>		
Balance previously reported	-	89 100 052
Reclassification to impairment loss	-	(8 098 773)
<b>Restated balance</b>	-	<b>81 001 279</b>
Reclassification of depreciation and amortisation to impairment loss.		
<b>Finance costs</b>		
Balance previously reported	-	4 219 304
Reclassification from employee cost to finance cost and post retirement	-	2 836 000
	-	<b>7 055 304</b>
Reclassification from employee cost to finance cost and post retirement.		
<b>Commitment</b>		
Total commitment previously reported	-	144 715 313
Less operational commitment not required	-	(15 566 419)
Adjustment to capital commitment	-	229 911 969
	-	<b>359 060 863</b>
Removing of operational commitment which is not a standard requirement and a restated balance of capital commitment.		
<b>Investment in associates</b>		
Balance previously reported	-	7 933 631

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>46. Prior Year Adjustments (continued)</b>		
Adjustment to share of profit	- 28 608 718	
	<b>- 36 542 349</b>	
Adjustment to share of retained profit on the equity method for the period.		
<b>Share of surplus or deficit</b>		
Balance previously reported	- (60 894 545)	
Adjustment to share of profit	- 28 608 718	
	<b>- (32 285 827)</b>	
Adjustment to share of retained profit on the equity method for the period.		
<b>Unauthorised expenditure</b>		
Balance previously reported	- 1 144 392 250	
Correction of an error	- (109 280 476)	
<b>Restated balance</b>	<b>- 1 035 111 774</b>	
Restatement of unauthorised expenditure.		
<b>Irregular expenditure</b>		
Balance as previously reported	- 1 690 953 935	
Irregular incurred in the current year	- 6 846 500	
Irregular incurred in prior year identified in the current year	- 42 027 953	
<b>Restated balance</b>	<b>- 1 739 828 388</b>	
Correction of an error occurred in the prior year but identified in the current year.		



# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>46. Prior Year Adjustments (continued)</b>		
<b>Reclassifications</b>		
The following reclassifications adjustment occurred:		
<b>Reclassification 1</b>		
Reclassification Balance sheet		
<b>Reclassification 2</b>		
Reclassification Income Statement		
<b>Staff Hiring</b>		
Audited amount	-	1 320 549
Reclassification to admin and support	-	(813 381)
	<b>-</b>	<b>507 168</b>
Reclassification to admin and support		
<b>Admin and support</b>		
Reclassification from staff hiring	-	813 381
Reclassification from staff hiring		
<b>Impairment</b>		
Balance previously reported	-	-
Reclassification from depreciation and amortisation to Impairment	-	8 098 773
<b>Restated balance</b>	<b>-</b>	<b>8 098 773</b>
Reclassification from depreciation and amortisation to impairment.		
<b>SDL</b>		
Balance previously reported	-	-
Reclassification from Employee cost to operating cost	-	(1 747 754)
<b>Restated balance</b>	<b>-</b>	<b>(1 747 754)</b>
Reclassification from Employee cost to operating cost.		
<b>Pension fund</b>		
Balance previously reported	-	22 558 609
Reclassification from pension fund to non pensionable	-	(320 000)
	<b>-</b>	<b>22 238 609</b>
Reclassification from pension fund to non pensionable.		
<b>Non Pensionable</b>		
Balance previously reported	-	-
Reclassification from Pension fund to non pensionable	-	320 000
<b>Restated balance</b>	<b>-</b>	<b>320 000</b>
Reclassification from Pension fund to non pensionable.		
<b>Post retirement</b>		

