

**uMdoni Municipality**

Audited Annual Financial Statements for the year ended 30 June 2023



uMdoni Municipality  
Audited Annual Financial Statements  
for the year ended 30 June 2023



# **uMdoni Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **General Information**

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<b>Grading of local authority</b>	3
<b>Chief Finance Officer (CFO)</b>	Mr. Mahendra Chandulal
<b>Registered office</b>	Cnr Bram Fischer and Williamson Streets Scottburgh 4180 <a href="http://www.umdoni.gov.za">www.umdoni.gov.za</a>
<b>Business address</b>	Cnr Bram Fischer and Williamson Streets Scottburgh 4180
<b>Postal address</b>	P O Box 19 Scottburgh 4180
<b>Bankers</b>	Standard Bank
<b>Auditors</b>	Auditor General of South Africa Registered Auditors

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Index

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

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

# **uMdoni Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Officer's Responsibilities and Approval**

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

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

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

The Accounting Officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, she set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the 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.

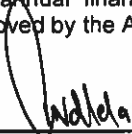
The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5-105, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 November 2023 and were signed on its behalf by:



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**Accounting officer**  
**Ms TC Ndlela**

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	161 185 364	192 265 258
Receivables from exchange transactions	3	35 060 692	37 203 044
Receivables from non-exchange transactions	4	57 636 920	50 127 032
Operating lease asset	5	94 665	194 608
		<b>253 977 641</b>	<b>279 789 942</b>
<b>Non-Current Assets</b>			
Investment property	6	7 905 845	8 299 160
Property, plant and equipment	7	645 785 223	583 352 465
Intangible assets	8	101 058	151 588
Heritage assets	9	261 011	261 011
		<b>654 053 137</b>	<b>592 064 224</b>
<b>Total Assets</b>		<b>908 030 778</b>	<b>871 854 166</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	10	64 240 952	66 803 994
Unspent conditional grants and receipts	11	8 642 417	9 839 783
Employee benefit obligation	12	2 399 999	1 359 000
Consumer deposits	13	2 486 799	2 459 502
Operating Lease liability	14	150 099	109 915
Finance lease obligation	16	130 377	247 035
		<b>78 050 643</b>	<b>80 819 229</b>
<b>Non-Current Liabilities</b>			
Provisions	15	22 867 721	14 185 358
Employee benefit obligation	12	28 468 000	25 978 000
Finance lease obligation	16	-	130 377
		<b>51 335 721</b>	<b>40 293 735</b>
<b>Total Liabilities</b>		<b>129 386 364</b>	<b>121 112 964</b>
<b>Net Assets</b>		<b>778 644 414</b>	<b>750 741 202</b>
Housing Development Fund		3 142 755	2 981 093
Accumulated surplus		775 501 659	747 760 109
<b>Total Net Assets</b>		<b>778 644 414</b>	<b>750 741 202</b>

\* See Note 55

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	17	10 575 025	10 222 465
Sale of goods and rendering of services	18	3 325 960	3 429 325
Rental of facilities and equipment	19	7 175 758	6 737 284
Interest received - Investments	20	13 513 478	7 151 407
Interest received - Receivables		1 528 041	949 063
Agency services	21	2 087 410	2 383 866
Operational revenue	22	1 352 423	534 185
Actuarial gains - employee benefits	23	1 902 144	962 011
Proceeds from Insurance fund (Allocations in kind)	24	258 368	242 068
<b>Total revenue from exchange transactions</b>		<b>41 718 607</b>	<b>32 611 674</b>
<b>Revenue from non-exchange transactions</b>			
Property rates	25	110 977 037	103 813 890
Property rates - Penalties and Interest	25	9 504 253	6 033 740
Licences and Permits	26	6 863 600	6 714 833
<b>Transfer revenue</b>			
Government grants & subsidies	27	224 836 212	209 505 343
Fines, Penalties and Forfeits	28	1 292 942	1 294 767
<b>Total revenue from non-exchange transactions</b>		<b>353 474 044</b>	<b>327 362 573</b>
<b>Total revenue</b>		<b>395 192 651</b>	<b>359 974 247</b>
<b>Expenditure</b>			
Employee related costs	29	(145 634 138)	(136 787 298)
Remuneration of councillors	30	(15 270 667)	(14 686 838)
Contracted services	31.	(122 880 165)	(69 891 895)
Operational expenditure	35	(52 195 027)	(54 319 899)
Depreciation and amortisation	36	(34 409 084)	(37 112 927)
Contribution to landfill site provision	37	(1 385 200)	(1 202 377)
(Impairment of cash and non-cash generating assets)/Reversal	38	42 863 734	(65 255 951)
Finance costs	39	(19 261)	(16 167)
Lease rentals on operating lease	40	(1 650 418)	(1 228 575)
Debt impairment (Increase)/Decrease	41	(18 433 565)	1 874 577
Transfers and subsidies	42	(649 927)	(1 867 704)
Inventory Consumed	32	(4 711 953)	(4 097 751)
Bad debts written off	33	(9 056 500)	-
Loss on disposal of assets	34	(3 857 282)	(1 287)
<b>Total expenditure</b>		<b>(367 289 453)</b>	<b>(384 594 092)</b>
<b>Surplus (deficit) for the year</b>		<b>27 903 198</b>	<b>(24 619 845)</b>

\* See Note 55

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	10 776 815	784 175 723	794 952 538
Adjustments			
Correction of errors	(8 065 564)	(11 525 927)	(19 591 491)
<b>Balance at 01 July 2021 as restated*</b>	<b>2 711 251</b>	<b>772 649 796</b>	<b>775 361 047</b>
Changes in net assets			
Surplus for the year	-	(24 619 845)	(24 619 845)
Write offs of debt to the housing development fund	269 842	(269 842)	-
Total changes	269 842	(24 889 687)	(24 619 845)
<b>Restated* Balance at 01 July 2022</b>	<b>2 981 093</b>	<b>747 760 116</b>	<b>750 741 209</b>
Changes in net assets			
Surplus for the year	-	27 903 198	27 903 198
Write offs of debt to the housing development fund	161 655	(161 655)	-
Total changes	161 655	27 741 543	27 903 198
<b>Balance at 30 June 2023</b>	<b>3 142 755</b>	<b>775 501 659</b>	<b>778 644 414</b>

\* See Note 55



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates and taxes		103 497 565	103 658 196
Sale of goods and services		18 327 283	14 288 675
Government Grants and Subsidies		226 564 427	264 330 470
Interest income		13 513 478	7 151 407
		<u>361 902 753</u>	<u>389 428 748</u>
<b>Payments</b>			
Employee costs and Councillors		(153 765 684)	(151 158 747)
Suppliers		(189 174 100)	(202 045 959)
		<u>(342 939 784)</u>	<u>(353 204 706)</u>
<b>Net cash flows from operating activities</b>	44	<u>18 962 969</u>	<u>36 224 042</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(50 281 252)	(49 306 119)
Proceeds from sale of property, plant and equipment	7	445 238	-
<b>Net cash flows from investing activities</b>		<u>(49 836 014)</u>	<u>(49 306 119)</u>
<b>Cash flows from financing activities</b>			
Operating lease liability payments		40 184	109 915
Finance lease payments		(247 033)	(116 981)
<b>Net cash flows from financing activities</b>		<u>(206 849)</u>	<u>(7 066)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(31 079 894)</u>	<u>(13 089 143)</u>
Cash and cash equivalents at the beginning of the year		192 265 258	205 355 394
<b>Cash and cash equivalents at the end of the year</b>	2	<u>161 185 364</u>	<u>192 266 251</u>

\* See Note 55

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget (i.t.o. MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Financial Performance</b>											
Property rates	110 536 000	-	110 536 000	-	-	110 536 000	110 977 037		441 037	100 %	100 %
Service charges	10 989 000	-	10 989 000	-	-	10 989 000	10 575 025		(413 975)	96 %	96 %
Investment revenue	7 663 000	-	7 663 000	-	-	7 663 000	13 513 478		5 850 478	176 %	176 %
Transfers recognised - operational	177 872 000	254 000	178 126 000	-	-	178 126 000	178 131 123		5 123	100 %	100 %
Other own revenue	25 616 000	1 809 000	27 425 000	-	-	27 425 000	35 294 515		7 869 515	129 %	138 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>332 676 000</b>	<b>2 063 000</b>	<b>334 739 000</b>	-	-	<b>334 739 000</b>	<b>348 491 178</b>		<b>13 752 178</b>	<b>104 %</b>	<b>105 %</b>
Employee costs	(160 493 000)	(961 000)	(161 454 000)	-	-	(161 454 000)	(145 634 136)		15 819 864	90 %	91 %
Remuneration of councillors	(18 191 000)	2 788 000	(15 403 000)	-	-	(15 403 000)	(15 270 667)		132 333	99 %	84 %
Debt impairment	(3 700 000)	-	(3 700 000)	-	-	(3 700 000)	(27 490 064)		(23 790 064)	743 %	743 %
Depreciation and asset impairment	(45 152 000)	-	(45 152 000)	-	-	(45 152 000)	8 454 650		53 606 650	(19)%	(19)%
Contracted Services	(76 949 000)	(48 002 000)	(124 951 000)	-	136 324	(124 814 676)	(122 880 165)		1 934 511	98 %	160 %
Materials and bulk purchases	(6 092 000)	324 000	(5 768 000)	-	78 676	(5 689 324)	(4 711 953)		977 371	83 %	77 %
Transfers and grants	(2 604 000)	1 127 000	(1 477 000)	-	(20 000)	(1 497 000)	(649 927)		847 073	43 %	25 %
Other expenditure	(67 264 000)	3 603 000	(63 661 000)	-	(195 000)	(63 856 000)	(59 369 170)		4 486 830	93 %	88 %
<b>Total expenditure</b>	<b>(380 445 000)</b>	<b>(41 121 000)</b>	<b>(421 566 000)</b>	-	-	<b>(421 566 000)</b>	<b>(367 551 432)</b>		<b>54 014 568</b>	<b>87 %</b>	<b>97 %</b>
<b>Surplus/(Deficit)</b>	<b>(47 769 000)</b>	<b>(39 058 000)</b>	<b>(86 827 000)</b>	-	-	<b>(86 827 000)</b>	<b>(19 060 254)</b>		<b>67 766 746</b>	<b>22 %</b>	<b>40 %</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be Restated audited outcome	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	48 713 000	-	48 713 000	-	48 713 000	46 963 457	-	(1 749 543)	96 %	96 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>944 000</b>	<b>(39 058 000)</b>	<b>(38 114 000)</b>	-	<b>(38 114 000)</b>	<b>27 903 203</b>	-	<b>66 017 203</b>	<b>(73)%</b>	<b>2 956 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>944 000</b>	<b>(39 058 000)</b>	<b>(38 114 000)</b>	-	<b>(38 114 000)</b>	<b>27 903 203</b>	-	<b>66 017 203</b>	<b>(73)%</b>	<b>2 956 %</b>
<b>Financial Position</b>										
Total current assets	227 617 000	16 461 000	244 078 000	-	244 078 000	254 026 201	-	9 948 201	104 %	112 %
Total non-current assets	690 324 000	(74 609 000)	615 715 000	-	615 715 000	654 053 137	-	38 338 137	106 %	95 %
Total current liabilities	(66 668 000)	(18 400 000)	(85 068 000)	-	(85 068 000)	(77 989 290)	-	7 078 710	92 %	117 %
Total non-current liabilities	(50 141 000)	4 642 000	(45 499 000)	-	(45 499 000)	(51 445 636)	-	(5 946 636)	113 %	103 %
Community wealth / equity	801 131 000	(51 906 000)	749 225 000	-	749 225 000	(778 721 697)	-	(1 527 946 697)	(104)%	(97)%
<b>Capital expenditure and funds sources</b>										
Total capital expenditure	86 436 000	(16 221 000)	70 215 000	-	70 215 000	49 938 719	-	(20 276 281)	71 %	58 %
<b>Sources of capital funds</b>										
Transfers recognised - capital	42 260 000	157 000	42 417 000	-	42 417 000	40 764 528	-	(1 652 472)	96 %	96 %
Internally generated funds	44 176 000	(16 377 000)	27 799 000	-	27 799 000	9 174 190	-	(18 624 810)	33 %	21 %
<b>Total sources of capital funds</b>	<b>86 436 000</b>	<b>(16 220 000)</b>	<b>70 216 000</b>	-	<b>70 216 000</b>	<b>49 938 718</b>	-	<b>(20 277 282)</b>	<b>71 %</b>	<b>58 %</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	34 771 000	(60 727 000)	(25 956 000)	-		(25 956 000)	18 962 969		44 918 969	(73)%	55 %
Net cash from (used) investing	(80 522 000)	13 145 000	(67 377 000)	-		(67 377 000)	(49 836 014)		17 540 986	74 %	62 %
Net cash from (used) financing	95 000	-	95 000	-		95 000	(206 849)		(301 849)	(218)%	(218)%
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(45 656 000)</b>	<b>(47 582 000)</b>	<b>(93 238 000)</b>	-		<b>(93 238 000)</b>	<b>(31 079 894)</b>		<b>62 158 106</b>	<b>33 %</b>	<b>68 %</b>
Cash and cash equivalents at the beginning of the year	140 543 000	51 724 000	192 267 000	-		192 267 000	192 265 658		(1 342)	100 %	137 %
<b>Cash and cash equivalents at year end</b>	<b>94 887 000</b>	<b>4 142 000</b>	<b>99 029 000</b>	-		<b>99 029 000</b>	<b>161 185 764</b>		<b>(62 156 764)</b>	<b>163 %</b>	<b>170 %</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

