



uMngeni Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2023

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Nature of business and principal activities</b>	uMngeni Municipality is a local municipality with the primary function of providing basic services i.e. electricity, refuse, roads and stormwater facilities to the community within the municipality's jurisdiction
<b>Mayoral committee</b>	
Executive Mayor	Cllr C Pappas
	Cllr S Mnikathi- Deputy Mayor
<b>Councillors</b>	Cllr JE Holmes- Speaker
	Cllr PA Passmoor
	Cllr HM Lake
	Cllr S Lamula
	Cllr KPJ Van Rensburg
	Cllr PC Le Roux
	Cllr TA Duggan
	Cllr NE Ndlovu
	Cllr N Mabawula
	Cllr KP Msimango
	Cllr HN Mabaso
	Cllr SS Msibi
	Cllr B Mkhize
	Cllr SJ Zuma
	Cllr T Skhakhane
	Cllr D Malevu
	Cllr H Maphumulo
	Cllr FT Cele
	Cllr RS Sokhela
	Cllr JT Dlamini
	Cllr SD Nkuna
	Cllr CT Mthalane
	Cllr QSB Buthelezi
<b>Grading of local authority</b>	Three
<b>Acting Chief Finance Officer (CFO)</b>	Ms SP Hlatshwayo
<b>Accounting Officer</b>	Mr M Hloba
<b>Registered office</b>	Corner of Dicks and Somme Streets Howick 3290
<b>Postal address</b>	P O Box 5 Howick 3290
<b>Bankers</b>	ABSA Bank
<b>Auditors</b>	Office of the Auditor General Registered Auditors

# uMngeni Local 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 provincial legislature:

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### Abbreviations used:

MEC	Member of the Executive Council
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
SARS	South African Revenue Services
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

## **uMngeni Local 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 he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, there are sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the 1 July 2022 to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the internally generated funds 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 Accounting Officer also certifies that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to councillors 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 determination in accordance with this Act.

The annual financial statements set out on page 4, 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**  
**Mr M. Hloba**

# **uMngeni Local Municipality**

Annual Financial Statements for the year ended 30 June 2023

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## **1. Going concern**

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of 891,864,070 and that the municipality's total liabilities exceed its assets by 891,864,070.

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 subordination agreement referred to in note 58 of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

## **2. Subsequent events**

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

## **3. Approval of Annual Financial Statements**

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any and payments made to Council for the loss office, if any, as disclosed in note 33 of these Annual Financial Statements are within the Upper Limits of the framework envisaged in section 129 of the Constitution, read with the narration of Public Office Bearers Act and the Minister of Provincial and the Local Government Determination in Accordance with this



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**Accounting Officer**  
**Mr M. Hloba**

# uMngeni Local 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
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from non-exchange transactions	10&13	32,885,483	46,074,919
VAT receivable	11	10,940,566	14,448,155
Trade and Other Receivables from Exchange Transactions	12	18,480,154	21,069,100
Cash and cash equivalents	14	12,249,973	13,622,109
		<b>74,556,176</b>	<b>95,214,283</b>
<b>Non-Current Assets</b>			
Investment property	3	19,313,968	19,589,531
Property, plant and equipment	4	982,686,562	1,046,214,783
Heritage Assets	5	3,380,619	3,380,619
Non-Current Receivables from exchange transactions	9	6,883,855	6,587,421
		<b>1,012,265,004</b>	<b>1,075,772,354</b>
<b>Total Assets</b>		<b>1,086,821,180</b>	<b>1,170,986,637</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Borrowings	18	-	2,630,395
Finance lease obligation	16	477,902	836,407
Payables from exchange transactions	6	71,815,928	66,849,881
Consumer deposits	7	4,749,822	4,761,616
Employee benefit obligation	8	3,097,000	3,122,000
Unspent conditional grants and receipts	17	623,987	1,059,706
		<b>80,764,639</b>	<b>79,260,005</b>
<b>Non-Current Liabilities</b>			
Borrowings	18	-	7,361,608
Finance lease obligation	16	-	474,771
Employee benefit obligation	8	34,929,000	32,876,000
Provisions	19	79,263,467	75,499,641
		<b>114,192,467</b>	<b>116,212,020</b>
<b>Total Liabilities</b>		<b>194,957,106</b>	<b>195,472,025</b>
<b>Net Assets</b>		<b>891,864,074</b>	<b>975,514,612</b>
Accumulated surplus		891,864,070	975,514,612
<b>Total Net Assets</b>		<b>891,864,070</b>	<b>975,514,612</b>

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods and rendering of services	15	4,251,338	3,530,193
Service charges	22	106,251,016	102,908,589
Rental of facilities and equipment	23	2,151,712	1,671,437
Licences and permits	26	2,819,447	3,690,735
Interest received from exchange transactions	29	3,990,221	3,428,897
Staff and Council Recoveries	31	321,756	-
Interest received - investments	32	3,520,411	2,533,098
Operational revenue	68	315,764	2,189,265
Discount Received	69	13,716	477,886
Actuarial gains	70	2,039,000	1,207,000
Gain from disposal of assets	71	585,199	-
<b>Total revenue from exchange transactions</b>		<b>126,259,580</b>	<b>121,637,100</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	33	238,061,560	231,693,524
Property rates - penalties imposed	33	10,214,329	15,940,213
Surcharges and Taxes	28	297	75,192
<b>Transfer revenue</b>			
Government grants & subsidies	35	150,541,719	128,248,355
Public contributions and donations	37	200,224	-
Fines, Penalties and Forfeits	24	1,492,939	1,402,222
<b>Total revenue from non-exchange transactions</b>		<b>400,511,068</b>	<b>377,359,506</b>
<b>Total revenue</b>	20	<b>526,770,648</b>	<b>498,996,606</b>
<b>Expenditure</b>			
Materials and supplies	21	(2,151,704)	(1,657,356)
Loss on disposal of assets	25	(2,243,474)	(954,920)
Lease rentals on operating lease	27	(3,280,452)	(2,044,304)
Transfers and Subsidies	34	(1,406,576)	(653,900)
Bad debts written off	36	(41,418,570)	-
Employee related costs	38	(140,445,046)	(125,888,850)
Remuneration of councillors	39	(10,396,834)	(10,093,431)
Depreciation and amortisation	40	(60,563,820)	(59,307,310)
Impairment of non-cash generating assets	41	(58,904,121)	(10,930,261)
Finance costs	42	(7,380,301)	(6,555,267)
Debt Impairment	44	(3,024,076)	(18,886,100)
Operational expenditure	45	(36,999,258)	(33,185,817)
Bulk purchases	46	(150,207,690)	(157,238,558)
Contracted services	47	(91,999,270)	(96,496,795)
<b>Total expenditure</b>		<b>(610,421,192)</b>	<b>(523,892,869)</b>
<b>Deficit for the year</b>		<b>(83,650,544)</b>	<b>(24,896,263)</b>

## uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
<b>Balance at 01 July 2021</b>	<b>1,000,410,875</b>	<b>1,000,410,875</b>
Changes in net assets		
Net income (losses) recognised directly in net assets	-	-
Deficit for the year	(24,896,263)	(24,896,263)
Total recognised income and expenses for the year	(24,896,263)	(24,896,263)
Total changes	(24,896,263)	(24,896,263)
<b>Balance at 01 July 2022</b>	<b>975,514,614</b>	<b>975,514,614</b>
Deficit for the year	(83,650,544)	(83,650,544)
Total changes	(83,650,544)	(83,650,544)
<b>Balance at 30 June 2023</b>	<b>891,864,070</b>	<b>891,864,070</b>
Note(s)		



# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates and taxes		259,773,514	221,337,346
Services Charges: Electricity and Waste Management		115,515,684	103,705,757
Government Grants and Subsidies		150,621,672	127,807,672
Interest Received		3,520,411	2,533,098
		529,431,281	455,383,873
<b>Payments</b>			
Salary and Remuneration to Councillors		(139,163,105)	(130,082,209)
Suppliers		(319,876,127)	(295,103,690)
Finance costs		(238,959)	(1,316,258)
		(459,278,191)	(426,502,157)
<b>Net cash flows from operating activities</b>	<b>48</b>	<b>70,153,090</b>	<b>28,881,716</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(61,285,147)	(33,892,891)
Proceeds from Asset Disposal	4	585,199	-
<b>Net cash flows from investing activities</b>		<b>(60,699,948)</b>	<b>(33,892,891)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(9,992,003)	(2,456,708)
Finance lease payments		(833,275)	(1,394,336)
<b>Net cash flows from financing activities</b>		<b>(10,825,278)</b>	<b>(3,851,044)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,372,136)</b>	<b>(8,862,219)</b>
Cash and cash equivalents at the beginning of the year		13,622,109	22,484,328
<b>Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>12,249,973</b>	<b>13,622,109</b>

The accounting policies on pages 13 to 47 and the notes on pages 47 to 88 form an integral part of the annual financial statements.