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>46. Prior Year Adjustments (continued)</b>		
Balance previously reported	-	4 057 000
Reclassification from Post retirement to employee cost and finance cost	-	(4 057 000)
<b>Restated balance</b>	-	-
Reclassification from Post retirement to employee cost and finance cost.		
<b>Defined contribution plan</b>		
Balance previously reported	-	1 402 699
Reclassification from Post retirement to employee cost and finance cost	-	4 057 000
Reclassified from defined contribution to Long service	-	(846 991)
Reclassified from post retirement to long service	-	(4 251 000)
Reclassified from post retirement to finance cost	-	669 292
<b>Restated balance</b>	-	<b>1 031 000</b>
Reclassification from Post retirement to employee cost and finance cost, from defined contributions to long service, from post retirement to long service and from post retirement to finance cost.		
<b>Long service award</b>		
Balance previously reported	-	-
Reclassified from defined contribution to Long service	-	846 990
Reclassified from post retirement to long service	-	568 010
<b>Restated balance</b>	-	<b>1 415 000</b>
Reclassification from defined contribution to long service, and from post retirement to long service.		
<b>Contracted services- outsourced water tankers</b>		
Balance previously reported	-	-
Reclassification from General expenses - Hire charges to Contracted services to Water services	-	29 096 660
<b>Restated balance</b>	-	<b>29 096 660</b>
Reclassification from General expenses - Hire charges to Contracted services to Water services.		
<b>Contracted services- outsourced water tankers</b>		
Balance previously reported	-	-
<b>Hire charges</b>		
Balance previously reported	-	45 669 202
Reclassification from General expense: hire charges to contracted services to water services	-	(29 096 660)
<b>Restated balance</b>	-	<b>16 572 542</b>
Reclassification from general expense -hire charges to contracted service to water services.		
<b>General expenditure- SDL</b>		
Balance previously reported	-	-
Reclassification from Councillors remunerations to Operating expense	-	54 559
Reclassification from Employee cost to Operating cost	-	1 747 754
<b>Restated balance</b>	-	<b>1 802 313</b>
Reclassification from councilors remunerations and employee cost to operating cost.		
<b>Contracted services- Sport and recreation</b>		
Balance previously reported	-	116 875

# uMzinyathi District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>46. Prior Year Adjustments (continued)</b>		
Reclassification from sports and recreation contracted	-	(46 875)
<b>Restated balance</b>	<b>-</b>	<b>70 000</b>
Reclassification from sports and recreation contracted.		
<b>General expenses -sport and recreation</b>		
Balance previously reported	-	-
Reclassification from sports and recreation	-	46 875
<b>Restated balance</b>	<b>-</b>	<b>46 875</b>
Reclassification from sports and recreation.		
<b>Contracted services outsourced services-Security</b>		
Balance previously reported	-	4 161 478
Reclassification from safeguard and security	-	20 349 776
<b>Restated balance</b>	<b>-</b>	<b>24 511 254</b>
Reclassification from safeguard and security.		
<b>Safeguard and security</b>		
Balance previously reported	-	20 349 776
Reclassification from safeguard and security	-	(20 349 776)
<b>Restated Balance</b>	<b>-</b>	<b>-</b>
Reclassification from safeguard and security.		
<b>Business and Advisory</b>		
Balance previously reported	-	22 392 064
Reclassification from Unspecified assets	-	2 224 637
Reclassification from IT expenses	-	441 836
Reclassification to Business and advisory from advertising	-	827 700
	<b>-</b>	<b>25 886 237</b>
Reclassification from Unspecified assets,IT expense and from advertising to business and advisory.		
<b>Legal services</b>		
Balance previously reported	-	3 752 012
Reclassification from Business and advisory	-	(664)
<b>Restated balance</b>	<b>-</b>	<b>3 751 348</b>
Reclassification from business and advisory.		
<b>Maintenance of Unspecified Assets</b>		
Balance previously reported	-	18 836 419
Reclassification from Maintenance Unspecified assets	-	(2 858 039)
<b>Restated balance</b>	<b>-</b>	<b>15 978 380</b>
Reclassification from Maintenance Unspecified assets.		
<b>Clearing and grass cutting services</b>		
Balance previously reported	-	-
Reclassification from Maintenance Unspecified assets	-	634 066
<b>Restated balance</b>	<b>-</b>	<b>634 066</b>

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 46. Prior Year Adjustments (continued)

Reclassification from Maintenance Unspecified assets.

#### IT expenses

Balance previously reported	-	2 887 743
Reclassification from IT expenses	-	(441 836)
<b>Restated balance</b>	<b>-</b>	<b>2 445 907</b>

Reclassification from IT expenses.

#### Advertising

Balance previously reported	-	2 496 581
Reclassification to Business and advisory	-	(827 700)
<b>Restated balance</b>	<b>-</b>	<b>1 668 881</b>

Reclassification to Business and advisory.

#### Water and electricity

Balance previously reported	-	25 571 927
Reclassification to rates	-	(1 371 305)
<b>Restated balance</b>	<b>-</b>	<b>24 200 622</b>

Reclassification to rates

#### Rates

Balance previously reported	-	-
Reclassification to rates from W& E	-	1 371 305
<b>Restated balance</b>	<b>-</b>	<b>1 371 305</b>

Reclassification to rates from W& E.