Figures in Rand	Note(s)	2023	2022
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### 1. Presentation of Annual Financial Statements

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

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

#### Changes in Accounting Policy and Comparability

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

#### STANDARDS APPROVED AND EFFECTIVE FOR 2022/23 FINANCIAL YEAR

The following GRAP standards have been approved and effective to the municipality for the 2022/23 financial year:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue from Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non -Cash Generating Assets
GRAP 23	Revenue from Non- Exchange Transactions (Taxes and Transfers )
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-Generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 34	Separate Financial Statements
GRAP 100	Discounted Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-Living Resources

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### INTERPRETATIONS OF STANDARDS OF GRAP APPROVED AND EFFECTIVE FOR 2022/23 FINANCIAL YEAR

IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue  
IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities  
IGRAP 3 Determining whether an arrangement contains a lease  
IGRAP 4 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds  
IGRAP 5 Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies  
IGRAP 6 Loyalty Programmes  
IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction  
IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions  
IGRAP 9 Distributions of Non-cash Assets to Owners  
IGRAP 10 Assets Received from Customers  
IGRAP 13 Operating Leases – Incentives  
IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease  
IGRAP 15 Revenue – Barter Transactions Involving Advertising Services  
IGRAP 16 Intangible Assets – Website Costs  
IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset  
IGRAP 18 Recognition and Derecognition of Land  
IGRAP 19 Liabilities to Pay Levies  
IGRAP 20 Accounting for Adjustments to Revenue

Standards approved and not yet effective:

The following Standards have been revised with their amendments being effective from financial years commencing from 1 April 2023:

GRAP 25 Employee Benefits as amended

GRAP 1 Presentation of Financial Statements as amended, as a result of changes agreed as part of developing the Guideline on The Application of Materiality to Financial Statements.

GRAP 104 Financial Instruments, as revised, which the effective date has not yet been determined by the Minister

Interpretations of the Standards of GRAP which are not yet effective:

IGRAP 21 - The Effect of Past Decisions on Materiality – Effective date is financial years commencing from 1 April 2023

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

The impact of the proposed amendments as per the Standards and Interpretations have been considered by the municipality and has been determined to be not material.

### 1.1 Significant judgements and sources of estimation uncertainty

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

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

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

The municipality assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade and other receivables is calculated on an individual and group portfolio basis, based on historical collection levels and other indicators present at the reporting date that correlate with relevant portfolio.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Impairment testing

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

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

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

Accounting Policy 1.9 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

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

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

#### Defined benefit plan liabilities

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

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

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

#### Allowance for doubtful debts

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Impairment of statutory receivables

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

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

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

#### 1.2 Presentation currency

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

#### 1.3 Going concern assumption

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

#### 1.4 Materiality

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

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

#### 1.5 Housing development fund

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

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

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

#### 1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.



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Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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.

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

Retaining walls	Straight line	25-60 years
Pedestrian footpaths	Straight line	25-30 years

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

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. 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 entity assesses at each reporting date, based on the indicators present in accordance with GRAP 17, whether there is any indication that the entity 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 entity 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 entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

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

### 1.7 Investment property

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

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

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, 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.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.7 Investment property (continued)

#### Subsequent Measurement

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

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

Item	Useful life
Property - buildings	30 years

### 1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

#### Subsequent Measurement - Cost Model

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

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

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

## **Accounting Policies**

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### **1.8 Intangible assets (continued)**

#### Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

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

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

<b>Item</b>	<b>Useful life</b>
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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

### **1.9 Heritage assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.9 Heritage assets (continued)

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

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

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

#### Recognition

The entity 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 entity, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

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

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

#### Subsequent measurement

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

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

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

#### Impairment

The entity assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity 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.

## **Accounting Policies**

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### **1.9 Heritage assets (continued)**

#### **Derecognition**

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

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

### **1.10 Financial instruments**

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Initial recognition

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

#### Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

#### Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

### 1.11 Statutory receivables

#### Identification

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

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

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

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

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

#### Recognition

The entity recognises statutory receivables as follows:

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

#### Initial measurement

The entity initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Other charges



# uMdoni Municipality

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## Accounting Policies

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### 1.11 Statutory receivables (continued)

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

#### Impairment losses

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

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

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

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

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

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

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

#### Derecognition

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

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.12 Inventories

#### Initial recognition

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

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

#### Subsequent measurement

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

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

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

### 1.13 Revenue from exchange transactions

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

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

#### General

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

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

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

#### Service Charges

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

# **uMdoni Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Policies**

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### **1.13 Revenue from exchange transactions (continued)**

#### **Tariff charges**

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

#### **Income from Agency Services**

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

#### **Sale of Goods**

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

#### **Rentals**

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

### **1.14 Revenue from non-exchange transactions**

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

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

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

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

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

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

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

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

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

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

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

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

## **Accounting Policies**

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

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

#### **Recognition**

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

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

#### **Measurement**

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

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### **Taxes**

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

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

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

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

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

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

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

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

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

#### **Transfers**

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

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Fines

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

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

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

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

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

#### Services in-kind

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

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

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

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

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

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

### 1.15 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.15 Provisions and contingencies (continued)

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 entity 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).

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 53.

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

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

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

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

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

### 1.16 Cash and cash equivalents

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

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

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

# uMdoni Municipality

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## Accounting Policies

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### 1.17 Unauthorised expenditure

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

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

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

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

### 1.18 Irregular expenditure

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

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

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

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

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

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

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

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

### 1.19 Fruitless and wasteful expenditure

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.20 Employee benefits

#### **Retirement Benefits :**

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

#### **Post-retirement health care benefits :**

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

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

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

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

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

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

#### **Post-employment benefits**

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

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

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

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

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

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

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

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



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.20 Employee benefits (continued)

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

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

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

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

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

## Accounting Policies

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### 1.20 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- current service cost;

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.20 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

## **Accounting Policies**

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### **1.20 Employee benefits (continued)**

#### **Other post retirement obligations**

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

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

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

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

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

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

#### **Termination benefits**

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

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

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

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

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

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

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

### **1.21 Deposits**

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

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

### **1.22 Leases**

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.22 Leases (continued)

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.23 Budget information

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

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

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

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

### 1.24 Prior year adjustments

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.25 Value Added Tax

#### Value added taxation

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

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

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

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

#### VAT Receivable due/from SARS:

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

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

#### VAT Accrual:

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

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

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

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

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

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

### 1.26 Events after reporting date

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.26 Events after reporting date (continued)

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

### 1.27 Related parties

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

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

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

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

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

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

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

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

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

### 1.28 Capital commitments

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

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

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

### Designation

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

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

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

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

## **Accounting Policies**

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### **1.28 Capital commitments (continued)**

#### **Identification**

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

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

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

#### **Value in use**

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

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

#### **Composition of estimates of future cash flows**

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

#### **Discount rate**

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

#### **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 entity 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.



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.28 Capital commitments (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 entity 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 entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

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

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

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

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

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

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

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

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

## **Accounting Policies**

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### **1.28 Capital commitments (continued)**

#### **Reversal of impairment loss**

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

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

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

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

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

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

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

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

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

#### **Redesignation**

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

### **1.29 Borrowing costs**

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

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

### **1.30 Accounting by principals and agents**

#### **Identification**

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

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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

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

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

#### Binding arrangement

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

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

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

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

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

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

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

#### Recognition

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

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

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

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

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

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

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

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

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

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

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

## **Accounting Policies**

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

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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

#### **Designation**

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

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

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

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

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

#### **Identification**

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

The entity 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 entity estimates the recoverable service amount of the asset.

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

#### **Value in use**

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

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

#### **Depreciated replacement cost approach**

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

#### Redesignation

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

### 1.32 Comparative figures

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

### 1.33 Segment information

A segment is an activity of an entity:

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

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

## **Accounting Policies**

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### **1.33 Segment information (continued)**

#### **Measurement**

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>2. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	278	278
Bank balances	17 695 837	8 747 287
Other cash and cash equivalents	143 489 249	183 517 693
	<b>161 185 364</b>	<b>192 265 258</b>

### The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA BANK - Investment - 92-3600-6170	21 149 771	20 003 216	19 460 513	21 149 771	20 003 216	19 460 513
FIRST NATIONAL BANK - Investment - 62-2251-55391	21 517 722	20 247 669	19 585 555	21 517 722	20 247 669	19 585 926
FIRST NATIONAL BANK - Investment - 71-0938-31661	-	-	2 913 653	-	-	2 913 653
STANDARD BANK - Investment - 5876211 6/007	3 301 170	10 112 380	11 778 189	3 301 170	10 112 380	11 778 191
STANDARD BANK - Investment - 5876211 6/008	-	-	327 200	-	-	327 200
STANDARD BANK - Investment - 5876211 6/010	-	-	3 770 923	-	-	3 770 923
STANDARD BANK - Investment - 5876211 6/014	-	-	1 198 103	-	-	1 198 100
STANDARD BANK - Investment - 5876211 6/015	4 429 047	5 107 973	7 671 410	4 429 047	5 107 973	7 671 230
STANDARD BANK - Investment - 54417996	-	-	77 102	-	-	77 196
STANDARD BANK - Investment - 058762116-025	-	-	30 000 000	-	-	30 000 000
NEDBANK - Investment - 78810177 59/94	54 047 040	97 494 503	94 129 941	54 047 040	97 494 503	94 129 941
STANDARD BANK - Investment - 88762116/028	35 157 686	21 306 762	-	35 157 686	21 306 762	-
NEDBANK - Investment - 78810177 59/130	-	3 007 038	-	-	3 007 038	-
STANDARD BANK - Cheque - 052791 688-Primary Bank Account	17 695 837	8 747 287	14 367 916	17 695 837	8 747 287	14 441 146
Cash on Hand	278	278	278	278	278	278
STANDARD BANK - Investment - 88762116/029	789 580	738 155	-	789 580	738 155	-
STANDARD BANK - Investment - 88762116/027	-	5 500 000	-	-	5 500 000	-
STANDARD BANK - Investment - 058762116/032	3 097 233	-	-	3 097 233	-	-
<b>Total</b>	<b>161 185 364</b>	<b>192 265 261</b>	<b>205 280 783</b>	<b>161 185 364</b>	<b>192 265 261</b>	<b>205 354 297</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>3. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Salary debtor	1 720 838	1 458 055
Refuse	14 272 273	11 148 283
Sundry debtors	22 376 363	21 103 667
Department of Transport - accrued revenue	633 254	323 027
Input VAT Accrual on Outstanding Creditors	2 555 059	2 442 803
VAT Receivable - Due from SARS	20 072 903	25 443 838
	<b>61 630 690</b>	<b>61 919 673</b>
<b>Less: Allowance for impairment</b>		
Salary Debtor	(1 572 050)	(1 327 570)
Refuse	(9 581 460)	(8 152 640)
Sundry Debtors	(15 416 488)	(15 236 419)
	<b>(26 569 998)</b>	<b>(24 716 629)</b>
<b>Net balance</b>		
Salary debtor	148 788	130 485
Refuse	4 690 813	2 995 643
Sundry debtors	6 959 875	5 867 248
Department of Transport - accrued revenue	633 254	323 027
Input VAT Accrual on Outstanding Creditors	2 555 059	2 442 803
VAT Receivable - Due from SARS	20 072 903	25 443 838
	<b>35 060 692</b>	<b>37 203 044</b>
<b>VAT Receivable - Due from SARS</b>		
Current (0 -30 days)	15 044 280	4 384 151
31 - 60 days	1 751 138	331 312
61 - 90 days	-	2 407 485
91 - 120 days	-	976 578
121 - 365 days	3 277 485	17 344 312
	<b>20 072 903</b>	<b>25 443 838</b>
<b>Salary Debtor</b>		
Current (0 -30 days)	148 788	130 485
<b>Refuse</b>		
Current (0 -30 days)	1 091 584	1 010 226
31 - 60 days	315 169	302 255
61 - 90 days	267 343	251 286
91 - 120 days	261 926	244 572
121 - 365 days	12 336 251	9 339 944
	<b>14 272 273</b>	<b>11 148 283</b>
<b>Sundry Debtors</b>		
Current (0 -30 days)	2 136 951	2 423 467
31 - 60 days	691 373	581 468
61 - 90 days	694 271	560 968
91 - 120 days	572 032	592 302
121 - 365 days	18 281 736	16 945 462
	<b>22 376 363</b>	<b>21 103 667</b>