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges - Electricity	130,401,407	1,622,797	<b>132,024,204</b>	94,405,903	<b>(37,618,301)</b>	62.1
Service Charges - Refuse	9,690,833	510,759	<b>10,201,592</b>	11,845,113	<b>1,643,521</b>	
Rental of facilities and equipment	1,299,998	-	<b>1,299,998</b>	2,151,712	<b>851,714</b>	62.2
Licences and permits	4,640,421	(462,825)	<b>4,177,596</b>	2,819,447	<b>(1,358,149)</b>	62.3
Other revenue	7,156,062	(377,549)	<b>6,778,513</b>	10,353,552	<b>3,575,039</b>	62.4
Interest received - investment	1,782,559	1,094,508	<b>2,877,067</b>	3,520,411	<b>643,344</b>	
Gains on disposal of assets	-	600,606	<b>600,606</b>	585,199	<b>(15,407)</b>	
<b>Total revenue from exchange transactions</b>	<b>154,971,280</b>	<b>2,988,296</b>	<b>157,959,576</b>	<b>125,681,337</b>	<b>(32,278,239)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	239,768,466	1,010,208	<b>240,778,674</b>	238,061,560	<b>(2,717,114)</b>	
Interest earned - outstanding debtors	15,617,245	1,462,577	<b>17,079,822</b>	14,204,550	<b>(2,875,272)</b>	62.5

##### Transfer revenue

Government grants & subsidies	124,626,800	(23,110,304)	<b>101,516,496</b>	101,038,665	<b>(477,831)</b>	
Fines, Penalties and Forfeits	2,803,245	28,378	<b>2,831,623</b>	1,492,939	<b>(1,338,684)</b>	62.6
<b>Total revenue from non-exchange transactions</b>	<b>382,815,756</b>	<b>(20,609,141)</b>	<b>362,206,615</b>	<b>354,797,714</b>	<b>(7,408,901)</b>	

**Total revenue** **537,787,036** **(17,620,845)** **520,166,191** **480,479,051** **(39,687,140)**

#### Expenditure

Employee Related Costs	(133,379,946)	(3,599,384)	<b>(136,979,330)</b>	(140,445,045)	<b>(3,465,715)</b>	
Remuneration of councillors	(10,746,369)	-	<b>(10,746,369)</b>	(10,396,834)	<b>349,535</b>	
Depreciation and amortisation	(47,229,759)	(1,419,983)	<b>(48,649,742)</b>	(119,467,941)	<b>(70,818,199)</b>	62.7
Finance costs	(1,873,951)	1,405,785	<b>(468,166)</b>	(7,380,301)	<b>(6,912,135)</b>	62.8
Debt Impairment	(9,617,542)	(206,641)	<b>(9,824,183)</b>	(3,024,076)	<b>6,800,107</b>	62.9
Bad debts written off	-	-	-	(41,418,570)	<b>(41,418,570)</b>	62.10
Bulk purchases	(160,369,680)	9,554,213	<b>(150,815,467)</b>	(150,207,690)	<b>607,777</b>	
Contracted Services	(109,617,154)	15,704,986	<b>(93,912,168)</b>	(91,999,270)	<b>1,912,898</b>	
Transfers and Subsidies	(1,270,000)	(600,000)	<b>(1,870,000)</b>	(1,406,576)	<b>463,424</b>	62.11
Loss on Disposal of Assets	-	-	-	(2,243,474)	<b>(2,243,474)</b>	62.12
Inventory consumed	(3,252,957)	28,873	<b>(3,224,084)</b>	(2,151,704)	<b>1,072,380</b>	62.13
General Expenses	(60,243,291)	(3,248,380)	<b>(63,491,671)</b>	(43,691,391)	<b>19,800,280</b>	62.14
<b>Total expenditure</b>	<b>(537,600,649)</b>	<b>17,619,469</b>	<b>(519,981,180)</b>	<b>(613,832,872)</b>	<b>(93,851,692)</b>	

**Operating deficit** **186,387** **(1,376)** **185,011** **(133,353,821)** **(133,538,832)**

Transfers and Subsidies - Capital 28,525,200 21,178,077 **49,703,277** 49,703,277 -

**Deficit before taxation** **28,711,587** **21,176,701** **49,888,288** **(83,650,544)** **(133,538,832)**

## uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>28,711,587</b>	<b>21,176,701</b>	<b>49,888,288</b>	<b>(83,650,544)</b>	<b>(133,538,832)</b>	

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Other debtors	12,993,818	38,155	13,031,973	32,885,483	19,853,510
VAT receivable	-	-	-	10,940,566	10,940,566
Consumer debtors	103,779,175	(17,495,823)	86,283,352	18,480,154	(67,803,198)
Call investment deposits	13,964,713	950,000	14,914,713	7,733,408	(7,181,305)
Cash and cash equivalents	24,891,510	2,409,454	27,300,964	4,516,565	(22,784,399)
	155,629,216	(14,098,214)	141,531,002	74,556,176	(66,974,826)

##### Non-Current Assets

Investment property	56,997,816	(271,360)	56,726,456	19,313,968	(37,412,488)
Property, plant and equipment	1,020,832,981	27,381,959	1,048,214,940	982,686,562	(65,528,378)
Heritage Assets	5,398,314	-	5,398,314	3,380,619	(2,017,695)
Non-Current Receivables from exchange transactions	5,718,318	-	5,718,318	6,883,855	1,165,537
	1,088,947,429	27,110,599	1,116,058,028	1,012,265,004	(103,793,024)

<b>Total Assets</b>	<b>1,244,576,645</b>	<b>13,012,385</b>	<b>1,257,589,030</b>	<b>1,086,821,180</b>	<b>(170,767,850)</b>
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#### Liabilities

##### Current Liabilities

Borrowings	2,262,917	12,334	2,275,251	-	(2,275,251)
Payables from exchange transactions	60,287,530	(933,829)	59,353,701	71,587,225	12,233,524
Provisions	31,091,063	(278,802)	30,812,261	477,902	(30,334,359)
Consumer deposits	4,579,154	-	4,579,154	4,749,822	170,668
Employee benefit obligation	-	-	-	3,097,000	3,097,000
Unspent conditional grants and receipts	-	-	-	623,987	623,987
	98,220,664	(1,200,297)	97,020,367	80,535,936	(16,484,431)

##### Non-Current Liabilities

Borrowings	6,973,020	(6,973,020)	-	-	-
Provisions	88,257,195	-	88,257,195	114,192,467	25,935,272
	95,230,215	(6,973,020)	88,257,195	114,192,467	25,935,272

<b>Total Liabilities</b>	<b>193,450,879</b>	<b>(8,173,317)</b>	<b>185,277,562</b>	<b>194,728,403</b>	<b>9,450,841</b>
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<b>Net Assets</b>	<b>1,051,125,766</b>	<b>21,185,702</b>	<b>1,072,311,468</b>	<b>892,092,777</b>	<b>(180,218,691)</b>
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#### Net Assets

##### Reserves

Accumulated surplus	1,051,125,766	21,185,702	1,072,311,468	891,864,070	(180,447,398)
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## uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

#### Cash Flow Statement

##### Cash flows from operating activities

###### Receipts

Property Rates	215,791,619	27,013,850	242,805,469	259,765,513	16,960,044
Service Charges	128,209,465	10,736,820	138,946,285	106,251,016	(32,695,269)
Transfers and Subsidies	124,626,800	(24,224,077)	100,402,723	101,038,666	635,943
Interest income	15,838,080	(12,961,013)	2,877,067	3,520,411	643,344
Other revenue	15,505,848	(612,590)	14,893,258	9,144,397	(5,748,861)
Transfers and Subsidies - Capital	28,525,200	21,178,076	49,703,276	49,703,277	1
	<b>528,497,012</b>	<b>21,131,066</b>	<b>549,628,078</b>	<b>529,423,280</b>	<b>(20,204,798)</b>

###### Payments

Suppliers and Employee Costs	(471,983,889)	16,113,041	(455,870,848)	(457,577,794)	(1,706,946)
Finance costs	(1,873,951)	1,405,785	(468,166)	(238,595)	229,571
Transfers and Grants	(1,270,000)	(600,000)	(1,870,000)	(1,406,576)	463,424
	<b>(475,127,840)</b>	<b>16,918,826</b>	<b>(458,209,014)</b>	<b>(459,222,965)</b>	<b>(1,013,951)</b>