#### Government grants and subsidies

Balance previously reported	-	458 007 000
Reclassification from disaster management grant	-	(5 000 000)
<b>Restated balance</b>	<b>-</b>	<b>453 007 000</b>

Reclassification from disaster management grants

### 47. Events After the Reporting Date

The municipality is unaware of any material events that have occurred between 30 June 2024 and the date, when the annual financial statement were authorised.

### 48. 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.

### 49. Financial Viability

The Annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 49. Financial Viability (continued)

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 negative outlook on the going concern of the municipality:

- Creditors in days 2024 are (269 days)
- Debtors in days 2024 are (2280 days)

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 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 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 integration to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution.

As at 30 June 2024, the municipality's current liabilities exceeded the current assets by (R304 580 975) (2023 : R 249 276 071) 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 weakness in controls that are intended to manage the revenue at the local municipalities.
- The obligation to Uthukela water Board of R 120 920 884 (2023: R 103 115 391) and Department of Water and sanitation of R 58 124 136,25 ( 2023: R 58 630 827) contributes as the biggest creditors for the municipality over which they 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 R 89 552 050 ( R 21 910 320) resulting to a continuity risk for the municipality. Management continues to closely monitor the risk through its risk management processes.
- The litigations infavour of the municipality were valued at R 140 680 477.26 (2023: R 127 451 396) 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 the 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 the additional revenue stream.
- The debt collection strategies have been implemented to reduce the issues 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

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 49. 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 to 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 spent fully and the VAT returns will supplement the income of the municipality.

#### Operating Grants

	Original Budget 2024/2025	Proposed Budget 2025/26
Equitable Share	519 485 000	549 041 000
LG SETA	500 000	500 000
Local Government Finance Management	3 000 000	3 000 000
Expanded Public Works Programme	5 349 000	-
Rural Roads Assets Management Systems	2 559 000	26 730 000
Subtotal	530 893 000	579 271 000
	<b>530 893 000</b>	<b>579 271 000</b>

#### Capital Grants

	Original Budget 2024/25	Proposed Budget 2025/26
Municipal Infrastructure Grant	216 278 000	227 329 000
Water Services Infrastructure	85 000 000	91 000 000
Subtotal	301 278 000	318 329 000
	<b>301 278 000</b>	<b>318 329 000</b>

### 50. Risk Management

#### Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligation as they fall due. The municipality's risk to liquidity is a result of funds availability 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

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 50. Risk Management (continued)

#### Credit risk

##### Receivables

Receivables are amounts owing by consumer 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 debt the represents its estimate of anticipated losses in respect of receivables. Payments of accounts 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

Inventory	936 195	1 817 929
Receivable from Exchange Transaction	200 278 500	156 544 579
VAT Receivables	38 997 306	46 002 554
Receivables from Non-Exchange Transaction	27 959	480 585
Cash and Cash Equivalent	4 202 326	52 649 305
	<b>244 442 286</b>	<b>257 494 952</b>

##### Financial Liabilities

Payables from Exchange Transactions	495 748 760	454 685 784
Consumer Deposits	451 314	451 314
Transfer Payable	5 099 734	4 099 734
VAT Payable	64 447 608	56 780 027
Employee Benefit Obligation	27 396 190	25 419 000
	<b>593 143 606</b>	<b>541 435 859</b>

#### Market risk

##### Interest rate risk

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

### 51. 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 and 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 strategies 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.

**Notes to the Annual Financial Statements**

Figures in Rand	2024	2023
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**51. Segment information (continued)**

**Aggregated segments**

The municipality services are provided in 6 Towns in the KwaZulu-Natal Province within UMzinyathi jurisdiction. Segments were aggregate 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. .



# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Segment information (continued)