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>3. Receivables from exchange transactions (continued)</b>		
<b>Department of transport-Accrued revenue</b>		
Current (0 -30 days)	633 254	323 027
<b>Input VAT Accrual on Outstanding Creditors</b>		
Current (0 -30 days)	2 555 059	2 442 803
<b>Statutory receivables included in receivables from exchange transactions are as follows, on a gross basis:</b>		
VAT Receivable - Due from SARS	20 072 903	25 443 838
	<b>20 072 903</b>	<b>25 443 838</b>
<b>Statutory receivables that are past due and impaired included in receivables from exchange transactions are as follows:</b>		
Vat Receivable - Due from SARS	8 094 870	7 013 439
	<b>8 094 870</b>	<b>7 013 439</b>
<b>Statutory receivables included in receivables from exchange transactions above are as follows, net of impairment:</b>		
Vat Receivable -Due From SARS	11 978 033	18 430 399
	<b>11 978 033</b>	<b>18 430 399</b>
<b>4. Receivables from non-exchange transactions</b>		
<b>Gross Debtors</b>		
Fines	12 886 840	11 702 240
Property Rates	132 686 361	109 692 323
	<b>145 573 201</b>	<b>121 394 563</b>
<b>Impairment</b>		
Traffic fine impairment	(12 606 242)	(11 485 400)
Property Rates impairment	(75 330 039)	(59 782 131)
	<b>(87 936 281)</b>	<b>(71 267 531)</b>
<b>Net Debtors</b>		
Traffic Fines	280 598	216 840
Property Rates	57 356 322	49 910 192
	<b>57 636 920</b>	<b>50 127 032</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

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### 4. Receivables from non-exchange transactions (continued)

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

Fines	12 886 840	11 702 240
Property rates - Residential	87 375 809	75 664 716
Property rates - Informal Settlements	411 782	273 991
Property rates - Vacant land	9 275 590	6 365 811
Property rates - Minings and quarries	-	12 140
Property rates - Smallholdings Agriculture	623 600	397 000
Property rates - Smallholdings Residential	98 122	72 296
Property rates - Industrial	1 809 489	1 341 508
Property rates - Farms Other	72 117	77 017
Property rates - Business and Commercial	16 105 687	12 367 157
Property rates - Farms Agriculture	8 206 232	6 358 798
Property rates - Farms Commercial	63 976	45 224
Property rates - Farms Residential	2 283 825	1 868 893
Property rates - State Owned Properties	348 553	322 256
Property rates - Public Service Infrastructure	2 919 972	2 719 045
Property rates - Institutional	476 688	358 725
Property rates - Public Service Purposes	2 571 704	1 406 566
Property rates - Public Benefit Organisations	43 215	41 180
	<b>145 573 201</b>	<b>121 394 563</b>

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

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### 4. Receivables from non-exchange transactions (continued)

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

Fines	(12 606 242)	(11 485 400)
Property rates - Residential	(52 830 969)	(41 982 751)
Property rates - Informal Settlements	(303 835)	(217 585)
Property rates - Vacant Land	(3 293 558)	(2 541 112)
Property rates - Minings and quarries	-	(8 582)
Property rates - Smallholdings Agriculture	(374 286)	(242 990)
Property rates - Smallholdings Residential	(46 818)	(33 614)
Property rates - Industrial	(320 927)	(280 281)
Property rates - Farms other	(43 332)	(48 811)
Property rates - Business and Commercial	(7 003 460)	(6 049 392)
Property rates - Farms Agriculture	(5 172 603)	(4 079 414)
Property rates - Farms Commercial	(36 425)	(21 869)
Property rates - Farms Residential	(1 519 917)	(1 248 525)
Property rates - State Owned Properties	(329 015)	(308 449)
Property rates - Public Service Infrastructure	(2 919 707)	(2 718 756)
Property rates - Public Service Purposes	(1 149 947)	-
	<b>(87 951 041)</b>	<b>(71 267 531)</b>

#### The basis of impairment takes into account the following:

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

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

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

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

Fines	280 598	216 840
Property rates - Residential	34 544 839	33 681 969
Property rates - Informal Settlements	107 947	56 406
Property rates - Vacant Land	5 982 031	3 824 698
Property rates - Smallholdings Agriculture	249 314	154 010
Property rates - Smallholdings Residential	51 304	38 682
Property rates - Industrial	1 488 561	1 061 226
Property rates - Farms Other	28 784	28 206
Property rates - Business and Commercial	9 102 226	6 317 766
Property rates - Farms Agriculture	3 033 629	2 279 383
Property rates - Farms Commercial	27 550	23 354
Property rates - Farms Residential	763 907	620 368
Property rates - State Owned Properties	19 538	13 807
Properties rates - Public Service Infrastructure	264	288
Property rates - Mining and quarries	-	3 558
Property rates - Public service Purposes	1 445 107	1 406 566
Property rates - Public Benefit organisations	511 321	399 905
	<b>57 636 920</b>	<b>50 127 032</b>

#### Summary of aging of debtors

##### Traffic Fines

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>4. Receivables from non-exchange transactions (continued)</b>		
Current (0-30 days)	102 500	99 700
31-60 days	173 800	103 400
61-90 days	48 500	55 700
91-120 days	90 250	81 300
121 days and over	12 471 790	11 362 140
	<b>12 886 840</b>	<b>11 702 240</b>

### Property Rates

Current (0-30 days)	10 230 027	9 150 206
31-60 days	2 414 772	2 237 582
61-90 days	2 126 110	2 017 340
91-120 days	2 037 854	1 810 769
121 days and over	115 877 598	94 476 426
	<b>132 686 361</b>	<b>109 692 323</b>

### 5. Operating Leases Asset

Current assets	94 665	194 608
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Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable operating leases, the following assets have been recognised:

Balance at beginning of year	194 607	258 958
Operating lease revenue recorded	(530 555)	(494 963)
Operating lease revenue effected	430 613	430 613
	<b>94 665</b>	<b>194 608</b>

At the reporting date, the municipality had outstanding receipts in terms of operating leases, which will accrue as follows:

Receivable within 1 year	184 344	529 923
Receivable within 2-5 years	352 584	553 049
	<b>536 928</b>	<b>1 082 972</b>

Included in the above mentioned operating lease receivables is the following class of assets:

Land and buildings	536 928	1 082 972
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**uMdoni Municipality**  
Annual Financial Statements for the year ended 30 June 2023  
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**6. Investment property**

	2023		2022			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	12 081 209	(4 175 364)	7 905 845	12 081 209	(3 782 049)	8 299 160

**Reconciliation of investment property - 2023**

Investment property

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

**Reconciliation of investment property - 2022**

Investment property

Opening balance	Impairments	Depreciation	Total
8 819 209	(121 007)	(399 042)	8 299 160

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 entity.

**uMdoni Municipality**  
Annual Financial Statements for the year ended 30 June 2023  
**Notes to the Annual Financial Statements**

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	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	67 165 953	-	67 165 953	67 165 953	-	67 165 953
Buildings	33 000 981	(14 961 728)	18 039 253	32 099 798	(17 913 813)	14 185 985
Infrastructure: Roads	485 820 583	(202 096 829)	283 723 754	466 624 413	(200 951 116)	265 673 297
Infrastructure: Electricity	211 364	(181 149)	30 215	211 364	(170 848)	40 516
Infrastructure: Solid Waste	16 793 157	(5 140 032)	11 653 125	9 306 995	(5 831 775)	3 475 220
Machinery and Equipment	23 741 993	(17 797 925)	5 944 068	25 235 121	(18 003 748)	7 231 373
Infrastructure: Storm Water	119 004 235	(53 763 144)	65 241 091	119 022 645	(54 966 894)	64 055 751
Furniture and Office Equipment	9 346 398	(8 224 545)	1 121 853	9 240 899	(7 922 749)	1 318 150
Transport Assets	36 309 781	(24 458 243)	11 851 538	33 902 287	(27 984 056)	5 918 231
Computer Equipment	12 056 379	(8 834 965)	3 221 414	11 370 511	(7 904 100)	3 466 411
Community Assets	312 825 413	(135 032 454)	177 792 959	298 811 855	(147 990 277)	150 821 578
<b>Total</b>	<b>1 116 276 237</b>	<b>(470 491 014)</b>	<b>645 785 223</b>	<b>1 072 991 841</b>	<b>(489 639 376)</b>	<b>583 352 465</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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

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

	Opening balance	Additions	Disposals	Transfers received/Donations	Transfers Made	Reductions for remeasurement - Environmental Rehabilitation	Depreciation	(Impairment loss)/Reversals	Total
Land	67 165 953	-	-	-	-	-	-	-	67 165 953
Buildings	14 185 985	901 183	-	1 631 883	(1 631 883)	-	(1 200 057)	4 152 142	18 039 253
Infrastructure: Roads	265 673 297	23 451 250	(3 311 275)	19 222 168	(19 222 168)	-	(14 402 368)	12 312 850	283 723 754
Infrastructure: Solid Waste	3 475 220	189 000	-	-	-	7 297 162	(274 456)	966 199	11 653 125
Infrastructure: Storm Water	64 055 751	-	(11 352)	-	-	-	(2 869 726)	4 066 418	65 241 091
Infrastructure: Electricity	40 516	-	-	-	-	-	(10 301)	-	30 215
Machinery and equipment	7 231 373	292 039	(32 595)	-	-	-	(1 536 435)	(10 314)	5 944 068
Furniture and office equipment	1 318 150	105 500	-	-	-	-	(342 050)	40 253	1 121 853
Transport Assets	5 918 231	7 931 000	(151 920)	-	-	-	(1 808 316)	(37 457)	11 851 538
Computer equipment	3 466 411	427 500	-	258 368	-	-	(960 814)	29 949	3 221 414
Community Assets	150 821 578	16 983 780	(795 378)	34 714 992	(34 714 993)	-	(10 560 715)	21 343 695	177 792 959
	<b>583 352 465</b>	<b>50 281 252</b>	<b>(4 302 520)</b>	<b>55 827 411</b>	<b>(55 569 044)</b>	<b>7 297 162</b>	<b>(33 965 238)</b>	<b>42 863 735</b>	<b>645 785 223</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received/Donations	Transfers Made	Reductions for re-measurement to Environmental Rehabilitation	Depreciation	(Impairment loss)/Reversals	Total
Land	67 165 953	-	-	-	-	-	-	-	67 165 953
Buildings	18 728 280	1 360 141	-	-	-	-	(2 142 126)	(3 760 310)	14 185 985
Infrastructure: Roads	294 203 507	14 643 579	-	5 564 901	(5 564 901)	-	(16 388 152)	(26 785 637)	265 673 297
Infrastructure: Solid waste	5 587 630	-	-	1 100 988	(1 100 988)	(526 871)	(565 294)	(1 020 245)	3 475 220
Infrastructure: Stormwater	80 699 655	-	-	-	-	-	(3 204 147)	(13 439 757)	64 055 751
Infrastructure: Electricity	50 816	-	-	-	-	-	(10 300)	-	40 516
Machinery and Equipment	4 110 528	4 823 643	(1 287)	-	-	-	(1 552 185)	(149 326)	7 231 373
Furniture and office equipment	1 611 730	188 458	-	-	-	-	(446 731)	(35 307)	1 318 150
Transport Assets	6 719 007	1 397 335	-	-	-	-	(1 964 250)	(233 861)	5 918 231
Computer equipment	2 750 695	1 296 960	-	242 068	-	-	(780 626)	(42 686)	3 466 411
Community Assets	154 477 648	25 596 003	-	12 469 398	(12 469 398)	-	(9 584 258)	(19 667 815)	150 821 578
	<b>636 105 449</b>	<b>49 306 119</b>	<b>(1 287)</b>	<b>19 377 355</b>	<b>(19 135 287)</b>	<b>(526 871)</b>	<b>(36 638 069)</b>	<b>(65 134 944)</b>	<b>583 352 465</b>

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

	Included within Roads Infrastructure	Included within Community	Included within Buildings	Total
Restated Opening balance	17 355 753	22 769 158	1 304 341	41 429 252
Additions/capital expenditure	23 451 249	16 983 779	837 243	41 272 271
Transferred to completed items	(19 222 168)	(34 714 992)	(1 631 883)	(55 569 043)
	<b>21 584 834</b>	<b>5 037 945</b>	<b>509 701</b>	<b>27 132 480</b>



# uMdoni Municipality

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## Notes to the Annual Financial Statements

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

#### Reconciliation of Work-in-Progress 2022

	Included within Roads Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	12 166 021	10 118 120	1 304 341	23 588 482
Additions/capital expenditure	14 643 579	25 596 003	-	40 239 582
Transferred to completed items	(5 385 412)	(12 469 397)	-	(17 854 809)
	<b>21 424 188</b>	<b>23 244 726</b>	<b>1 304 341</b>	<b>45 973 255</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	70 819 636	11 079 848
General Expenses	842 030	5 337 131
	<b>71 661 666</b>	<b>16 416 979</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 entity.