<b>Net cash flows from operating activities</b>	<b>53,369,172</b>	<b>38,049,892</b>	<b>91,419,064</b>	<b>70,200,315</b>	<b>(21,218,749)</b>
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##### Cash flows from investing activities

Purchase of property, plant and equipment	(41,602,688)	(28,330,358)	(69,933,046)	(61,285,147)	8,647,899
Proceeds from sale of property, plant and equipment	-	600,606	600,606	585,199	(15,407)
<b>Net cash flows from investing activities</b>	<b>(41,602,688)</b>	<b>(27,729,752)</b>	<b>(69,332,440)</b>	<b>(60,699,948)</b>	<b>8,632,492</b>

##### Cash flows from financing activities

Increase / (decrease) in consumer deposits	183,620	-	183,620	11,793	(171,827)
Finance Lease payments	-	-	-	(880,500)	(880,500)
Repayment of borrowings	(3,031,318)	(6,960,686)	(9,992,004)	(9,992,003)	1
<b>Net cash flows from financing activities</b>	<b>(3,031,318)</b>	<b>(6,960,686)</b>	<b>(9,992,004)</b>	<b>(10,872,503)</b>	<b>(880,499)</b>

Net increase/(decrease) in cash and cash equivalents	8,735,166	3,359,454	12,094,620	(1,372,136)	(13,466,756)
Cash and cash equivalents at the beginning of the year	30,304,677	-	30,304,677	13,622,109	(16,682,568)
<b>Cash and cash equivalents at the end of the year</b>	<b>39,039,843</b>	<b>3,359,454</b>	<b>42,399,297</b>	<b>12,249,973</b>	<b>(30,149,324)</b>

#### Reconciliation

# uMngeni Local 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. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1 Basis of preparations

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.

These accounting policies are consistent with the previous period.

#### 1.2 Presentation currency

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

#### 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

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 Significant judgements and sources of estimation uncertainty

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

##### 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 financial asset.

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

##### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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.

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

#### Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

#### Allowance for doubtful debts

On debtors an impairment loss is recognized 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.

#### Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgments made and assumptions applied to conclude that it controls such land, are as follow;

Whether the municipality can direct the use of the land's future economic benefits or service potential to provide services to beneficiaries

Whether the municipality can exchange, dispose of, or transfer the land; and/or

Whether the municipality can use the land in any other way to generate future economic benefits or service potential

Where the municipality uses the land to provide future economic benefits or service potential while another entity has the right to exchange, dispose of transfer the land, the municipality shall assess its ability to exercise the right to exchange, dispose of, or transfer the land to determine if it is able to direct or restrict or deny access to the land.

When a municipality directs the use of the land to provide services to beneficiaries, either itself or through directing another entity to provide specific services, the municipality will conclude that it has the right to direct access to land and to restrict or deny access of others to land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgments made and assumptions applied to conclude that it does not control such land, are as follows:

Whether another entity can direct the use of the land's future economic benefits or services potential to provide services to beneficiaries

Whether another entity can exchange, dispose of, or transfer the land; and/or

Whether another entity can use the land in any other way to generate future economic benefits or service potential

An entity may be granted a right to use the land for a period of time. Control of the land will be demonstrated, if the entity has substantive rights to the land that enable it to direct access to the land, or to restrict or deny the access of others to land. For the entity to demonstrate control, the right of use needs to be for an unlimited period of time and the entity should have other substantive rights that enable it to direct access to the land, or to restrict or deny the access of others to the land.

In the absence of the municipality demonstrating that it has granted the right to direct access to and restrict or deny access of others to the land to another entity, the legal owner controls the land as it retains the right to direct access to land and to restrict or deny the access of others to land.

# **uMngeni Local Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Policies**

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### **1.5 Significant judgements and sources of estimation uncertainty (continued)**

#### **Accounting by principals and agent**

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow:

a) It does not have the power to determine the significant terms and conditions of the transaction.

For a municipality to be an agent, it must not have the power to determine the significant terms and conditions of the transactions with third parties.

#### **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.

An impairment loss recognized 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 recognized, or to reflect the effect of discounting the estimated cash flows.



# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognized arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognized is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrectly, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

#### Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognized, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or

(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

#### Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognized, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

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

Investment property is initially recognized 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 derecognized.

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.6 Investment property (continued)

#### Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

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

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 3).

### 1.7 Property, plant and equipment

#### Cost Model

#### Subsequent Measurement

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 recognized as an asset when:

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

#### Initial Measurement

Property, plant and equipment is initially measured at cost

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

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

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

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

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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 recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

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 recognized 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 derecognized.

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	15 - 30 years
Landfill site	Straight-line	02 - 15 years
Plant and machinery	Straight-line	02 - 30 years
Furniture and fixtures	Straight-line	04 - 10 years
Motor vehicles	Straight-line	03 - 15 years
Office equipment	Straight-line	03 years
IT equipment	Straight-line	03 - 05 years
Infrastructure - roads and paving	Straight-line	05 - 80 years
Infrastructure - roads and stormwater	Straight-line	20 - 60 years
Infrastructure - electricity	Straight-line	15 - 50 years

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

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

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

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

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

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

Items of property, plant and equipment are derecognized when the asset is disposed off or when there are no further economic benefits or services 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 derecognized. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

### 1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognized in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.9 Heritage assets

#### Historical Cost

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

#### Subsequent Measurement

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

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

#### Initial Measurement

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

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 GRA

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

# **uMngeni Local Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Policies**

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

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.

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 5).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

### **Recognition**

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

### **Initial measurement**

Heritage assets are measured at cost.

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

### **Subsequent measurement**

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

### **Impairment**

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

### **Transfers**

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

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

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.9 Heritage assets (continued)

#### Derecognition

The municipality derecognizes heritage assets 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 derecognized (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 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.

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 recognized 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.

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

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

A financial asset is:

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

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.10 Financial instruments (continued)

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

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

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

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 a municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an municipality 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 a municipality'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 a municipality.

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 municipality 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 municipality 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;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- 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.

# uMngeni Local Municipality

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## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Call Deposits and primary Bank Account	Financial asset measured at amortised cost
Cash on hand	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Annuity loans	Financial liability measured at amortised cost
Trade creditors	Financial liability measured at amortised cost
Payments received in advance	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Staff leave	Financial liability measured at amortised cost
Other creditors	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

### 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 a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognizes 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 recognized when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.



# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.11 Statutory receivables (continued)

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Other charges

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

#### Impairment losses

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

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

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

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

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

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

Any previously recognized 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 recognized at the date the impairment is revised. The amount of any adjustment is recognized in surplus or deficit.

#### Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.11 Statutory receivables (continued)

- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognize the receivable; and
  - recognize 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 derecognized and, those amounts recognized, are recognized in surplus or deficit in the period of the transfer.

### 1.12 Tax

#### Value Added Tax (VAT)

The Municipality is registered with SARS for VAT on a cash basis in accordance with section 15 (2) (a) of the Value Added Tax act 81 of 1991

### 1.13 Leases

A lease 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 municipality assesses the classification of each element separately.

#### Finance leases - lessee

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

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

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

### 1.14 Impairment of cash-generating assets

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

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

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

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.14 Impairment of cash-generating assets (continued)

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

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

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

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

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

Useful life is either:

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

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

-Cash-generating assets are assets used with the primary objective of generating a commercial return. Commercial return means that the municipality is anticipated to receive revenue from the asset and the 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. A municipality shall designate an asset as non-cash-generating where its primary objective is not use to the asset to generate a commercial return but to deliver services

-All administrative assets, for example, vehicles, office equipment and furniture, plant and machinery, computer equipment and administrative land and buildings are held for the purpose of delivering services and therefore do not generate a commercial return.

-When it is not clear whether the objectives is to use the asset to generate a commercial return, the municipality shall designate the asset as a non-cash generating asset.

### Designation

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

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

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

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

### Identification

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

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

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

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.14 Impairment of cash-generating assets (continued)

#### Value in use

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

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

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

#### Discount rate

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

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.14 Impairment of cash-generating assets (continued)

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

# **uMngeni Local Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Policies**

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### **1.14 Impairment of cash-generating assets (continued)**

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

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

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

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

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.

### **1.15 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.

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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

-Cash-generating assets are assets used with the primary objective of generating a commercial return. Commercial return means that the municipality is anticipated to receive revenue from the asset and the 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. An entity shall designate an asset as non-cash generating when its primary objective is not to use the asset to generate a commercial return but to deliver services.