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

2024

	Municipal Governance and Administration	Trading Services	Aggregated	Total
<b>Revenue</b>				
Service charges	61 293	77 576 397	-	77 637 690
Rental of facilities and equipment	499 109	-	-	499 109
Interest earned on outstanding debtors	-	40 600 810	-	40 600 810
Other Income	1 148 377	-	-	1 148 377
Interest received on investment	8 675 343	-	-	8 675 343
Actuarial gain on post retirement benefit	2 476 057	-	-	2 476 057
Government grants and subsidies	491 981 766	264 113 122	-	756 094 888
<b>Total segment revenue</b>	<b>504 841 945</b>	<b>382 290 329</b>	<b>-</b>	<b>887 132 274</b>
<b>Entity's revenue</b>				<b>887 132 274</b>
<b>Expenditure</b>				
Employee related cost	(94 109 846)	(110 953 914)	(4 563 667)	(209 627 427)
Remuneration of councillors	(6 930 888)	-	-	(6 930 888)
Depreciation and amortisation	(14 995 495)	(67 446 948)	-	(82 442 443)
Impairment loss	-	(8 784 624)	-	(8 784 624)
Finance cost	(3 669 441)	(168 014)	-	(3 837 455)
Lease rentals on operating lease	(1 700 785)	-	-	(1 700 785)
Provision for debt impairment	-	(46 628 983)	-	(46 628 983)
Contracted services	(58 424 803)	(139 254 524)	(3 424 872)	(201 104 199)
Transfers and subsidies	-	-	(10 000 000)	(10 000 000)
Loss on disposal of assets and liabilities	(39 448)	-	-	(39 448)
Share of surpluses or deficit from associates	(7 793 474)	-	-	(7 793 474)
General expense	(28 008 509)	(158 421 907)	(10 521 359)	(196 951 775)
<b>Total segment expenditure</b>	<b>(215 672 689)</b>	<b>(531 658 914)</b>	<b>(28 509 898)</b>	<b>(775 841 501)</b>

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

	Municipal Governance and Administration	Trading Services	Aggregated	Total
<b>51. Segment information (continued)</b>				
<b>Total segmental surplus/(deficit)</b>	<b>720 514 634</b>	<b>913 949 243</b>	<b>28 509 898</b>	<b>1 662 973 775</b>
<b>Other Information</b>				
Cash and cash equivalent	4 192 326	10 000	-	4 202 326
Inventories	(201 625)	2 984 392	-	2 782 767
Receivables from exchange transaction	200 278 499	-	-	200 278 499
VAT receivables	38 997 306	-	-	38 997 306
Receivables from non-exchange transactions	27 959	-	-	27 959
Statutory receivables	1 315 589	-	-	1 315 589
Investment property	1 792 965	-	-	1 792 965
Property, plant and equipment	1 481 330 683	1 085 715 351	4 876 133	2 571 922 167
Intangible assets	(29 691)	188 341	43 248	201 898
Heritage assets	8 655	-	-	8 655
Investments in associates	28 748 875	-	-	28 748 875
<b>Total segment assets</b>	<b>1 756 461 541</b>	<b>1 088 898 084</b>	<b>4 919 381</b>	<b>2 850 279 006</b>
<b>Total assets as per Statement of financial Position</b>				<b>2 850 279 006</b>
<b>Liabilities</b>				
Payable from exchange transactions	(450 362 355)	(9 848 634)	-	(460 210 989)
Transfer payables	-	-	(5 099 734)	(5 099 734)
VAT payables	(64 447 608)	-	-	(64 447 608)
Consumer deposit	(451 314)	-	-	(451 314)
Employee benefit obligation	(27 396 190)	-	-	(27 396 190)
Unspent conditional grant receipt	(499 999)	-	(500 000)	(999 999)
<b>Total segment liabilities</b>	<b>(543 157 466)</b>	<b>(9 848 634)</b>	<b>(5 599 734)</b>	<b>(558 605 834)</b>
<b>Total liabilities as per Statement of financial Position</b>				<b>(558 605 834)</b>

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Segment information (continued)

2023

	Municipal governance and administration	Trading services	Aggregate	Total
<b>Revenue</b>				
Service charges	56 757	76 471 132	-	76 527 889
Rental of facilities and equipment	490 928	-	-	490 928
Interest earned on outstanding debtors	-	36 135 527	-	36 135 527
Other income	-	281 458	-	281 458
Interest recieved on investment	6 506 060	-	-	6 506 060
Actuarial Gain on Post Retirement Benefits	3 406 301	-	-	3 406 301
Government grants and subsidies	455 331 853	309 902 878	5 000 000	770 234 731
<b>Total segment revenue</b>	<b>465 791 899</b>	<b>422 790 995</b>	<b>5 000 000</b>	<b>893 582 894</b>
<b>Entity's revenue</b>				<b>893 582 894</b>
<b>Expenditure</b>				
Employee related cost	(74 260 238)	(94 288 208)	(39 851 561)	(208 400 007)
Remuneration of councillors	(6 064 519)	-	-	(6 064 519)
Depreciaition and amortisation	(17 960 624)	(62 466 689)	(573 966)	(81 001 279)
Impairment loss	-	(8 098 773)	-	(8 098 773)
Finance cost	(4 148 022)	(2 907 282)	-	(7 055 304)
Lease rentals on operating lease	(1 193 343)	-	-	(1 193 343)
Provision for debt impairment	-	(67 461 012)	-	(67 461 012)
Contracted services	(32 073 936)	(116 065 858)	(1 759 933)	(149 899 727)
Transfers and subsidies	-	-	(10 000 000)	(10 000 000)
Loss on disposal of asset and liabilities	(17 998 112)	-	-	(17 998 112)
Share of surplus or deficit from associate	(32 285 827)	-	-	(32 285 827)
General expense	(31 649 638)	(170 359 861)	(7 442 551)	(209 452 050)
<b>Total segment expenditure</b>	<b>(217 634 259)</b>	<b>(521 647 683)</b>	<b>(59 628 011)</b>	<b>(798 909 953)</b>
<b>Total segmental surplus/(deficit)</b>	<b>683 426 158</b>	<b>944 438 678</b>	<b>64 628 011</b>	<b>1 692 492 847</b>

# uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

	Municipal governance and administration	Trading services	Aggregate	Total
<b>51. Segment information (continued)</b>				
<b>Assets</b>				
Csh and Cash equivalent	52 639 305	10 000	-	52 649 305
Inventories	1 817 929	-	-	1 817 929
Receivables from Exchange Transactions	156 544 578	-	-	156 544 578
VAT receivables	46 002 554	-	-	46 002 554
Receivables from non-exchange transactions	480 585	-	-	480 585
Statutory receivables	13 079 894	-	-	13 079 894
Investment property	1 884 796	-	-	1 884 796
Property plant and equipment	1 366 222 371	1 177 933 287	4 775 239	2 548 930 897
Intangible asset	645 352	(119 611)	43 248	568 989
Heritage asset	8 655	-	-	8 655
Investment in associates	36 542 349	-	-	36 542 349
<b>Total segment assets</b>	<b>1 675 868 368</b>	<b>1 177 823 676</b>	<b>4 818 487</b>	<b>2 858 510 531</b>
<b>Total assets as per Statement of financial Position</b>				<b>2 858 510 531</b>
<b>Liabilities</b>				
Payables from Exchange Transactions	(454 685 784)	-	-	(454 685 784)
Transfer payables	(4 099 734)	-	-	(4 099 734)
VAT Payables	(56 780 027)	-	-	(56 780 027)
Consumer Deposit	(451 314)	-	-	(451 314)
Employee Benefits Obligation	(25 419 000)	-	-	(25 419 000)
Unspent Conditional Grants and Receipts	(2 050 123)	-	(500 000)	(2 550 123)
<b>Total segment liabilities</b>	<b>(543 485 982)</b>	<b>-</b>	<b>(500 000)</b>	<b>(543 985 982)</b>
<b>Total liabilities as per Statement of financial Position</b>				<b>(543 985 982)</b>

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

## uMzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>52. Water losses</b>		
<b>Water Distribution Losses</b>		
Water Distribution Losses	36 665 784	23 568 544
Water Produced (units)	(12 138 335)	(10 851 632)
Water Sold (units)	4 655 522	5 320 213
<b>Total</b>	<b>(7 482 813)</b>	<b>(5 531 419)</b>
Monetary Value of: Water Losses	7 482 813	5 531 419
Percentage Loss: Technical losses	62 %	50 %

The purchase price from for raw water from Uthukela Water was at R4,90 for 2024 financial year, (2023: R4.43). Umzinyathi District Municipality is mostly dominated with rural areas. Most of the rural areas have stand pipes per standards set by Water Affairs. Other rural areas have no water infrastructure therefore water tankers are delivering water to them and these tankers are getting water from our plants and collection points sets in our network. The district municipality experienced a lot of burst pipes in our reticulation line due to aging infrastructure Illegal connections in most of the rural areas have a huge impact in unaccounted water as they are not metered. The district municipality experienced increasing internal leaks from domestic consumers and there's a program that we will be running to fix leaks.

### 53. Change in estimate

#### Property, plant and equipment

The municipality has revised the remaining useful lives of assets which are nearing the end of their useful lives based on the asset conditions in terms of GRAP 17 paragraph 56. -

The effect of revision has decreased depreciation by R 6 586 625.

Depreciation	Depreciation per annum before	Depreciation per annum after	Total
Infrastructure	(19 877 070)	13 290 445	(6 586 625)