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

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

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

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

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

Carrying value of land included in the carrying value of Property, plant and equipment 11 031 450 11 011 450

#### Land derecognised in terms of legislation which entity transfers control without legal ownership or custodianship

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>7. Property, plant and equipment (continued)</b>		
<b>Property, plant and equipment (continued)</b>		
Carrying value of land derecognised from the carrying value of Property, plant and equipment	12 225 821	5 019 025

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

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### 8. Intangible assets

	2023		2022			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	389 799	(288 741)	101 058	389 799	(238 211)	151 588

#### Reconciliation of intangible assets - 2023

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

#### Reconciliation of intangible assets - 2022

Computer software, other	Opening balance	Amortisation	Total
	227 382	(75 794)	151 588

### 9. Heritage assets

	2023		2022			
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical Monument and Antiques	261 011	-	261 011	261 011	-	261 011

#### Reconciliation of heritage assets 2023

**uMdoni Municipality**  
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**9. Heritage assets (continued)**

Historical Monument and Antiques

Opening balance	261 011	Total	261 011
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**Reconciliation of heritage assets 2022**

Historical Monument and Antiques

Opening balance	261 011	Total	261 011
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**10. Payables from exchange transactions**

Trade payables and accruals	24 951 814	35 191 750
Payments received in advance	6 129 244	6 383 641
Accrued leave pay	12 692 073	12 279 840
Retention held	17 557 141	11 202 545
Unidentified direct deposits	3 200 744	2 472 909
Output VAT Accrual on Outstanding Debtors	2 080 134	1 554 953
Output VAT Accrual - Provision for Doubtful Debt Impairment	(2 370 198)	(2 281 644)
	<b>64 240 952</b>	<b>66 803 994</b>

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

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>11. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Disaster Management Grant	4 985 525	4 985 525
Municipal Infrastructure Grant	-	1 106
Cleanest Award	800 000	-
Small town Rehabilitation Grant	3 894	4 000 000
Title Deeds Restoration Grant	852 998	852 998
Housing Development	-	154
Umzinto Bus Rank Grant	2 000 000	-
	<b>8 642 417</b>	<b>9 839 783</b>

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

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

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

## 12. Employee benefit obligations

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

<b>Carrying value</b>		
Medical Aid	22 787 000	21 509 000
Long Service	8 080 999	5 828 000
	<b>30 867 999</b>	<b>27 337 000</b>
Non-current liabilities	28 468 000	25 978 000
Current liabilities	2 399 999	1 359 000
	<b>30 867 999</b>	<b>27 337 000</b>

### Post Retirement Medical Aid Obligation:

The fair value of plan assets includes:

Post Employment Health Care Benefit Liability	24 210 000	21 509 000
Subtotal	24 210 000	21 509 000
Less: Transfer to Current Provisions	(929 000)	(903 000)
	<b>23 281 000</b>	<b>20 606 000</b>

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

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2023 by ARCH Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Employee benefit obligations (continued)</b>		
In-service members	207	200
Continuation members	18	19
	<b>225</b>	<b>219</b>

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

In-service members	14 805 000	10 101 000
Continuation members	7 982 000	7 985 000
	<b>22 787 000</b>	<b>18 086 000</b>

The municipality makes monthly contributions for health care

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

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

### Key assumptions used

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

Discount rates used	12,47 %	11,82 %
Health Care Cost Inflation Rate	8,08 %	8,43 %
Net Effective Discount Rate	4,06 %	3,13 %
Expected Retirement Age - Males and Females	62	62

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

Present Value of Fund Obligations	22 787 000	21 509 000
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**The amount recognised in the Statement of Financial Performance under employee related costs are as follows:**

Current service cost	1 114 000	1 082 000
Interest cost	2 490 000	2 005 000
Actuarial (gain)/loss recognised	(1 470 539)	(1 112 000)
	<b>2 133 461</b>	<b>1 975 000</b>

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

Balance at beginning of year	21 509 000	20 338 000
Current service cost	1 114 000	1 082 000
Interest cost	2 490 000	2 005 000
Benefits paid	(855 461)	(804 000)
Recognised actuarial (gain)/loss	(1 470 539)	(1 112 000)
	<b>22 787 000</b>	<b>21 509 000</b>

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 12. Employee benefit obligations (continued)

#### Increase

Effect on the defined benefit obligation

1 550 000

2 680 000

#### Decrease

Effect on the defined benefit obligation

1 848 000

2 276 000

The future service cost for the ensuing year is estimated to be R111 000 whereas the interest-cost for the next year is estimated to be R 205 000 (2022: R108 200 and R2005 000 respectively)

#### The history of experienced adjustments are as follows:

	2023	2022	2021	2020	2019
Present value of Defined Benefit Obligation	22 787 000	21 509 000	20 338 000	17 171 000	16 383 557

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

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

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

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

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

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

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

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

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 12. Employee benefit obligations (continued)

#### DEFINED BENEFIT SCHEMES

##### Retirement Fund:

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

The actuarial valuation performed as at 31 March 2022 revealed that the fund had a surplus of R 356.3 million (31 March 2021: shortfall of R 49.9 million), with a funding level of 101.0% (31 March 2018: 96.1%).

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 21.65% of pensionable emoluments, of which 1.65% is payable by members and 20% is payable by the local authority.

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

##### Superannuation Fund:

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

The actuarial valuation performed as at 31 March 2022 revealed that the fund had a shortfall of R Nil (31 March 2021 shortfall of R Nil), with a funding level of 108.9% (31 March 2021: 100%). The contribution rate paid by the members (9.25%) and municipalities (21.63%)

This surcharge is payable until 31 July 2023. The surcharge to local authorities amounts to 9.50% (31 March 2021: 9.50%). The "Scheme to eliminate deficiency" in terms of Section 18 of the Pension Funds Act was implemented with effect from 1 August 2012 for a period of 8 years.

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

#### DEFINED CONTRIBUTION SCHEMES

##### Municipal Councillors Pension Fund.

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

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

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

##### Provident Fund:

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

The actuarial valuation performed as at 31 March 2022 revealed that the market value of the fund was R 8,923,008 million (31 March 2021: R 7,212,030 billion). The contribution rate payable (either 5.00%, 7.00% or 9.25% by the member and 6.00%, 9.90% or 14.25% plus an additional 3.75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2022.

None of the above mentioned plans are State Plans

##### Long Service Awards



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Employee benefit obligations (continued)</b>		
Provision for long service awards	8 081 000	5 828 000
Subtotal	8 081 000	5 828 000
Less: Transfer of current provision	(1 487 000)	(456 000)
	<b>6 594 000</b>	<b>5 372 000</b>

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Umdoni Municipality). The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2023 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2023 by Arch Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

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

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

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

Discount rate	11,38 %	11,16 %
Expected rate of salary increase	6,62 %	7,33 %
Net effective discount rate	4,47 %	3,57 %

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

Present value of fund obligation	8 081 000	5 828 000
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**The amount recognised in the Statement of Financial Performance under employee related costs are as follows:**

Current service cost	629 000	595 000
Interest Cost	626 000	471 000
Policy amendment (Section 3)	1 894 000	-
Actuarial loss/gain	(431 605)	119 000
	<b>2 717 395</b>	<b>1 185 000</b>

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

Balance at Beginning of year	5 828 000	5 147 000
Current service cost	629 000	595 000
Interest Cost	626 000	471 000
Benefit Paid	(464 395)	(504 000)
Policy amendment (Section 3)	1 894 000	-
Actuarial (gain)/loss recognised	(431 605)	119 000
	<b>8 081 000</b>	<b>5 828 000</b>

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

<b>Increase</b>		
Effect on the aggregate of the current service and interest cost	452 000	975 000
<b>Decrease</b>		
Effect on the aggregate of the current service and interest cost	413 000	827 000

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Employee benefit obligations (continued)</b>		
<b>The history of experienced adjustments are as follows:</b>		
	2023	2022
	2021	2020
	2019	
	8 081 000	5 828 000
	5 147 000	4 812 000
	4 516 624	

### 13. Consumer deposits

Rates- Valuations appeal	19 819	19 819
Signage and poster deposits	79 988	79 988
Verge deposits	1 463 324	1 466 382
Rental deposits	923 668	893 313
	<b>2 486 799</b>	<b>2 459 502</b>

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

No interest is paid on consumer deposits held.

### 14. Operating lease liability

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

Operating lease liability	150 099	109 915
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### 15. Provisions

#### Reconciliation of provisions - 2023

	Opening Balance	Movements	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	14 185 358	1 385 201	7 297 162	22 867 721

#### Reconciliation of provisions - 2022

	Opening Balance	Movements	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	13 509 853	1 202 376	(526 871)	14 185 358

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>16. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	133 148	266 296
- in second to fifth year inclusive	-	133 148
	<u>133 148</u>	<u>399 444</u>
less: future finance charges	(2 771)	(22 032)
<b>Present value of minimum lease payments</b>	<u><b>130 377</b></u>	<u><b>377 412</b></u>
<b>Present value of minimum lease payments due</b>		
- within one year	130 377	247 035
- in second to fifth year inclusive	-	130 377
	<u><b>130 377</b></u>	<u><b>377 412</b></u>
Non-current liabilities	-	130 377
Current liabilities	130 377	247 035
	<u><b>130 377</b></u>	<u><b>377 412</b></u>

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

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

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

The total future minimum sublease payment expected to be received under non-cancellable sublease

- -

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

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

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

The municipality has finance lease agreements for the following significant classes of assets: (i) Computer equipment. Installments are payable Monthly in arrears	133 148	266 296
Average period	6	18
Average effective interest rate based on prime 7, 25% .Monthly payments	22 191	22 191

### 17. Service charges

Solid waste	10 322	72 989
Refuse removal	10 564 703	10 149 476
	<u><b>10 575 025</b></u>	<u><b>10 222 465</b></u>

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>18. Sale of goods and rendering of services</b>		
Camping fees	164 404	246 248
Tender documents	47 922	63 865
Cemetery and burial	43 422	87 197
Legal fees	253 424	148 416
Building plan fees	584 983	724 222
Membership	39	9
Photocopies and faxes	24 679	44 387
Application for land usage	15 962	18 689
Clearance certificates	205 008	242 559
Parking fees	210 498	213 146
Encroachment fees	6 671	1 635
Town planning and servitudes	-	14 124
Staff housing rentals	208 504	188 739
Traffic Control	1 560 444	1 436 089
	<b>3 325 960</b>	<b>3 429 325</b>
<b>19. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	7 175 758	6 737 284
<b>20. Interest on investments</b>		
<b>Interest revenue</b>		
Bank	13 513 478	7 151 407
<b>21. Agency services</b>		
Vehicle Registration	2 087 410	2 383 866
<b>22. Operational revenue</b>		
Skills Development Levy Fund	1 118 680	261 140
Settlement Discount	154	-
Commision Earned	214 428	253 622
Special consents	19 070	17 019
Inspection fees	-	1 983
Breakages and Losses	91	421
	<b>1 352 423</b>	<b>534 185</b>
<b>23. Acturial Gain - Employee Benefits</b>		
Acturial Gains - Employee Benefits (Medical)	1 470 539	1 090 710
Acturial Gains - Employee Benefits (Long Service)	431 605	-
Acturial Losses - Employee Benefits (Long Service)	-	(128 699)
	<b>1 902 144</b>	<b>962 011</b>
<b>24. Proceeds from Insurance fund (Allocations in kind)</b>		
Proceeds from Insurance fund (Allocations in kind)	258 368	242 068

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 25. Property rates

#### Property rates billed

Residential	66 331 469	62 752 124
Business, Commercial and Industrial	20 971 515	19 350 669
Public Benefit and Public Service Infrastructure	10 135 703	9 380 909
Small holdings and farms	4 374 001	4 219 913
Vacant Land	9 164 349	8 110 275
	<hr/>	<hr/>
	110 977 037	103 813 890
Property rates - interest and penalties imposed	9 504 253	6 033 740
	<hr/>	<hr/>
	<b>120 481 290</b>	<b>109 847 630</b>

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

Residential	0,01187	0,01133
Commercial, Business and Industrial	0,01590	0,01517
Agricultural Property	0,00298	0,02840
Public Service Infrastructure, Public Benefit Organisations	0,00298	0,00284
Vacant Industrial, Commercial and Other	0,02966	0,02830

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

The new general valuation will be implemented on 01 July 2023.

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

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

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

### 26. Licences and permits

Boat	17 388	4 638
Trading licence	24 979	16 001
Drivers and Learners licence	6 793 141	6 668 218
Taxi rank permits	28 092	25 976
	<hr/>	<hr/>
	<b>6 863 600</b>	<b>6 714 833</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	162 218 000	151 763 000
Finance Management Grant	1 950 000	1 950 000
Provincial Library Services Grant	10 268 000	9 731 000
Expanded Public Works Programme	1 772 000	1 976 000
Municipal Infrastructure Grant	1 923 123	1 612 650
	<b>178 131 123</b>	<b>167 032 650</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	42 708 983	40 472 693
Small Rehabilitation Grant	3 996 106	2 000 000
	<b>46 705 089</b>	<b>42 472 693</b>
	<b>224 836 212</b>	<b>209 505 343</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	63 546 581	116 952 502
Unconditional grants received	162 218 000	147 611 000
	<b>225 764 581</b>	<b>264 563 502</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Equitable share</b>		
Current-year receipts	162 218 000	151 763 000
Conditions met - transferred to revenue	(162 218 000)	(151 763 000)
	-	-
Conditions still to be met - remain liabilities (see note 11).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Disaster Management Grant</b>		
Balance unspent at beginning of year	4 985 524	4 985 524
Conditions still to be met - remain liabilities (see note 11).		
The unspent amount of R 4 985 525 was received from Ugu District Municipality for disaster relief. The originator of the grant is the National Disaster Management Center. Correspondence from COGTA has been received on 8 August 2023 requesting that these funds be returned to COGTA. The refund will be accordingly be processed.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	1 106	9 833 450
Current-year receipts	44 631 000	32 253 000
Conditions met - transferred to revenue	(44 632 106)	(42 085 344)
	-	1 106
Conditions still to be met - remain liabilities (see note 11).		