-All administrative assets for example, vehicles, office equipment and furniture, plant and machinery, computer equipment and administrative land and buildings are held for the purpose of delivering services and therefore do not generate a commercial return.

-Roads and stormwater infrastructure assets do not generate any direct commercial return and is therefore categorised as non-cash generating commercial return.

-When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality shall designate the asset as a non cash generating asset

### Designation

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

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

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

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

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

### Identification

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

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

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

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Recognition and measurement

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

An impairment loss is recognized immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognized 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 recognized, 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.



# **uMngeni Local Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Policies**

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

#### **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.

### **1.16 Employee benefits**

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

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

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

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

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

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

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

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

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

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises 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 benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognizes the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### 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 municipality 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 municipality 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 municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality 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 municipality account for the plan as if it was a defined contribution plan.

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.16 Employee benefits (continued)

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

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate municipality (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 municipality during a reporting period, the municipality recognises 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, a municipality recognises 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.

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.16 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 municipality recognises 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 municipality) that are held by a municipality (a fund) that is legally separate from the reporting municipality 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 municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality 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 recognises 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 municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality'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 municipality measures 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.

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.16 Employee benefits (continued)

The municipality determines 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 municipality recognizes 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;
- 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 municipality 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 municipality 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 municipality 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 municipality recognizes 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 municipality re-measure 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 presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality 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.

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, 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 municipality shall recognize 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 recognized as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognized immediately; and
- the effect of any curtailments or settlements.

# **uMngeni Local Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Policies**

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### **1.16 Employee benefits (continued)**

#### **Termination benefits**

The municipality recognizes 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 municipality 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.

### **1.17 Provisions and contingencies**

Provisions are recognized when:

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as an interest expense.

A provision is used only for expenditures for which the provision was originally recognized.

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

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

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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

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

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

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

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

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

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



# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.17 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

#### Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

### 1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.19 Revenue from exchange transactions

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

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

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

#### Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

#### Sale of goods

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

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

#### Rendering of services

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

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

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

# **uMngeni Local Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Policies**

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

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

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

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

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

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

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

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

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

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

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

### **Recognition**

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

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

### **Measurement**

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

# **uMngeni Local Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Policies**

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

#### **Taxes**

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

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

The 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.

#### **Transfers**

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

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

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

#### **Debt forgiveness and assumption of liabilities**

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### **Fines**

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

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

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

### **1.21 Investment income**

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

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.22 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.

### 1.23 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).

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

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

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

#### Binding arrangement

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

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

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

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

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

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

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

#### Recognition

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

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

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

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.24 Comparative figures

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

### 1.25 Unauthorised expenditure

In accordance with Section 1 of the MFMA, unauthorised expenditure, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11 (3) of the MFMA, and includes:

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

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.

### 1.26 Fruitless and wasteful expenditure

In accordance with Section 1 of the MFMA, fruitless and wasteful expenditure is defined as expenditure that was made in vain and would have been avoided had reasonable care been exercised.

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

### 1.27 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 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 excluded expenditure by a municipality which falls within the definition of "unauthorised expenditure"

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.28 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.

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.28 Segment information (continued)

#### Measurement

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

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

### 1.29 Budget information

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

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

The approved budget is prepared on an accrual basis and presented by economic 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.

### 1.30 Related parties

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

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

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

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

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

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

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

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

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

### 1.30 Related parties (continued)

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

### 1.31 Events after reporting date

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

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

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

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

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 2. New standards and interpretations

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

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

#### 2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	01 April 2015	The impact of the is not material.
• GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of the is not material.
• GRAP 104 (as revised): Financial Instruments	01 April 2025	The impact of the is not material.
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	The impact of the is not material.



## Notes to the Annual Financial Statements

Figures in Rand

### 3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	23,006,087	(3,692,119)	19,313,968	23,006,087	(3,416,556)	19,589,531

#### Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	19,589,531	(275,563)	19,313,968

#### Reconciliation of investment property - 2022

	Opening balance	Transfers to Property Plant and Equipment	Impairments	Depreciation	Total
Investment property	20,791,956	(616,725)	(271,360)	(314,340)	19,589,531

#### Investment property in the process of being constructed or developed

No investment property is currently in the process of being constructed or developed.

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

## uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>3. Investment property (continued)</b>		
<b>Maintenance of investment property</b>		
<b>The following maintenance costs were incurred:</b>		
<b>Preventative Maintenance incurred on</b>		
Revenue generating investment property	2,002,997	1,516,241
<b>Corrective Maintenance incurred on</b>		
Direct operating expenses (excluding repairs and maintenance)	(294,704)	(304,149)
Repairs and maintenance	-	(155,519)
	<b>1,708,293</b>	<b>1,056,573</b>

There was no repairs and maintenance incurred during the 2022/2023 financial year.

## uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

2023

2022

#### 4. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	204,334,004	(1,435,410)	202,898,594	204,334,004	(546,120)	203,787,884
Buildings	331,629,324	(130,846,236)	200,783,088	331,629,324	(116,451,544)	215,177,780
Plant and machinery	13,420,079	(7,948,946)	5,471,133	9,356,663	(7,204,179)	2,152,484
Furniture and fixtures	6,272,867	(5,011,333)	1,261,534	5,686,586	(4,683,583)	1,003,003
Motor vehicles	36,279,145	(13,002,505)	23,276,640	16,839,261	(12,226,039)	4,613,222
IT equipment	7,823,211	(4,858,006)	2,965,205	6,395,010	(4,041,439)	2,353,571
Electricity Infrastructure	147,239,858	(47,097,120)	100,142,738	132,436,788	(45,512,393)	86,924,395
Roads and stormwater infrastructure	775,000,326	(362,199,042)	412,801,284	766,558,982	(270,457,226)	496,101,756
Landfill Site	63,206,457	(30,120,111)	33,086,346	59,736,538	(25,635,850)	34,100,688
<b>Total</b>	<b>1,585,205,271</b>	<b>(602,518,709)</b>	<b>982,686,562</b>	<b>1,532,973,156</b>	<b>(486,758,373)</b>	<b>1,046,214,783</b>

**uMngeni Local Municipality**  
Annual Financial Statements for the year ended 30 June 2023

**Notes to the Annual Financial Statements**

Figures in Rand

**4. Property, plant and equipment (continued)**  
**Reconciliation of property, plant and equipment - 2023**

	Opening balance	Additions	Write Offs	Transfers received	Depreciation	Impairment loss	Total
Land	203,787,884	-	-	-	-	(889,290)	202,898,594
Buildings	215,177,780	-	-	-	(14,394,692)	-	200,783,088
Plant and machinery	2,152,484	4,063,415	-	-	(744,766)	-	5,471,133
Furniture and fixtures	1,003,003	586,281	-	-	(327,750)	-	1,261,534
Motor vehicles	4,613,222	20,489,761	(39,356)	-	(1,786,987)	-	23,276,640
IT equipment	2,353,571	1,428,201	-	-	(816,567)	-	2,965,205
Electricity Infrastructure	86,924,395	18,497,605	(1,575,251)	-	(3,704,011)	-	100,142,738
Roads and stormwater infrastructure	496,101,756	9,372,449	(628,867)	-	(34,029,223)	(58,014,831)	412,801,284
Landfill Site	34,100,688	6,847,435	-	(3,377,516)	(4,484,261)	-	33,086,346
	<b>1,046,214,783</b>	<b>61,285,147</b>	<b>(2,243,474)</b>	<b>(3,377,516)</b>	<b>(60,288,257)</b>	<b>(58,904,121)</b>	<b>982,686,562</b>

**uMngeni Local Municipality**  
Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

**4. Property, plant and equipment (continued)**  
**Reconciliation of property, plant and equipment - 2022**

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	203,218,595	-	(47,436)	616,725	-	-	203,787,884
Buildings	226,308,107	2,322,895	-	-	(13,453,222)	-	215,177,780
Plant and machinery	2,216,867	639,105	(14,824)	-	(687,932)	(732)	2,152,484
Furniture and fixtures	1,217,271	272,918	(11,660)	-	(469,828)	(5,698)	1,003,003
Motor vehicles	4,932,039	990,381	(25,321)	-	(1,283,877)	-	4,613,222
IT equipment	2,154,218	953,790	(32,426)	-	(721,996)	(15)	2,353,571
Electricity Infrastructure	79,069,701	11,478,488	-	-	(3,623,794)	-	86,924,395
Roads and stormwater infrastructure	525,661,821	17,235,314	(823,253)	-	(35,319,670)	(10,652,456)	496,101,756
Landfill Site	30,775,843	-	-	6,757,496	(3,432,651)	-	34,100,688
	<b>1,075,554,462</b>	<b>33,892,891</b>	<b>(954,920)</b>	<b>7,374,221</b>	<b>(58,992,970)</b>	<b>(10,658,901)</b>	<b>1,046,214,783</b>