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Government grants and subsidies (continued)</b>		
<b>Cleanest Award Grant</b>		
Current-year receipts	800 000	-
Conditions still to be met - remain liabilities (see note 11).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Provincial Library Services Grant</b>		
Current-year receipts	10 268 000	9 731 000
Conditions met - transferred to revenue	(10 268 000)	(9 731 000)
	-	-
Conditions still to be met - remain liabilities (see note 11).		
<b>Small Town Rehabilitation Grant</b>		
Balance unspent at beginning of year	4 000 000	-
Current-year receipts	-	4 000 000
Conditions met - transferred to revenue	(3 996 106)	-
	<b>3 894</b>	<b>4 000 000</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>Expanded Public Works Programme</b>		
Current-year receipts	1 772 000	1 976 000
Conditions met - transferred to revenue	(1 772 000)	(1 976 000)
	-	-
Conditions still to be met - remain liabilities (see note 11).		
<b>Title Deeds Restoration Grant</b>		
Balance unspent at beginning of year	852 998	1 080 759
Payments made on behalf of Principal	-	(227 761)
	<b>852 998</b>	<b>852 998</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>Finance Management Grant</b>		
Current-year receipts	1 950 000	1 950 000
Conditions met - transferred to revenue	(1 950 000)	(1 950 000)
	-	-
Conditions still to be met - remain liabilities (see note 11).		
<b>Housing Development</b>		
Balance unspent at beginning of year	154	3 098 033

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Government grants and subsidies (continued)</b>		
Current-year receipts	2 925 581	65 042 502
Payments made on behalf of Principal	(2 925 735)	(68 140 381)
	-	<b>154</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>Umzinto Bus Rank Grant</b>		
Current-year receipts	2 000 000	-
Conditions still to be met - remain liabilities (see note 11).		
Provide explanations of conditions still to be met and other relevant information.		
<b>28. Fines, Penalties and Forfeits</b>		
Overdue Books Fines	592	3 260
Municipal Traffic Fines	1 292 350	1 291 507
	<b>1 292 942</b>	<b>1 294 767</b>



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Employee related costs</b>		
Basic salaries	95 978 551	95 954 587
13th cheque	7 086 967	6 735 218
Medical aid contributions	6 438 895	6 279 730
Unemployment Insurance Fund	821 827	844 477
Contribution for Leave Pay	1 705 973	(2 498 616)
Pension fund contributions	15 193 093	14 654 672
Post retirement medical aid contributions	6 753 000	4 153 000
Staff Insurance	2 544	1 477
Overtime payments	8 337 984	7 493 162
Non Pensionable allowances	885 172	708 215
Shift allowance	154 134	172 846
Housing Benefits and allowances	413 622	359 268
Rental Subsidy	45 301	46 134
Bargaining Council Levy	60 317	59 927
Cellphone allowance	271 648	255 885
Travelling allowance	57 267	126 581
Standby allowance	1 427 843	1 440 735
	<b>145 634 138</b>	<b>136 787 298</b>
<b>Remuneration of the Municipal Manager: Mrs TC Ndlela (1 July 2022 to 30 June 2023)</b>		
Annual remuneration	1 073 488	733 975
Cellphone Allowance	20 868	13 912
Travel	78 000	52 000
Leave paid	101 957	-
Back pay	3 302	-
Non -Pensionable	20 340	-
	<b>1 297 955</b>	<b>799 887</b>
<b>Remuneration of the Acting General Manager: Technical Services Mrs SR Zwane (10 Nov 2022 - 9 Feb 2023)</b>		
Annual remuneration	214 163	-
Leave paid	20 616	-
Back Pay	1 058	-
	<b>235 837</b>	<b>-</b>
<b>Remuneration of the Acting General Manager: Technical Services Mr NN Sibiya (22 September 2022 - 5 October 2022)</b>		
Annual remuneration	33 852	-
	<b>33 852</b>	<b>-</b>
<b>Remuneration of the Chief Financial Officer: Mr Chandulal (6 March 2023 - 30 June 2023)</b>		
Annual remuneration	286 333	-
Cellphone Allowance	2 160	-
Back Pay	6 443	-
Non - Pensionable	5 085	-
	<b>300 021</b>	<b>-</b>
<b>Remuneration of the Acting Chief Financial Officer: MS Dlamini (July 2021 - September 2021 )</b>		
Annual remuneration	-	146 557
Leave Pay	-	20 310
	<b>-</b>	<b>166 867</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Employee related costs (continued)</b>		
<b>Remuneration of the General Manager: Corporate Services Mr SG Dlodla (1 July 2022 - 31 August 2022)</b>		
Annual remuneration	185 065	879 342
Cellphone allowance	1 100	6 600
Leave paid	98 169	-
	<b>284 334</b>	<b>885 942</b>
<b>Remuneration of the Acting Municipal Manager: Mr NE Biyase (July 21 - December 21)</b>		
Annual remuneration	-	357 635
Package	-	45 353
Leave paid	-	32 984
Cellphone	-	6 956
	-	<b>442 928</b>
<b>Remuneration of the Acting Manager: Technical Services Mr LMV Cele (15 Mar 2023 to 30 June 2023)</b>		
Annual remuneration	259 418	-
Backpay	5 369	-
Leave paid	4 238	-
	<b>269 025</b>	-
<b>Remuneration of Acting Manager: Technical Services Mr SM Nkwanyana (July 2021 - June 2022)</b>		
Annual remuneration	-	806 063
Cellphone	-	6 050
	-	81 244
	-	<b>893 357</b>
<b>Remuneration of the General Manager : Community Services: Mr VT Khanyile (July 2022 - June 2023)</b>		
Annual remuneration	704 772	699 342
Cellphone allowance	6 600	6 600
Travel allowance paid	180 000	180 000
Non pensionable allowance	20 340	20 340
	<b>911 712</b>	<b>906 282</b>
<b>Remuneration of the General Manager: Planning and Development Mr MCI Mzotho (July 2022-June 2023)</b>		
Annual remuneration	847 845	705 384
Cellphone allowance	6 480	6 480
Travel	57 267	-
Acting	10 786	-
	<b>922 378</b>	<b>711 864</b>
<b>Remuneration of the Manager: Corporate Services Mr ES Nyawo(September 2022 - June 2023)</b>		
Annual remuneration	642 135	-
Back Pay	45 139	-
Non Pensionable	15 255	-
	<b>702 529</b>	-
<b>Remuneration of the Acting Chief Financial Officer: Mr SN Vilakazi (September 2021- May 2022 )</b>		
Annual remuneration	-	386 368
Cellphone	-	3 850

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Employee related costs (continued)</b>		
Leave paid	-	40 622
Travel	-	126 581
	<b>-</b>	<b>557 421</b>
<b>Remuneration of the Acting Chief Financial Officer : Mr ZN Mhlongo (1 July 2022 to 25 October 2022)</b>		
Annual remuneration	235 527	200 088
Cellphone	2 200	1 650
Backpay	4 231	-
Leave paid	37 237	-
	<b>279 195</b>	<b>201 738</b>
<b>Remuneration of the Manager: Acting Chief Financial Officer: Mr M Mokgatsi (23 Nov 2022 to 10 March 2023)</b>		
Annual remuneration	239 375	-
Leave pay	20 616	-
	<b>259 991</b>	<b>-</b>
<b>30. Remuneration of councillors</b>		
Basic Salary	13 486 058	12 873 758
Cell Phone Allowance	1 496 690	1 564 045
Travel Allowance	287 919	249 035
	<b>15 270 667</b>	<b>14 686 838</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>30. Remuneration of councillors (continued)</b>		
<b>Deputy Mayor (Cllr SSI Khwela) (July 2021 - November 2021)</b>		
Basic salary allowance	-	276 722
Cellphone allowance	-	15 688
Back pay	-	7 386
	-	<b>299 796</b>
<b>Executive Committee Members</b>		
Basic salary allowance	3 019 579	2 031 647
Cell phone allowance	173 600	170 564
	<b>3 193 179</b>	<b>2 202 211</b>
<b>Speaker (Cllr NP Mpanza)(July 2021 -November 2021)</b>		
Basic salary allowance	-	243 336
Cellphone allowance	-	15 688
Backpay	-	7 386
	-	<b>266 410</b>
<b>Speaker (Cllr MJ Cele) (July 2022 - June 2023)</b>		
Basic salary allowance	709 349	406 309
Cellphone allowance	40 800	27 212
Backpay	-	22 849
	<b>750 149</b>	<b>456 370</b>
<b>Mayor (Cllr ST Khathi) (July 2022 - June 2023)</b>		
Basic salary allowance	886 685	734 407
Cellphone allowance	40 800	42 900
Backpay	-	40 279
	<b>927 485</b>	<b>817 586</b>
<b>Deputy Mayor (Cllr ME Mbutho) (July 2022 - June 2023)</b>		
Basic salary allowance	709 349	418 985
Cellphone allowance	40 800	27 212
Backpay	-	23 312
	<b>750 149</b>	<b>469 509</b>
<b>Other Councillors</b>		
Basic Salary Allowance	8 161 095	8 652 705
Travel Allowance	287 919	249 034
Cellphone allowance	1 200 689	1 273 217
	<b>9 649 703</b>	<b>10 174 956</b>

### In-kind benefits

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

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>31. Contracted services</b>		
<b>Outsourced Services</b>		
Alien Vegetation Control	-	239 000
Animal Care	50 040	49 918
Business and Advisory	5 481 914	15 380 151
Clearing and Grass Cutting Services	3 709 753	3 090 868
Hygiene Services	200 000	95 652
Internal Auditors	74 000	180 000
Refuse Removal	10 733 942	11 571 409
Security Services	15 002 831	13 803 717
Swimming Supervision	1 298 760	1 171 350
Transport Services	317 900	95 500
Electrical	826 087	3 881 390
<b>Consultants and Professional Services</b>		
Business and Advisory	285 332	264 630
Infrastructure and Planning	2 300 338	914 618
Legal Cost	6 722 803	4 602 134
<b>Contractors</b>		
Catering Services	1 101 006	1 465 740
Employee Wellness	72 717	-
First Aid	44 738	15 700
Gas	925 769	117 000
Maintenance of Buildings and Facilities	1 849 445	1 434 400
Maintenance of Equipment	2 521 221	778 169
Maintenance of Unspecified Assets	62 776 878	7 337 476
Medical Services	230 990	1 900
Traffic and Street Lights	3 468 091	937 813
Sports and Recreation	859 239	628 898
Stage and Sound Crew	177 503	88 600
Shark Nets	1 848 868	1 745 862
	<b>122 880 165</b>	<b>69 891 895</b>
<b>32. Inventory Consumed</b>		
Consumables, Materials and Supplies	4 711 953	4 097 751
<b>33. Debts Written Off</b>		
Irrecoverable Debts Written Off	9 056 500	-
<p>Debts Written off consist of R8,094,870,35 relating to VAT write off - During the VAT review, it was noted that the South African Revenue Services raised assessments during the period of 10 October 2016 to 02 August 2017 amounting to R8,094,870.35 the reason mainly because of invalid tax invoices and burden of proof not discharged.</p> <p>The law makes provision for any assessment raised by SARS to be reclaimed provided that the said invoice is fully compliant with Section 20 of the VAT Act and the invoice was disallowed within 5 years from the assessment date.</p> <p>Council resolution was approved for the write of the VAT amount of R8,094,870.35. Council resolution number S.C 8.2/23/Aug-23</p>		
<b>34. Loss on disposal of assets</b>		
Property, Plant and Equipment	3 857 282	1 287