**Reconciliation of Work-in-Progress 2023**

	Included within Infrastructure	Included within Roads & Stormwater	Included within Other PPE	Total
Opening balance	4,742,350	5,295,559	10,541,740	20,579,649
Additions/capital expenditure	-	9,372,449	18,497,604	27,870,053
Transferred to completed items	(4,742,350)	(7,808,821)	(5,454,126)	(18,005,297)
	<b>-</b>	<b>6,859,187</b>	<b>23,585,218</b>	<b>30,444,405</b>

**uMngeni Local Municipality**  
Annual Financial Statements for the year ended 30 June 2023

**Notes to the Annual Financial Statements**

Figures in Rand

**4. Property, plant and equipment (continued)**

**Reconciliation of Work-in-Progress 2022**

	Included within Infrastructure	Included within Roads & Stormwater	Included within Other PPE	Total
Opening balance	29,385,180	21,107,183	-	50,492,363
Additions/capital expenditure	2,322,895	17,235,313	11,478,488	31,036,696
Other movements	-	(8,503,388)	-	(8,503,388)
Transferred to completed items	(26,965,725)	(24,543,549)	(936,748)	(52,446,022)
	<b>4,742,350</b>	<b>5,295,559</b>	<b>10,541,740</b>	<b>20,579,649</b>

**uMngeni Local Municipality**  
Annual Financial Statements for the year ended 30 June 2023

**Notes to the Annual Financial Statements**

Figures in Rand

**4. Property, plant and equipment (continued)**

**Maintenance of property, plant and equipment**

**Maintenance of property, plant and equipment by condition - 2023**

	Preventative Maintenance Total	Corrective Maintenance		
		Planned	Total	Total
Electrical	-	8,057,000	8,057,000	8,057,000
Roads and Stormwater	-	11,272,282	11,272,282	11,272,282
Other Equipment	-	41,626	41,626	41,626
Buildings	-	3,613,814	3,613,814	3,613,814
Motor vehicles	-	3,017,475	3,017,475	3,017,475
	-	<b>26,002,197</b>	<b>26,002,197</b>	<b>26,002,197</b>

**Maintenance of property, plant and equipment by condition - 2022**

	Preventative Maintenance Total	Corrective Maintenance		
		Planned	Total	Total
Roads and Stormwater	-	16,146,318	16,146,318	16,146,318
Other Equipment	-	18,982	18,982	18,982
Buildings	-	3,136,006	3,136,006	3,136,006
Motor vehicles	-	1,659,079	1,659,079	1,659,079
Electrical	-	7,871,942	7,871,942	7,871,942
	-	<b>28,832,327</b>	<b>28,832,327</b>	<b>28,832,327</b>

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Heritage Assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	2,830,619	-	2,830,619	2,830,619	-	2,830,619
Historical buildings	490,000	-	490,000	490,000	-	490,000
Stamp collections, military insignia, medals, coin	60,000	-	60,000	60,000	-	60,000
<b>Total</b>	<b>3,380,619</b>	<b>-</b>	<b>3,380,619</b>	<b>3,380,619</b>	<b>-</b>	<b>3,380,619</b>

### Reconciliation of heritage assets 2023

	Opening balance	Total
Historical monuments	2,830,619	2,830,619
Historical buildings	490,000	490,000
Stamp collections, military insignia, medals, coin	60,000	60,000
	<b>3,380,619</b>	<b>3,380,619</b>

### Reconciliation of heritage assets 2022

	Opening balance	Total
Historical monuments	2,830,619	2,830,619
Historical buildings	490,000	490,000
Stamp collections, military insignia, medals, coin	60,000	60,000
	<b>3,380,619</b>	<b>3,380,619</b>



# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>6. Payables from exchange transactions</b>		
Trade Payables and Accruals	21,904,381	17,793,929
Payments received in advance	21,280,894	22,092,319
Leave Accruals	14,092,314	12,360,540
Retention	3,916,648	4,511,753
Accrued expense - DBSA accrued interest	-	266,636
Unidentified deposits	10,315,777	9,583,313
Salary Creditors	305,914	241,391
	<b>71,815,928</b>	<b>66,849,881</b>

## 7. Consumer deposits

Electricity	2,648,186	2,668,941
Housing rental	2,101,636	2,092,675
	<b>4,749,822</b>	<b>4,761,616</b>

## 8. Employee benefit obligations

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

<b>Carrying value</b>		
Present value of the defined benefit obligation - medical aid	(34,929,000)	(32,876,000)
Present value of the defined benefit obligation - long service awards	(3,097,000)	(3,122,000)
	<b>(38,026,000)</b>	<b>(35,998,000)</b>
Non-current liabilities	(34,929,000)	(32,876,000)
Current liabilities	(3,097,000)	(3,122,000)
	<b>(38,026,000)</b>	<b>(35,998,000)</b>

## Less: Transfer to Current Provisions

Post Employment Health Care Benefit Liability	28,984,000	28,402,000
Less : Transfer to Current Provisions	(1,353,000)	(1,441,000)

The major categories of plan assets as a percentage of total plan assets are as follows:

South African equities	- %	180.00 %
Other equities	- %	32.00 %
	-	-

The information for the 2022 / 2023 financial year on the above item was not provided by the Service Provider.

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

Opening balance	11,249,000	6,578,000
Net expense recognised in the statement of financial performance	7,081,000	4,671,000
	<b>18,330,000</b>	<b>11,249,000</b>

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>8. Employee benefit obligations (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	1,165,000	948,000
Interest cost	3,343,000	2,852,000
Actuarial (gains) losses	1,132,000	871,000
Curtailment	1,441,000	-
	<b>7,081,000</b>	<b>4,671,000</b>

### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12.45 %	8.06 %
Consumer Price Inflation	8.06 %	7.47 %
Salaries Inflation	5.67 %	8.47 %
Net Effective Discount Rate	6.42 %	2.18 %

### Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	-	1
Effect on defined benefit obligation	-	1

Amounts for the current and previous four years are as follows:

	2023	2022	2021	2020	2019
Defined benefit obligation	28,894,000	28,402,000	26,843,000	21,537,000	24,587,000

### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

### Other defined contribution plan

### 9. Non-Current Receivables from exchange transactions

Electricity Deposit to Eskom	6,883,855	6,587,421
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### 10. Receivables from non-exchange transactions

Transactions from non-exchange transactions - Property Rates	32,415,870	45,624,539
Transactions from non-exchange - Traffic Fines	469,613	450,380
	<b>32,885,483</b>	<b>46,074,919</b>

### 11. VAT receivable

VAT	10,940,566	14,448,155
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# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>11. VAT receivable (continued)</b>		
The above Vat receivables is inclusive of the Vat Provision amount of R 4 124 062 (2021-2022 R 4 649 651)		
<b>12. Receivables from Exchange Transactions</b>		
<b>Gross balances</b>		
Electricity	29,759,893	36,663,298
Accrued Income	1,511,346	2,036,861
Refuse	13,590,892	11,046,439
Business service levies	784,236	784,236
Sundry Debtors	1,148,925	961,268
Housing rental	3,302,672	3,347,787
Prepayments	-	1,905,407
	<b>50,097,964</b>	<b>56,745,296</b>
<b>Less: Allowance for impairment</b>		
Electricity	(18,271,699)	(23,503,749)
Refuse	(9,410,488)	(8,311,248)
Regional services levies	(928,215)	(830,404)
Housing rental	(3,007,408)	(3,030,795)
	<b>(31,617,810)</b>	<b>(35,676,196)</b>
<b>Net balance</b>		
Electricity	11,488,194	13,159,549
Sewerage	1,511,346	2,036,861
Refuse	4,180,404	2,735,191
Business service levies	784,236	784,236
Sundry Debtors	220,710	130,864
Housing rental	295,264	316,992
Prepayments	-	1,905,407
	<b>18,480,154</b>	<b>21,069,100</b>
<b>Statutory receivables included in receivables from non-exchange transactions are as follows, on a gross basis</b>		
Traffic Fines	19,232,568	17,818,293
Property rates - Vacant Land	19,663,293	8,473,707
Property rates - Other properties	-	11,952
Property rates - Public Service Infrastructure	767,373	855,287
Property rates - State Owned Properties	2,299,118	3,165,678
Property rates - Rural Residential	-	14,577,745
Property rates- Public Service Purpose Properties	463,884	-
Property rates - Mining and Quarry Properties	2,765,479	-
Property rates- Rural Commercial	-	9,932,778
Property rates- Rural Agricultural	13,746,744	7,400,190
Property rates- Business and Commercial	30,769,122	16,583,659
Property rates- Industrial	6,676,068	13,976,845
Property rates- Residential	105,507,758	115,727,836
	<b>201,891,407</b>	<b>208,523,970</b>

## uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Receivables from Exchange Transactions (continued)</b>		
<b>Statutory receivables that are past due and impaired included in receivables from non-exchange transactions are as follows:</b>		
Traffic Fines	18,762,955	17,367,913
Property rates- Vacant Land	15,549,356	6,397,084
Property rates- Other properties	-	9,412
Property rates- Public Service Infrastructure	764,722	853,253
Property rates- State Owned Properties	2,144,179	2,406,761
Property rates- Mining and Quarry	2,509,475	-
Property rates- Public Service Purposes	284,822	-
Property rates- Rural Residential	-	9,708,642
Property rates- Rural Commercial	-	8,609,145
Property rates- Rural Agriculture	10,288,616	5,100,186
Property rates- Business and Commercial	25,692,939	10,503,642
Property rates- Industrial	5,350,280	13,362,042
Property rates- Residential	87,658,579	88,130,969
	<b>169,005,923</b>	<b>162,449,049</b>
<b>Statutory receivables included in receivables from non-exchange transactions above are as follows, net of impairment:</b>		
Traffic Fines	469,613	450,380
Property rates- Vacant Land	4,113,937	2,076,622
Property rates- Other properties	-	2,541
Property rates- Public Service Infrastructure	2,651	2,033
Property rates- State Owned Properties	154,939	758,917
Property rates- Mining and Quarry	256,004	-
Property rates- Rural Residential	-	4,869,103
Property rates- Public Service Purposes	179,062	-
Property rates- Rural Commercial	-	1,323,632
Property rates- Rural Agricultural	3,458,128	2,300,005
Property rates- Business and Commercial	5,076,183	6,080,016
Property rates- Industrial	1,325,788	614,803
Property rates- Residential	17,849,178	27,596,699
	<b>32,885,483</b>	<b>46,074,751</b>
<b>Statutory receivables that are past due but are not impaired and included in receivables from non-exchange transactions:</b>		
Total Debts	182,658,839	190,705,676
Less: Debt below 90 days not considered past due as per ageing	(39,730,571)	(41,892,042)
Less: Debt recognised as past due and impaired	(150,242,969)	(145,081,136)
Total Debt	19,232,568	17,818,293
Less: Fines issued with a court date of appearance after 30 June 2023	(470,881)	(356,800)
Less: Debt recognised as past due and impaired	(18,762,955)	(17,367,912)
	<b>(7,315,969)</b>	<b>3,826,079</b>
<b>Financial asset receivables included in consumer debtors above</b>	<b>(352,417,176)</b>	<b>(349,903,919)</b>
<b>Receivables from Exchange Transactions</b>	<b>18,480,154</b>	<b>21,069,100</b>

## uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Receivables from Exchange Transactions (continued)</b>		
<b>Property Rates</b>		
Current (0 -30 days)	18,055,655	29,470,069
31 - 60 days	17,286,843	8,228,430
61 - 90 days	4,388,072	4,193,543
91 - 120 days	4,241,922	3,344,516
121 - 365 days	3,746,580	3,404,153
> 365 days	134,939,767	142,064,966
	<b>182,658,839</b>	<b>190,705,677</b>
<b>Transactions from exchange transactions</b>		
Transaction from exchange Transaction	50,097,964	56,745,296
Less: Debt Impairment	(31,617,809)	(35,676,197)
	<b>18,480,155</b>	<b>21,069,099</b>
<b>Gross amounts</b>		
Electricity	29,759,893	36,663,298
Refuse	13,590,285	11,046,439
Housing rental	3,302,672	3,347,787
Accrued Income	1,511,346	2,036,861
Prepayment	-	1,905,407
Other Recievables	784,236	784,236
Sundry	1,148,925	961,268
	<b>50,097,357</b>	<b>56,745,296</b>
<b>Less: Debt Impairment</b>		
Electricity	18,271,699	23,503,750
Refuse	9,410,487	8,311,248
Sundry Debtors	928,215	830,404
Rental	3,007,408	3,030,794
	<b>31,617,809</b>	<b>35,676,196</b>
<b>Gross</b>		
Electricity	11,488,194	13,159,548
Refuse	4,180,405	2,735,191
Accrued Income	1,511,346	131,697
Other Recievables	784,236	784,236
Rental	295,264	316,992
Prepayment	-	1,905,407
Sundry Debtors	220,709	130,864
	<b>18,480,154</b>	<b>19,163,935</b>
<b>Electricity</b>		
Current (0 -30 days)	6,633,062	6,920,893
31 - 60 days	1,317,315	1,806,323
61 - 90 days	564,484	993,329
91 - 120 days	510,390	682,591
121 - 365 days	687,678	551,485
> 365 days	20,046,964	25,708,676
	<b>29,759,893</b>	<b>36,663,297</b>

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Receivables from Exchange Transactions (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	1,017,251	774,603
31 - 60 days	609,260	416,124
61 - 90 days	450,945	311,513
91 - 120 days	431,823	321,753
121 - 365 days	417,912	276,111
> 365 days	10,663,094	8,946,335
	<b>13,590,285</b>	<b>11,046,439</b>
<b>Sundries</b>		
Current (0 -30 days)	375,550	31,976
31 - 60 days	51,281	96,393
61 - 90 days	48,446	9,420
91 - 120 days	25,728	26,275
121 - 365 days	9,412	3,745
> 365 days	638,509	793,459
	<b>1,148,926</b>	<b>961,268</b>
<b>Housing rental</b>		
Current (0 -30 days)	81,246	57,313
31 - 60 days	117,445	44,934
61 - 90 days	56,623	46,405
91 - 120 days	30,408	43,576
121 - 365 days	31,381	54,361
> 365 days	2,985,569	3,101,198
	<b>3,302,672</b>	<b>3,347,787</b>
<b>13. Receivables from non-Exchange Transaction</b>		
<b>Gross balances</b>		
Receivables from Non exchnage - Rates	182,658,839	190,705,677
Receivables from non-exchnage - Traffic Fines	19,232,568	17,818,293
	<b>201,891,407</b>	<b>208,523,970</b>
<b>Less: Allowance for impairment</b>		
Receivables from Non-exchnage - Rates	(150,242,969)	(145,081,138)
Receivables from non-exchnage - Traffic Fines	(18,762,955)	(17,367,913)
	<b>(169,005,924)</b>	<b>(162,449,051)</b>
<b>Net balance</b>		
Receivables from non-exchange - Rates	32,415,870	45,624,539
Receivables from non-exchnage - Traffic Fines	469,613	450,380
	<b>32,885,483</b>	<b>46,074,919</b>
<b>14. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	37	37
Bank balances	4,516,528	4,624,681
Short-term deposits	7,733,408	8,997,391
	<b>12,249,973</b>	<b>13,622,109</b>

## uMngeni Local 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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#### 14. Cash and cash equivalents (continued)

The municipality 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 - Primary Account 4063796636	4,514,445	4,624,681	10,024,659	4,516,528	4,624,681	8,870,861
FNB BANK - Call Account 62547030875	1,108,008	50,635	25,229	1,108,008	50,635	186,925
FNB BANK - Call Account 62821205425	128,529	90,723	1,289,673	128,529	90,723	1,014,807
FNB BANK -Fixed Deposit 74372357316	-	245,167	237,466	-	245,167	230,103
FNB BANK - Security Deposit 74547419339	-	2,343,008	2,255,409	-	2,343,008	2,156,744
ABSA BANK - Call account 9312757198	68,961	897,977	759,705	68,961	897,977	2,699,876
ABSA BANK - Call account 9244671585	59,315	40,099	2,202,860	59,315	40,099	5,209,756
ABSA BANK - Call account 9154612908	109,032	121,591	63,408	109,032	121,591	7,183,726
ABSA BANK - Call account 9312756980	300,942	285,019	273,565	300,942	285,019	687,697
INVESTEC BANK - Call account 1100503504500	38,022	-	1,645,243	38,022	-	1,116,654
INVESTEC BANK - Call account 1100503504452	-	1,948,581	-	-	1,948,581	-
ABSA BANK - Fixed Deposit 2074952988	220,753	210,272	203,287	220,753	210,272	195,796
FNB BANK - Security Deposit RU500475658	2,947,420	2,764,355	2,660,596	2,947,420	2,764,355	2,544,085
ABSA BANK - Traffic 9264784869	2,091	-	401,589	2,091	-	-
FNB BANK - Call account	2,752,418	-	-	2,752,418	-	-
Cash on hand	37	-	37	37	-	2,000
<b>Total</b>	<b>12,249,973</b>	<b>13,622,108</b>	<b>22,042,726</b>	<b>12,252,056</b>	<b>13,622,108</b>	<b>32,099,030</b>