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>35. Operational expenditure</b>		
Advertising	914 712	827 005
Signage	297 188	157 951
Auditors remuneration	2 643 345	2 117 895
Bank charges	284 525	297 194
Commission paid	162 952	166 425
Bursaries	34 305	188 678
Hire charges	1 440 512	6 628 153
Insurance	2 714 769	3 627 005
Conferences and seminar registration fees	599 414	893 065
Computer services and licence fees	3 446 229	3 020 095
Skills Development Levies	1 241 823	1 301 055
Fuel and oil	8 424 320	7 867 390
Printing and stationery	1 709 038	1 725 647
Uniform and Protective clothing	2 210 325	2 252 370
Drivers licence and motor vehicle fees	1 802 576	1 431 448
Subscriptions and membership fees	3 912 322	1 494 580
Telephone and fax	2 548 669	1 955 398
Travel and subsistence expenditure	748 998	1 175 318
Vehicle Tracking	10 491	3 213
Assets less than the Capitalisation Threshold	26 000	-
Electricity and water	12 384 935	13 496 895
Firearm handling fees	-	12 800
Workmens Compensation	1 413 607	1 161 275
Ward Committees	2 211 910	1 461 672
Indigent relief	1 012 062	1 057 372
	<b>52 195 027</b>	<b>54 319 899</b>
<b>36. Depreciation and amortisation</b>		
Property, plant and equipment	33 965 238	36 638 091
Investment property	393 316	399 042
Intangible assets	50 530	75 794
	<b>34 409 084</b>	<b>37 112 927</b>
<b>37. Contributions to Landfill Site Provisions</b>		
Contribution to Landfill Site Provision	1 385 200	1 202 377
	<b>1 385 200</b>	<b>1 202 377</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>38. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	(42 863 734)	65 134 944
Investment property	-	121 007
	<b>(42 863 734)</b>	<b>65 255 951</b>
<p>The reversal of impairment is more than the impairment in the 2022/23 Financial year because the in prior year (2021/22), there were severe weather events experienced which caused erosion on the fixed assets. In response to that, the municipality during the 2022/23 financial year embarked on the massive repairs and maintenance programme which was encompassing both rural and urban wards. This is evidenced by the significant increase in the repairs and maintenance expenditure as disclosed under Note 8 of Property Plant and Equipment. The increased expenditure had been provided for in the budget.</p> <p>uMdoni Local Municipality area was affected by the civil unrest that took place in July 2021. There was significant damage to the municipal property which includes both the movable and immovable assets. Furthermore, the uMdoni Local Municipality area was affected by severe weather conditions during the month of April/May 2022 which resulted in significant damage to the municipal property, i.e. infrastructure and community assets. At 30 June 2022, the Municipality performed the conditional assessment of the assets to determine whether there is an indication that they may be impaired. As a result there has been a notable increase in the impairment loss that has been recognised in the current financial year (2021/22) when compared to the previous financial year (2020/21)</p>		
<b>39. Finance costs</b>		
Finance leases	19 261	16 167
<b>40. Lease rentals on operating lease</b>		
<b>Plant and equipment</b>		
Contractual amounts	1 650 418	1 228 575
<b>41. Debt impairment</b>		
Debt impairment	18 433 565	(1 874 577)
<b>42. Transfers and Subsidies</b>		
<b>Other subsidies</b>		
Grant in aid	49 229	67 612
Social relief	480 924	865 334
Youth development - Section 20 schools	6 619	608 749
Skills development and training	113 155	326 009
	<b>649 927</b>	<b>1 867 704</b>
<b>43. Auditors' remuneration</b>		
Audit Fees	2 643 345	2 117 895

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>44. Cash generated from operations</b>		
Surplus (deficit)	27 903 198	(24 619 845)
<b>Adjustments for:</b>		
Depreciation and amortisation	34 409 084	37 112 927
Actuarial (gain)/loss	(1 902 144)	(962 011)
Impairment loss	(42 863 734)	65 255 951
Debt impairment	18 433 565	(1 874 576)
Bad debts written off	9 056 500	-
Movements in operating lease assets and accruals	99 943	64 348
Contribution to defined benefit obligations included in employee cost	6 753 000	4 153 000
Contribution to Refuse Site Provision	1 385 200	1 202 377
Contribution to staff leave	1 705 973	(2 498 616)
Donated asset recieved	(258 368)	(242 068)
Loss on disposal of assets	3 857 284	1 287
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(7 717 334)	(9 967 509)
Receivables from non-exchange transactions	(25 140 267)	(14 199 034)
Payables from exchange transactions	(4 269 006)	(2 564 448)
Unspent conditional grants and receipts	(1 197 366)	(13 315 254)
Consumer deposits	27 297	16 501
Employee benefit obligation	(1 319 856)	(1 338 988)
	<b>18 962 969</b>	<b>36 224 042</b>



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>45. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	39 590 300	21 068 807
<b>Total capital commitments</b>		
Already contracted for but not provided for	39 590 300	21 068 807
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	39 590 300	21 068 807

This committed expenditure relates to property and will be financed by available retained surpluses, existing cash resources and grant funding.

### Operating leases - as lessee (expense)

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

- within one year	1 720 068	1 571 278
- in second to fifth year inclusive	429 023	2 106 112
	<b>2 149 091</b>	<b>3 677 390</b>

Included in the above mentioned operating lease payments are the following major classes of leases, which are only significant collectively:

Office Equipment	3 759 325	3 677 390
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The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment

- (i) The equipment shall remain the property of the lessor.
- (ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

### 46. Related parties

#### Related party balances

#### Transactions with Key Management

Councillors	15 270 663	14 686 837
Municipal Manager and Section 57 personnel	5 496 829	5 476 514

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 47. Risk management

#### Liquidity risk

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

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

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

#### Credit risk

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

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

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

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

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

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

#### Market risk

##### Interest rate risk

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

#### Financial Instruments disclosure

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

Class

Category

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 47. Risk management (continued)

Receivables from exchange transactions	Financial asset measured at amortised cost
Bank balances	Financial asset measured at amortised cost

### SUMMARY OF FINANCIAL ASSETS

#### Financial Assets at Amortised Cost :

Receivables from exchange transactions ( Contractual Receivables)	12 432 730	8 987 585
Bank balances	161 185 364	192 266 258
Operating lease asset	94 665	194 608
	<b>173 712 759</b>	<b>201 448 451</b>

### FINANCIAL LIABILITIES:

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

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

### SUMMARY OF FINANCIAL LIABILITIES

#### Financial Liabilities at Amortised Cost:

Consumer Deposits	2 486 799	2 459 502
Trade Payables and Accruals	24 951 814	35 191 741
Payments received in advance	6 129 244	6 383 641
Retention	17 761 831	11 202 545
Accrued leave pay	12 692 082	12 279 840
Unallocated deposits	3 200 744	2 472 909
	<b>67 222 514</b>	<b>69 990 178</b>

### 48. Unauthorised expenditure

Opening balance as previously reported	59 444 457	120 621 048
Correction of prior period error	-	(3 572 818)
<b>Opening balance as restated</b>	<b>59 444 457</b>	<b>117 048 230</b>
Add: Expenditure identified - current	44 732 475	58 559 419
Less: Amounts written off - Current	(16 865 638)	-
Less: Amounts written off- prior period	(59 444 456)	(116 163 192)
<b>Closing balance</b>	<b>27 866 838</b>	<b>59 444 457</b>

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

Non-cash	27 866 838	58 559 419
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#### Analysed as follows: non-cash

Impairment of non- cash generating assets	27 866 838	58 559 419
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# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 48. Unauthorised expenditure (continued)

Analysed as follows: cash

The increase in impairment of assets is due to damaged infrastructure and other assets from the current year floods relating to the 2021/2022 Financial year.

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

Various Departments	27 866 838	58 559 419
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### 49. Fruitless and wasteful expenditure

Opening balance as previously reported	16 013 837	15 949 996
Correction of prior period error	-	4 220
<b>Opening balance as restated</b>	<b>16 013 837</b>	<b>15 954 216</b>
Add: Expenditure identified - current	2 264 659	103 262
Less: Amount written off - prior period	(20 084)	(43 641)
<b>Closing balance</b>	<b>18 258 412</b>	<b>16 013 837</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

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

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
Interest on late payments	20 084	32 819
Legal expense	-	70 443
Penalties	2 264 659	-
	<b>2 284 743</b>	<b>103 262</b>

Amounts to the value of R 103 262 for the prior year expenditure were paid as a direct payment from the trade payable and pension liability accounts, however, management did not determine whether these payments served any value by incurring this expenditure during the due diligence conducted. These payments were to be subject to an investigation and shall be reported to Council for further processes. This expenditure has been included in the fruitless and wasteful expenditure register.

### 50. Irregular expenditure

Opening balance as previously reported  
Correction of prior period error

179 593 911    428 375 475  
(6 309 000)    -

**Opening balance as restated**

Add: Irregular Expenditure - current  
Add: Irregular Expenditure - prior period  
Less: Amount written off - current  
Less: Amount written off - prior period

**173 284 911**    **428 375 475**  
252 755    31 625 584  
16 665 857    37 663 384  
(16 665 857)    -  
(173 284 912)    (318 070 532)

**Closing balance**

**252 754**    **179 593 911**

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**50. Irregular expenditure (continued)**

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

	Disciplinary steps taken/criminal proceedings	
Non-compliance with SCM regulations	16 918 612	32 722 496
BAC Non compliance	-	35 842 083
Payments made subsequent to expired contracts	-	724 389
	<b>16 918 612</b>	<b>69 288 968</b>

**51. Accounting by principals and agents**

**Title Deeds Restoration Programme**

The Municipality works as an agent on the title deeds restoration programme on behalf of the KZN Provincial Department of human settlements.  
The Municipality is considered to be an agent in accordance with GRAP 109, with the KZN Provincial Department of Human Settlements being the principal in this arrangement.

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

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

**Significant terms and conditions of the arrangement are as follows:**

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

# uMdoni Municipality

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

#### Municipality as agent

#### Municipality as agent

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

During the year, the municipality had an opening balance of R 852 998. No amount has been spent during the year. Balance of R852 998 was left unspent. It is recorded under Unspent Conditional Grants, Current Liabilities note 12 and 24.

#### Revenue recognised

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

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

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

#### Housing Development Project

The municipality is a party to a principal-agent arrangement in terms of the Housing Development Project. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Human Settlements being the principal in this arrangement.

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

The purpose of the arrangement is to construct low-cost houses for the identified beneficiaries. The funding is provided by the Provincial Department of Human Settlements. Umdoni Municipality is acting as an agent in this arrangement, and the Provincial Department of Human Settlements is the Principal. In addition the municipality works as an agent on the title deeds restoration programme on behalf of KZN Department of human settlements

#### Significant terms and conditions of the arrangement are as follows:

The municipality to procure the implementation of the project on a rural in-situ upgrade.  
Design the product in consultation with all stakeholders.  
Investigate building systems and designs for the Top-Structures and Rain Water Harvesting Tanks that are acceptable with the community, the municipality and the Department.  
Prepare detailed Top Structure foundation designs in accordance to the varying geotechnical conditions.  
Construct the Top Structures and Rain Water Harvesting tanks in accordance with the drawings and specifications within the period of the agreement.

#### Significant risks have been identified as follows:

The significant risks identified are delays in land acquisitions, Delays in funding approval, Social unrest, Inadequate funding to meet the requirements, and environmental risks

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

Negotiating with land owners prior to the construction  
Ensuring compliance with the agreements to ensure speedy release of the funding  
Constant communication with the community and ensuring public participation  
Be pro-active in the feasibility study to be aware of the environmental pre-conditions

#### Municipality as agent

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

During the year the municipality received R2 925 581 and spent R2 925 581 during the year. It is recorded under Unspent Conditional Grants, Current Liabilities note 11 and 27.

The funds are rolled forward to the next year, after notifying the department about the delays experienced by the municipality

#### Revenue recognised

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

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

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

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

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

Resources have been recognised by the agent in its financial statements. Included in unspent conditional grants is the balance of the funds left amounting to R154.

During the period the municipality received funds amounting to R2 925 581. Funds were spent in implementing of the Amandawe housing project.

The resources left will not be remitted by the agent to the principal, instead the municipality will continue to implement the projects.

There are cost implications for the entity if the principal-agent arrangement is terminated. The municipality is liable of the damages should it fail to remedy a breach within 14 days of the receipt of a written notice of such breach.

#### Motor Vehicle Registrations

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

#### Details of the arrangement

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

#### Significant terms and conditions of the arrangement are as follows:

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

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

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

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

The municipality is entitled to retain 8,62% of the cash collected for undertaking this activity on behalf of the Department.

#### Significant risks have been identified as follows:

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

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

Cameras installed and monitored

Access is controlled through biometric system

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

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

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

During the financial year, the municipality collected R23 800 639. All the monies collected were paid over to the principal as banking is done everyday.

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

#### Revenue recognised



# uMdoni Municipality

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## Notes to the Annual Financial Statements

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

Revenue has been recognised as the compensation for the transactions carried out on behalf of the principal is R1 941 631 (2022: R2 211 404 )

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

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

No corresponding rights of reimbursement that have been recognised at year

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

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

During the period the municipality collected R25 224 959. All the funds were paid over to the Principal by the end of the financial year. No resources expected to be remitted as remaining resources by the agent to the Principal. Banking is done everyday, therefore funds collected on behalf of the principal are paid over everyday. The municipality is required to return the equipment supplied by the department if the agreement is terminated.

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

#### Contributions to organised local government

Current year subscription / fee	1 700 246	1 361 607
Amount paid - current year	(1 700 246)	(1 361 607)
	-	-

#### Audit fees

Current year subscription / fee	2 643 345	2 117 894
Amount paid - current year	(2 643 345)	(2 117 894)
	-	-

#### Unemployment insurance fund and Skills Levy

Opening balance	2 063 650	2 145 532
Current year subscription / fee	(2 063 650)	(2 145 532)
	-	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	21 631 988	20 934 403
Amount paid - current year	(21 631 988)	(20 934 403)
	-	-

# uMdoni Municipality

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## Notes to the Annual Financial Statements

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
RB Bhoola	1 674	1 055	2 729
M & P Nombika	218	-	218
	<b>1 892</b>	<b>1 055</b>	<b>2 947</b>

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
M & P Nombika	205	-	205

#### Supply chain management regulations

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

#### Incident

An emergency: Expenditure incurred in accordance with Section 36 of the SCM Regulations in respect of an emergency	5 876 092	6 013 433
Goods and services procured or available from a single provider only: Expenditure incurred in accordance with Section 36 of the SCM Regulations in respect of goods and services or available from a single provider only.	1 243 327	208 167
Exceptional case where it is impracticable or impossible to follow the official procurement process: Expenditure incurred in accordance to Section 36 of the Regulations in respect of exceptional case where it is impractical or impossible to follow the official procurement processes.	8 183 116	1 225 567
	<b>15 302 535</b>	<b>7 447 167</b>

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### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>53. Contingent Liabilities</b>		
Personal injury claims against the municipality for injuries	-	5 034 386
Claim for damages against the municipality, Breach of Contract regarding the Humberdale Landfill site	9 557 862	-
Claim against the municipality in respect of material allegedly instructed to procure in respect of the Electrification of Ward 11	8 338 070	-
Breach of contract claim in respect of a tender being awarded to service provider but could not commence construction.	4 691 077	4 706 062
Breach of contract claim - rehabilitation of Scottburg CBD	24 902 689	24 902 689
Breach of contract claim due to termination of agreement in respect of the rehabilitation Umzinto CBD	13 424 615	13 135 907
Claim against the municipality of an application brought to declare the filling of a vacant exco seat	415 239	-
Action was instituted contractors pursuant to a cession of debt by the business who were the appointed contractors in respect of Gqolweni Road project Phase 2	-	1 558 011
Claim against municipality for unfair labour Practice by staff member	-	50 000
Applicant alleged that Umdoni was permitted unlawful invasion of its lane and construction of a road on its property	-	86 250
Applicant alleges that due to the failed water pipe system above their property heavy rainfall, over time has led to damage to their property.	-	148 321
	<b>61 329 552</b>	<b>49 621 626</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 54. Going concern

We draw attention to the fact that at 30 June 2023, the entity had an accumulated surplus (deficit) of 775 501 659 and that the municipality's total assets exceed its liabilities by 778 644 414.

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

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

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

### 55. Prior Period Adjustments

### Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	192 266 258	(1 000)	-	192 265 258
Receivables from exchange transactions	8 987 585	-	28 215 459	37 203 044
Inventories	15 963 967	(15 963 967)	-	-
Receivables from non-exchange transactions	50 240 462	(113 430)	-	50 127 032
VAT receivable	28 639 202	-	(28 639 202)	-
Operating lease asset	17 947	176 661	-	194 608
	<b>296 115 421</b>	<b>(15 901 736)</b>	<b>(423 743)</b>	<b>279 789 942</b>
<b>Non-Current Assets</b>				
Investment property	8 299 161	-	-	8 299 160
Property, plant and equipment	581 939 652	1 412 813	-	583 352 465
Intangible assets	151 588	-	-	151 588
Heritage assets	261 011	-	-	261 011
	<b>590 651 412</b>	<b>1 412 813</b>	<b>-</b>	<b>592 064 224</b>
<b>Total Assets</b>	<b>886 766 833</b>	<b>(14 488 923)</b>	<b>(423 743)</b>	<b>871 854 166</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Consumer deposits	2 459 502	-	-	2 459 502
Employee benefit obligation	1 047 409	-	311 591	1 359 000
Payables from exchange transactions	65 496 894	2 059 678	(752 577)	66 803 995
Unspent conditional grants and receipts	9 839 783	-	-	9 839 783
Finance lease obligation	-	247 035	-	247 035
Operating Lease liability	109 915	-	-	109 915
	<b>78 953 503</b>	<b>2 306 713</b>	<b>(440 986)</b>	<b>80 819 230</b>
<b>Non-Current Liabilities</b>				
Employee benefit obligation	26 289 592	-	(311 592)	25 978 000
Provisions	14 185 358	-	-	14 185 358
Finance lease obligation	-	130 377	-	130 377
	<b>40 474 950</b>	<b>130 377</b>	<b>(311 592)</b>	<b>40 293 735</b>
<b>Total Liabilities</b>	<b>119 428 453</b>	<b>2 437 090</b>	<b>(752 578)</b>	<b>121 112 965</b>
<b>Net Assets</b>	<b>767 338 380</b>	<b>(16 926 013)</b>	<b>328 835</b>	<b>750 741 201</b>
<b>Net Assets</b>				
Reserves				
Housing development fund	11 046 657	(8 065 564)	-	2 981 093
Accumulated surplus	756 291 723	(8 531 614)	-	747 760 109
<b>Total Net Assets</b>	<b>767 338 380</b>	<b>(16 597 178)</b>	<b>-</b>	<b>750 741 202</b>

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 55. Prior Period Adjustments (continued)

#### 55.1. Cash and cash equivalents

Balance previously reported	192 266 258
Correction of error	(1 000)
	<u>192 265 258</u>

Petty cash was recognised incorrectly in the prior financial year.

#### 55.2 Receivables from exchange transactions

Balance previously reported	8 987 585
Reclassification	27 886 641
Correction error	328 818
	<u>37 203 044</u>

The municipality reclassified the VAT receivable and VAT payable as per the National Treasury Guideline relating to GRAP 108 issued on September 2022 as VAT receivable and payable were disclosed as a separate AFS line item but now will be consolidated as part of Receivables from exchanges and Payables from exchange transactions. The Fact Sheet issued by the ASB further indicates that the VAT accrual account does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid to SARS for these amounts as yet. As there is no transaction to "settle" with a specific counterparty at this point, the requirements for set off are inappropriate. As a result, separate presentation of the VAT accrual "debit" and "credit" may be more appropriate. The correction of error relates to overpayments of leave in the prior year.

#### 55.3 Receivables from non-exchange transactions

Balance previously reported	50 240 262
Correction of error	(113 230)
	<u>50 127 032</u>

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

#### 55.4 Inventories

Balance previously reported	15 963 967
Correction of error	(15 963 967)
	<u>-</u>

The municipality did an assessment pertaining to the Housing Stock (Riverside Park and Gandhinagar) in terms of the applicable GRAP Standards. The assessment took into account the effective EEDBS Policy, the Council Resolution which was taken in September 2014 to transfer the flats to the beneficiaries as mandated by the EEDBS Policy. Based on the assessment, it was discovered that the municipality does not have control over the flats by virtue of not being able to evict beneficiaries in the case of defaults in the rentals due. Also, control was lost due to the fact that even the court case initiated by the municipality for eviction would not be successful due to the national policy in place (EEDBS Policy) which would not support it.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 55. Prior Period Adjustments (continued)

#### 55.5 VAT receivable

Balance previously reported	28 639 202
Reclassification	(28 639 202)
	<u>                    -</u>

The municipality reclassified the VAT receivable and VAT payable as per the the GRAP 108 issued September 2022 as VAT receivable and payable were disclosed as a separate AFS line item but now will be consolidated as part of Receivables from exchanges and Payables from exchange transactions.

The Fact Sheet issued by the ASB further indicates that the VAT accrual account does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid to SARS for these amounts as yet. As there is no transaction to "settle" with a specific counterparty at this point, the requirements for set off are inappropriate. As a result, separate presentation of the VAT accrual "debit" and "credit" may be more appropriate

#### 55.6 Operating lease asset

Balance previously reported	17 947
Correction of error	176 661
	<u>194 608</u>

In the 2021/22 financial year, the restatement on the operating leases was effected but only for periods required by the standards (3years). However, due to its nature being leases, they required recalculation from inception till the reporting date in order to be correct. The municipality in the 2022/23 financial year managed to gather the information hence the adjustment.

#### 55.7 Property, plant and equipment

Balance previously reported	581 939 652
Prior period error Adjustment	1 412 813
	<u>583 352 465</u>

The municipality had properties which were donated by the KZN Human Settlements which were omitted to be recognized due to fact that there was another Amended Valuation Roll issued later but before year end which included these properties. In addition to that, the forging system which was installed in the landfill site was not recognized in its respective period as the municipality was looking for documentation supporting the transaction to ascertain ownership. Furthermore, there were tools of trade purchased for Councilors through the lease(contract) which were not recognized due to difficulties in obtaining the fully signed agreements which were subsequently received.

#### 55.8 Payables from exchange transactions

Balance previously reported	65 496 894
Reclassification	(752 572)
Correction of error	2 059 672
	<u>66 803 994</u>

The municipality reclassified the VAT receivable and VAT payable as per the GRAP 108 issued September 2022 as VAT receivable and payable were disclosed as a separate AFS line item but now will be consolidated as part of Receivables from exchanges and Payables from exchange transactions.

The Fact Sheet issued by the ASB further indicates that the VAT accrual account does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid to SARS for these amounts as yet. As there is no transaction to "settle" with a specific counterparty at this point, the requirements for set off are inappropriate. As a result, separate presentation of the VAT accrual "debit" and "credit" may be more appropriate.

The correction of an error emanated from the water bills received from Ugu District Municipality of which the municipality noted discrepancies and the process of the queries took longer resulting to the invoices not to be recognized in the relevant financial year.

# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 55. Prior Period Adjustments (continued)

#### 55.9 Finance lease obligation

Correction of error	<u>247 035</u>
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The tools of trade purchased for Councilors through the lease(contract) were not recognized due to difficulties in obtaining the fully signed agreements which were subsequently received in the 2022/23 Financial year.

#### 55.10 Employee benefit obligation

Balance previously reported	1 047 409
Reclassification	311 591
	<u>1 359 000</u>

The current and non-current portion of the employee benefit obligation was reclassified in accordance with the actuarial valuation report.

#### 55.11 Finance lease obligation

Correction of error	<u>130 377</u>
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The tools of trade purchased for Councilors through the lease(contract) were not recognized due to difficulties in obtaining the fully signed agreements which were subsequently received in the 2022/23 Financial year.

#### 55.12 Employee benefit obligation

Balance previously reported	26 289 592
Reclassification	(311 592)
	<u>25 978 000</u>

The current and non-current portion of the employee benefit obligation was reclassified in accordance with the actuarial valuation report

#### 55.13 Housing development fund

Balance previously reported	11 046 657
Correction of error	(8 065 564)
	<u>2 981 093</u>

The municipality did an assessment pertaining to the Housing Stock (Riverside Park and Gandhinagar) in terms of the applicable GRAP Standards. The assessment took into account the effective EEDBS Policy, the Council Resolution which was taken in September 2014 to transfer the flats to the beneficiaries as mandated by the EEDBS Policy. Based on the assessment, it was discovered that the municipality does not have control over the flats by virtue of not being able to evict beneficiaries in the case of defaults in the rentals due. Also, control was lost due to the fact that even the court case initiated by the municipality for eviction would not be successful due to the national policy in place (EEDBS Policy) which would not support it.

#### 55.14 Accumulated surplus

Balance previously reported	756 291 723
Prior period errors	(8 531 614)
	<u>747 760 109</u>

The above mentioned prior period errors impacted the accumulated surplus in relation to Property, Plant and Equipment, trade payables from exchange transactions, Receivables from non -exchange transactions, inventories, operating lease receivable and Housing Development Fund.



# uMdoni Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

### 55. Prior Period Adjustments (continued)

#### Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
<b>Revenue</b>				
<b>Revenue from exchange transactions</b>				
Sale of goods	3 429 325	-	-	3 429 325
Service charges	10 222 465	-	-	10 222 465
Operational revenue	534 185	-	-	534 185
Rental of facilities and equipment	6 739 244	(1 960)	-	6 737 284
Interest received - receivables	949 063	-	-	949 063
Agency services	2 211 404	172 462	-	2 383 866
Donations	242 068	-	-	242 068
Actuarial gains	962 011	-	-	962 011
Investment revenue	7 151 407	-	-	7 151 407
<b>Total revenue from exchange transactions</b>	<b>32 441 172</b>	<b>170 502</b>	<b>-</b>	<b>32 611 674</b>
<b>Revenue from non-exchange transactions</b>				
<b>Taxation revenue</b>				
Property rates	103 813 890	-	-	103 813 890
Property rates - penalties and interest	6 033 740	-	-	6 033 740
Licence or permits	6 714 833	-	-	6 714 833
<b>Transfer revenue</b>				
Government grants & subsidies	209 505 343	-	-	209 505 343
Fines, Penalties and Forfeits	1 272 068	22 699	-	1 294 767
<b>Total revenue from non-exchange transactions</b>	<b>327 339 874</b>	<b>22 699</b>	<b>-</b>	<b>327 362 573</b>
<b>Total revenue</b>	<b>359 781 046</b>	<b>193 201</b>	<b>-</b>	<b>359 974 247</b>
<b>Expenditure</b>				
Employee related costs	(141 218 263)	4 430 965	-	(136 787 298)
Remuneration of councillors	(14 701 234)	14 396	-	(14 686 838)
Contribution to landfill site provision	(1 202 377)	-	-	(1 202 377)
Depreciation and amortisation	(36 924 615)	(188 312)	-	(37 112 927)
Impairment of cash and non-cash generating assets	(65 227 329)	(28 622)	-	(65 255 951)
Finance costs	-	16 167	-	(16 167)
Debt impairment	2 223 349	(348 772)	-	1 874 577
Lease rentals on operating lease	(2 122 176)	893 601	-	(1 228 575)
Inventory Consumed	-	-	(4 097 751)	(4 097 751)
Contracted services	(70 413 851)	521 956	-	(69 891 895)
Transfers and subsidies	(1 867 704)	-	-	(1 867 704)
Losses on disposals of assets	-	(1 287)	-	(1 287)
Operational expenditure	(56 211 003)	(2 206 647)	4 097 751	(54 319 899)
<b>Total expenditure</b>	<b>(387 665 203)</b>	<b>(7 606 813)</b>	<b>-</b>	<b>(384 594 092)</b>
<b>Operating deficit</b>	<b>(27 884 157)</b>	<b>(7 413 612)</b>	<b>-</b>	<b>(24 619 845)</b>
<b>Deficit for the year</b>	<b>(27 884 157)</b>	<b>(7 413 612)</b>	<b>-</b>	<b>(24 619 845)</b>

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### 55. Prior Period Adjustments (continued)

#### 55.15 Rental of facilities and equipment

Balance previously reported	6 739 244
Correction of error	(1 960)
	<u>6 737 284</u>

In the 2021/22 financial year, the restatement on the operating leases was effected but only for periods required by the standards (3years). However, due to its nature being leases, they required recalculation from inception till the reporting date in order to be correct. The municipality in the 2022/23 financial year managed to gather the information hence the adjustment.