#### 15. Sale of goods and rendering of services

Sale of goods	4,251,338	3,530,193
<b>Service</b>		
Building Plan fees	3,083,043	2,294,688
Tender Documents	85,218	27,826
Rate Clearance Certificates	665,036	732,746
Entrance Fees	42,478	889
Application fees	2,035	6,700
Cemetery and Burial fees	195,827	229,139
Photocopies and Faxes	9,299	11,151
Town Planning and servitudes	116,628	227,054
Domestic fees	261	-
Objection and Appeals	23,897	-
Advertisements	27,616	-
	<b>4,251,338</b>	<b>3,530,193</b>

# uMngeni Local 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	487,080	971,724
- in second to fifth year inclusive	-	483,949
- later than five years	-	(144,495)
	487,080	1,311,178
less: future finance charges	(9,178)	-
<b>Present value of minimum lease payments</b>	<b>477,902</b>	<b>1,311,178</b>
<b>Present value of minimum lease payments due</b>		
- within one year	477,902	836,407
- in second to fifth year inclusive	-	474,771
	<b>477,902</b>	<b>1,311,178</b>
Non-current liabilities	-	474,771
Current liabilities	477,902	836,407
	<b>477,902</b>	<b>1,311,178</b>

It is municipality policy to lease certain motor vehicles under finance leases.

## 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>		
Housing Grant	239,982	239,982
Nodal Plan and Land Scheme Grant	104,051	104,051
Provincial - Cedara College / Khanya Village	-	414,219
MAP Synergistic Partnership	133,796	155,296
Massification Grant	135,116	135,116
Sports and Recreation Maintenance Grant	11,042	11,042
	<b>623,987</b>	<b>1,059,706</b>

## Movement during the year

Balance at the beginning of the year	1,059,706	2,016,062
Additions during the year	148,858,025	125,168,087
Income recognition during the year	(150,541,718)	(128,243,855)
	<b>(623,987)</b>	<b>(1,059,706)</b>

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

See note 33 for reconciliation of grants from National/Provincial Government.

## 18. Annuity Loans

<b>At amortised cost</b>		
Opening Balance	-	9,992,003
Terms and conditions		
<b>Non-current liabilities</b>		
At amortised cost	-	7,361,608



# uMngeni Local 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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### 18. Annuity Loans (continued)

#### Current liabilities

At amortised cost	-	2,630,395
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### 19. Provisions

#### Reconciliation of provisions - 2023

	Opening Balance	Decrease in change in estimate and discount rate	Interest Cost	Total
Environmental rehabilitation	75,499,641	(3,377,516)	7,141,342	79,263,467

#### Reconciliation of provisions - 2022

	Opening Balance	Increase in change in estimate and discount rate	Interest Cost	Total
Environmental rehabilitation	63,503,137	6,757,495	5,239,009	75,499,641

### 20. Revenue

Sale of goods	4,251,338	3,530,193
Service charges	106,251,016	102,908,589
Royalty income	585,199	-
Rental of facilities and equipment	2,151,712	1,671,437
Interest received (trading)	3,990,221	3,428,897
Licences and permits	2,819,447	3,690,735
Miscellaneous other revenue	315,764	2,189,265
Fees earned	13,716	477,886
Other income - (rollup)	321,756	-
Interest received - investment	3,520,411	2,533,098
Property rates	238,061,560	231,693,524
Property rates - penalties imposed	10,214,329	15,940,213
Surcharges and Taxes	297	75,192
Government grants & subsidies	150,541,719	128,248,355
Public contributions and donations	200,224	-
Fines, Penalties and Forfeits	1,492,939	1,402,222
	<b>524,731,648</b>	<b>497,789,606</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	4,251,338	3,530,193
Service charges	106,251,016	102,908,589
Royalty income	585,199	-
Rental of facilities and equipment	2,151,712	1,671,437
Interest received (trading)	3,990,221	3,428,897
Licences and permits	2,819,447	3,690,735
Miscellaneous other revenue	315,764	2,189,265
Fees earned	13,716	477,886
Other income - (rollup)	321,756	-
Interest received - investment	3,520,411	2,533,098
	<b>124,220,580</b>	<b>120,430,100</b>

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>20. Revenue (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	238,061,560	231,693,524
Property rates - penalties imposed	10,214,329	15,940,213
Surcharges and Taxes	297	75,192
<b>Transfer revenue</b>		
Government grants & subsidies	150,541,719	128,248,355
Public contributions and donations	200,224	-
Fines, Penalties and Forfeits	1,492,939	1,402,222
	<b>400,511,068</b>	<b>377,359,506</b>
<b>21. Material and Supplies</b>		
Consumables stores	659,027	851,602
Material and supplies	1,492,677	805,754
	<b>2,151,704</b>	<b>1,657,356</b>
<b>22. Service charges</b>		
Sale of electricity	94,405,903	93,538,822
Refuse removal	11,845,113	9,369,767
	<b>106,251,016</b>	<b>102,908,589</b>
<p>The estimated Distribution loss R 37 341 457 ( 2022: R 12 609 419) is noted . There were 77 120 923 Kilowatts purchased, however 58 816 287 were sold resulting at a loss of 18 304 636 @ R2,04 c/R that makes an amount of R 37 341 457 (24%) loss (7% for 2022).</p> <p>The Municipality is applying its credit control and debt collection policy to reduce these losses, however the losses are of a technical nature and illegal connections. The Municipality is busy investing strategies to further reduce the losses.</p>		
<b>23. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities	2,151,712	1,671,437
	<b>2,151,712</b>	<b>1,671,437</b>
<b>24. Fines, Penalties and Forfeits</b>		
Overdue Books Fines	5,921	1,377
Municipal Traffic Fines	1,465,625	1,388,700
Property Rates Penalties	21,393	12,145
	<b>1,492,939</b>	<b>1,402,222</b>
<b>25. Loss on disposal of assets</b>		
Loss on disposal of assets and liabilities	(2,243,474)	(954,920)

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>26. Licences and permits</b>		
Road and Transport	978,094	1,878,811
Market Porters	24,227	18,018
Taxi Rank Permits	47,217	24,522
Drivers Licences Application / Duplicate Drivers Licences	1,769,909	1,769,384
	<b>2,819,447</b>	<b>3,690,735</b>
<b>27. Lease rentals on operating lease</b>		
<b>Motor vehicles</b>		
Contractual amounts	1,913,583	797,046
<b>Equipment</b>		
Contractual amounts	1,093,585	969,079
<b>Lease rentals on operating lease - Other</b>		
Contractual amounts	273,284	278,179
	<b>3,280,452</b>	<b>2,044,304</b>
<b>28. Surcharges and Taxes</b>		
Surcharges	297	75,192
<b>29. Interest received from exchange transactions</b>		
Interest received (trading)	3,990,221	3,428,897
<b>30. Discount Received</b>		
Discount Received	13,716	477,886
Other income	321,756	-
	<b>335,472</b>	<b>477,886</b>
<b>31. Staff and Council Recoveries</b>		
Staff and Council Recoveries	321,756	-
<b>32. Interest received - Investments</b>		
Interest Received - investments	3,520,411	2,533,098

## uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>33. Property rates</b>		
<b>Rates received</b>		
Residential Properties	177,526,390	139,719,257
Business and Commercial Properties	33,442,886	35,613,782
State owned Properties	678,655	2,849,204
Agricultural Properties	19,087,489	41,427,539
Industrial Properties	5,648,428	8,652,133
Public Benefit Organisation Properties	1,675,743	490,130
Mining and Quarry Properties	1,969	2,941,479
	<b>238,061,560</b>	<b>231,693,524</b>
Property rates - penalties imposed	10,214,329	15,940,213
	<b>248,275,889</b>	<b>247,633,737</b>

#### Valuations

Residential Properties	22,822,414,720	17,545,274,500
Commercial Properties	3,340,707,000	3,180,310,000
Vacant Land	1,088,679,000	-
Municipal Properties	387,148,000	295,779,325
State owned Properties	2,121,625,000	281,106,000
Industrial	733,397,000	2,161,204,000
Place of Worship	159,324,000	225,731,000
Agricultural	7,846,720,000	3,959,635,000
Mining and Quarry	10,200,000	26,944,000
	<b>38,510,214,720</b>	<b>27,675,983,825</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 June 2023 Interest at prime plus 1% per month (2023: 1%) and -% (2022: 1%), is levied on rates outstanding one months after due date.