#### 55.16 Agency services

Balance previously reported	2 211 404
Correction of error	172 462
	<u>2 383 866</u>

The Department of Transport had underpaid the municipality in respect of agency fees due for 2021/22. Debtor was therefore raised.

#### 55.17 Fines, Penalties and Forfeits

Balance previously reported	2 471 687
Correction of error	(1 176 920)
	<u>1 294 767</u>

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

#### 55.18 Employee related costs

Balance previously reported	(141 218 260)
Correction of error	4 430 962
	<u>(136 787 298)</u>

Prior period adjustment relates to leave pay provision which was revised and recalculated as per Basic conditions of service and Section 57 employees back pay and cash allowances paid as per the gazette.

#### 55.19 Remuneration of councillors

Balance previously reported	14 701 234
Correction of error	(14 396)
	<u>14 686 838</u>

Prior period adjustments relates to back pay of remuneration for councillors which was incorrectly calculated in the prior year.

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### 55. Prior Period Adjustments (continued)

#### 55.20 Depreciation and amortisation

Balance previously reported	(36 924 615)
Correction of error	(188 312)
	<u>(37 112 927)</u>

The depreciation increase emanates to the capitalization of the Gqolweni Road Phase 1 which was sitting on Work-in-progress as the compliance project documentation was not received for capitalization, owing to a dispute with the service provider. The municipality re-assessed the position in terms of complying with the standards and concluded that the road must be capitalized and be depreciated accordingly.

#### 55.21 Impairment of non cash generating assets

Balance previously reported	(65 227 329)
Correction of error	(28 622)
	<u>(65 255 951)</u>

The increase in the impairment relates to Nyuswa Bridge which had a claim stemming from professional fees which was submitted after the asset was capitalized. The cost of the asset changed and that impacted on the impairment processed in the prior year which was emanating from flood damages experienced in the 2021/22 financial year.

#### 55.22 Finance costs

Balance previously reported	-
Correction of error	(16 167)
	<u>(16 167)</u>

The tools of trade purchased for Councilors through the lease(contract) were not recognized due to difficulties in obtaining the fully signed agreements which were subsequently received in the 2022/23 Financial year. The finance costs component of the payments made was therefore re-allocated, hence this adjustment.

#### 55.23 Debt impairment

Balance previously reported	2 223 349
Correction of error	(348 772)
	<u>1 874 577</u>

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

#### 55.24 Lease rentals on operating lease

Balance previously reported	(2 122 176)
Correction of error	893 601
	<u>(1 228 575)</u>

The adjustment made was due to a dual purpose allocation which the municipality had during the budget preparation phase. The purpose of the account was to lease fleet and hire during emergencies, however in terms of the accounting standards the classification differs.

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### 55. Prior Period Adjustments (continued)

#### 55.25 Inventory Consumed

Reclassification	<u>(4 097 751)</u>
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This relates to reclassification of items from operational expenditure to inventory consumed in accordance with mSCOA and GRAP 1.

#### 55.26 Contracted services

Balance previously reported	(70 413 851)
Correction of error	521 956
	<u>(69 891 895)</u>

The forging system which was installed in the landfill site was not recognized in its respective period as the municipality was looking for documentation supporting the transaction to ascertain ownership. The adjustment was therefore re-allocating the expenditure of the forging system to Property, Plant and Equipment.

#### 55.27 Loss on disposal of assets

Balance previously reported	-
Correction of error	(1 287)
	<u>(1 287)</u>

The adjustment relates to two fire arms which are no longer in the control of the municipality. The first one was lost during the robbery incident and was reported to S.A.P.S. The second one was damaged and not working, which was also submitted to SAPS as required by the law.

#### 55.28 Operational Expenditure

Balance previously reported	(56 211 003)
Reclassification	4 097 751
Correction of error	(2 206 647)
	<u>(54 319 899)</u>

Prior period adjustments relates to water accounts with ugu Municipality which were disputed in the prior years was correctly accounted for in current year. Reclassification of items from operational expenditure to inventory consumed in accordance with mSCOA and GRAP 1.

### 56. Change in estimate

#### Property, plant and equipment

The useful lives of Property Plant and Equipment were assessed by management. At the end of the current period management has revised their estimate ranging to 3 years for different asset categories. The effect of this revision has decreased the depreciation charge for the current and the future period by R2 665 524 in respect of these assets. The assessment was done at year end when the assets were approaching the end of the useful lives and the economic benefits still accruing to the municipality.

Depreciation previously reported	7 738 014	8 101 400
Change in estimate	(5 072 490)	(4 881 244)
<b>Depreciation restated</b>	<u><b>2 665 524</b></u>	<u><b>3 220 156</b></u>

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### 56. Change in estimate (continued)

#### Landfill site

The survey was conducted by the surveyor and based on the available airspace the liability amounts to R 22 867 722. Therefore, R 7 297 162 represent the change in estimate. The change has increased as compared to last financial year due to the capping method which was amended to suit the latest environmental legislation.

#### Humberdale Landfill Site

Landfill Site liability after unwinding interest

(15 570 560) (14 712 231)

Landfill Site liability as at 30 June 2022

22 867 722 14 185 360

**7 297 162 (526 871)**

### 57. Segment information

#### General information

#### Identification of segments

The entity is organised and reports to management on the basis of major functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

#### Aggregated segments

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

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

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

#### Reportable segment

Segment 1

Segment 2

Segment 4

Segment 5

Segment 6

Segment 7

Segment 8

#### Goods and/or services

Roads and Stormwater

Waste Management

Housing

Planning and Development

Recreational facilities

Libraries and archives

Community halls and facilities

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**57. Segment information (continued)**

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

2023

	Roads and Stormwater	Waste Management	Housing	Planning and Development	Recreational facilities	Libraries and archives	Community halls and facilities	Total
Revenue	48 628 212	-	-	2 030 368	18 492	10 268 592	-	60 945 664
Revenue from non-exchange transactions	-	12 085 530	35 772	906 584	228 605	44 609	292 351	13 593 451
Revenue from exchange transactions	-	-	-	-	-	-	-	-
<b>Total segment revenue</b>	<b>48 628 212</b>	<b>12 085 530</b>	<b>35 772</b>	<b>2 936 952</b>	<b>247 097</b>	<b>10 313 201</b>	<b>292 351</b>	<b>74 539 115</b>
Other unallocated Non-exchange revenue								292 769 360
Other unallocated exchange revenue								25 982 029
<b>Total revenue reconciling items</b>								<b>318 751 389</b>
<b>Entity's revenue</b>								<b>393 290 504</b>

**Expenditure**

Employee related cost	(9 859 488)	(16 525 582)	(2 399 176)	(28 496 765)	(13 737 197)	(10 364 142)	(3 780 196)	(85 162 546)
Contracted services	(61 631 802)	(12 275 111)	(413 589)	(21 178 374)	(7 470 335)	(310 805)	(82 200)	(103 362 216)
Operational expenditure	(79 174)	(1 629 835)	(19 087)	(27 727 373)	(213 543)	(587 908)	(36 461)	(30 293 381)
Depreciation and amortisation	(27 177 593)	-	-	(2 819 660)	-	-	(3 211 775)	(33 209 028)
Inventory Consumed	(814 199)	(884 773)	-	(2 103 821)	(254 801)	(309 328)	-	(4 366 922)
Operating leases	-	-	-	(1 422 317)	-	(228 101)	-	(1 650 418)
Disposal of fixed and intangible assets	(3 322 627)	-	-	-	-	-	(795 377)	(4 118 004)
Reversal of impairment loss	21 032 687	966 198	-	4 183 589	-	-	21 984 760	48 167 234
Impairment loss	(2 322 246)	-	-	-	-	-	-	(2 322 246)
<b>Total segment expenditure</b>	<b>(84 174 442)</b>	<b>(30 349 103)</b>	<b>(2 831 852)</b>	<b>(79 564 721)</b>	<b>(21 675 876)</b>	<b>(11 800 284)</b>	<b>14 078 751</b>	<b>(216 317 527)</b>
<b>Total segmental surplus/(deficit)</b>								<b>290 856 642</b>
Unallocated expenses								(149 069 858)
Total revenue reconciling items								-
<b>Entity's surplus (deficit) for the period</b>								<b>27 903 198</b>

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	Roads and Stormwater	Waste Management	Housing	Planning and Development	Recreational facilities	Libraries and archives	Community halls and facilities	Total
<b>57. Segment information (continued)</b>								
<b>Assets</b>								
Segment assets	64 594 494	13 694 644	-	(42 950 382)	3 013 517	17 022	44 910 092	83 279 387
Unallocated assets 1								824 751 388
<b>Total assets as per Statement of financial Position</b>								<b>908 030 778</b>
<b>Liabilities</b>								
Segment liabilities	48 304	(8 437 828)	(73 000)	(17 386 792)	(4 750 830)	137 899	(5 843 196)	(36 305 443)
Unallocated liabilities 1								165 691 811
<b>Total liabilities as per Statement of financial Position</b>								<b>129 386 364</b>
<b>2022</b>								
<b>Revenue</b>								
Revenue from non-exchange transactions	42 085 343	-	-	4 235 110	15 485	9 734 260	-	56 070 198
Revenue from exchange transactions	-	11 114 366	35 525	1 009 530	218 503	61 836	334 100	12 773 860
<b>Total segment revenue</b>	<b>42 085 343</b>	<b>11 114 366</b>	<b>35 525</b>	<b>5 244 640</b>	<b>233 988</b>	<b>9 796 096</b>	<b>334 100</b>	<b>68 844 058</b>
Other unallocated revenue								291 130 183
<b>Entity's revenue</b>								<b>359 974 241</b>





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**57. Segment information (continued)**

**58. Budget differences**

**Material differences between budget and actual amounts**

Investment revenue-High interest on investment caused by increased interest rate and some of fixed deposit account matured during the year.

Other Income-Fines, penalties and forfeits : Due to decrease in buying power some of debtors are getting behind on their payments.

Interest earned - outstanding debtors : Due to decrease in buying power some of debtors are getting behind on their payments  
Rental of facilities and equipment : There were write offs effected in previous financial year, therefore rental for current year is higher that last year's as there is no write offs this year.

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### 58. Budget differences (continued)

Employee costs - The variance is due to vacant posts not filled resulting from the resignations, retirements and deaths. In addition to that, there is an impact of provisions which will be recognised at year-end.

Debt impairment - Due to decrease in buying power some of debtors are getting behind on their payments are failing to pay their debtors

Depreciation and assets impairment

Impairment that was raised in previous financial year had to be reversed due to road maintenance done in current year.

Materials and bulk purchases - Cleaning material and stationery are bought quarterly or as when needed.

Transfers and subsidies - Huge portion of the budget is allocated to Disaster which is spent when required.

Net cash from (used)/Operating-It's the release of retention which was classified under Capital assets as per the National Treasury mapping. In terms of GRAP, it is classified as operating activities.

Net cash from (used)/Investing-It's the release of retention which was classified under Capital assets as per the National Treasury mapping. In terms of GRAP, it is classified as operating activities. The final budget changed because of the approved rollovers

Net cash from (used)/Financing-Consumer deposits treatment in terms of GRAP differs to that of National Treasury.

Cash and cash equivalents at year end-Due to savings realised on the votes and over-collection realised on the own revenue, cash was more than anticipated.

Renewal of Textile Road-At the beginning of the project the contractor dugged up the wrong road, so the Municipality budget more as they could pay more for this road but these cost were incurred by the Contactor

Non Current assets- Impairment that was raised in previous financial year had to be reversed due to road maintenance done in current year, hence it was not budget for

Total current liabilities

Current service cost: Medical\_ we had less accruals than anticipated.

Leave provision reduced due to change in formular used to calculate leave provision.

Total Non Current Liabilities - Landfil site provision has changed because of the capping method.Capping barrier design has been amended to suite the updated legislation (NEMA)