The new general valuation was implemented on the 01 July 2022 with a fixed date of March 2022.

#### 34. Grants and Subsidies Paid

<b>Grant and subsidies paid</b>		
Grants in Aid	366,800	293,900
Grant in Aid	506,676	-
SPCA	533,100	360,000
	<b>1,406,576</b>	<b>653,900</b>

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>35. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	88,389,000	77,509,000
Expanded Public Works Programme Grant	1,400,000	980,000
Integrated National Electrification Grant	3,855,000	18,486,000
Library Staffing Costs	4,691,000	4,226,000
Finance Management Grant	1,720,000	1,720,000
Museum Grant	235,000	225,000
MAP Synergistic Partnership Grant	21,500	4,500
Housing Grant	-	951,855
Cedara College / Khanya Village Road	414,219	-
Energy Efficiency & Demand Side Management Grant	19,500	-
Municipal Infrastructure Grant	93,223	2,502,346
	<b>100,838,442</b>	<b>106,604,701</b>
<b>Capital grants</b>		
Integrated National Electrification Grant	15,000,000	-
Energy Efficiency & Demand Side Management Grant	3,980,500	-
Municipal Infrastructure Grant	30,722,777	21,643,654
	<b>49,703,277</b>	<b>21,643,654</b>
	<b>150,541,719</b>	<b>128,248,355</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	62,152,719	50,739,355
Unconditional grants received	88,389,000	77,509,000
	<b>150,541,719</b>	<b>128,248,355</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>Expanded Public Works Program</b>		
Current-year receipts	1,400,000	980,000
Conditions met - transferred to revenue	(1,400,000)	(980,000)
	-	-
Conditions have been met (see note 35 ).		
<b>Finance Management Grant</b>		
Current-year receipts	1,720,000	1,720,000
Conditions met - transferred to revenue	(1,720,000)	(1,720,000)
	-	-
Conditions have been met (see note 35 ).		
<b>Housing grant</b>		
Balance unspent at beginning of year	239,982	1,191,837
Conditions met - transferred to revenue	-	(951,855)

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>35. Government grants &amp; subsidies (continued)</b>	<b>239,982</b>	<b>239,982</b>
Conditions still to be met - remain liabilities (see note 17).		
<b>Integrated National Electricity Programme Grant</b>		
Current-year receipts	18,855,000	18,486,000
Conditions met - transferred to revenue	(18,855,000)	(18,486,000)
	-	-
Conditions have been met (see note 35).		
<b>Museum Grant</b>		
Current-year receipts	235,000	225,000
Conditions met - transferred to revenue	(235,000)	(225,000)
	-	-
Conditions have been met (see note 35).		
<b>Municipal Infrastructure Grant</b>		
Current-year receipts	30,816,000	24,146,000
Conditions met - transferred to revenue	(30,816,000)	(24,146,000)
	-	-
Conditions have been met (see note 35).		
<b>Housing Grant</b>		
Current-year receipts	-	515,672
Conditions met - transferred to revenue	-	(515,672)
	-	-
<b>Nodal Scheme Grant</b>		
Balance unspent at beginning of year	104,051	104,051
Conditions still to be met - remain liabilities (see note 17).		
<b>Provincial Libraries</b>		
Current-year receipts	4,691,000	4,226,000
Conditions met - transferred to revenue	(4,691,000)	(4,226,000)
	-	-
Conditions have been met (see note 33).		
<b>Provincial Government KZN:Capacity Building</b>		
Current-year receipts	200,224	-
Conditions met - transferred to revenue	(200,224)	-
	-	-

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>35. Government grants &amp; subsidies (continued)</b>		
Conditions have been met..		
<b>Provincial - Cedara College / Khanya Village</b>		
Balance unspent at beginning of year	414,219	414,219
Conditions met - transferred to revenue	(414,219)	-
	<b>-</b>	<b>414,219</b>
Conditions have been met		
<b>MAP Synergistic Grant</b>		
Balance unspent at beginning of year	155,296	155,296
Conditions met - transferred to revenue	(21,500)	-
	<b>133,796</b>	<b>155,296</b>
Conditions still to be met - remain liabilities (see note 17).		
<b>Massification Grant</b>		
Balance unspent at beginning of year	135,116	135,116
Conditions still to be met - remain liabilities (see note 17).		
<b>Sports and Recreation Maintenance Grant</b>		
Balance unspent at beginning of year	11,042	11,042
Conditions still to be met - remain liabilities (see note 17).		
<b>36. Bad Debts Written Off</b>		
Bad debts written off	41,418,570	-
The council resolved to write-offs bad debts		
<b>Services</b>		
Electricity	11,147,703	-
Property Rates	26,816,120	-
Refuse Removal	2,474,032	-
Sundry Debtors	980,715	-
	<b>41,418,570</b>	<b>-</b>
<b>37. Public contributions and donations</b>		
Computer Equipment	124,229	-
Machinery and Equipment	5,995	-
Transport Assets	70,000	-
	<b>200,224</b>	<b>-</b>

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>38. Employee related costs</b>		
Basic	82,380,418	76,607,779
Bonus - 13th Cheque	5,792,025	5,292,218
Medical aid - company contributions	12,001,495	7,300,390
UIF	608,416	565,810
WCA	903,979	743,744
Leave pay provision charge	3,652,743	5,351,219
Pension fund contributions	14,528,863	13,424,320
Overtime payments	11,136,952	8,361,323
Long-service awards	1,330,404	1,341,184
Acting allowances	542,707	390,868
Car allowance	6,007,581	4,925,347
Housing benefits and allowances	388,295	388,146
Bargaining Concil Levies	40,230	36,699
Cellphone Allowance	132,384	394,048
Standby Allowance	998,554	765,755
	<b>140,445,046</b>	<b>125,888,850</b>
<b>Remuneration of municipal manager - Ms T Cibane</b>		
Annual Remuneration	-	1,271,084
Cellphone Allowance	-	16,000
Leave Pay	-	99,837
	<b>-</b>	<b>1,386,921</b>
<b>Remuneration of Municipal Manager - Mr M Hloba</b>		
Annual Remuneration	1,069,500	760,466
Car Allowance	349,719	253,489
Acting Allowance	12,365	90,151
Cellphone Allowance	-	10,500
	<b>1,431,584</b>	<b>1,114,606</b>
<b>Remuneration of General Manager - Corporate Services</b>		
Annual Remuneration	977,682	981,200
Car Allowance	280,353	227,960
Acting Allowance	-	24,898
Cellphone Allowance	-	18,000
	<b>1,258,035</b>	<b>1,252,058</b>
<b>Remuneration of General Manager - Community Services</b>		
Annual Remuneration	894,595	760,466
Car Allowance	291,418	253,489
Cellphone Allowance	18,000	18,000
	<b>1,204,013</b>	<b>1,031,955</b>
<b>Remuneration of General Manager - Planning and Development</b>		
Annual Remuneration	894,595	760,466
Car Allowance	283,918	253,489
Cellphone Allowance	-	18,000
	<b>1,178,513</b>	<b>1,031,955</b>



# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>38. Employee related costs (continued)</b>		
<b>Remuneration of General Manager - Technical Services</b>		
Annual Remuneration	894,596	760,466
Car Allowance	291,418	253,489
Cellphone Allowance	-	10,500
	<b>1,186,014</b>	<b>1,024,455</b>
<b>39. Remuneration of councillors</b>		
Mayor	1,318,732	853,622
Deputy Mayor	1,071,002	642,529
Mayoral Committee Members	717,573	227,794
Speaker	787,136	528,662
Councillors	6,502,391	7,840,824
	<b>10,396,834</b>	<b>10,093,431</b>
<b>In-kind benefits</b>		
The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Mayor has use of a Council owned vehicle for official duties.		
The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.		
The Mayor has two full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.		
<b>Additional information</b>		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
<b>40. Depreciation and amortisation</b>		
Property, plant and equipment	60,288,257	58,992,970
Investment property	275,563	314,340
	<b>60,563,820</b>	<b>59,307,310</b>
<b>41. Impairment of non-cash generating assets</b>		
<b>Impairments</b>		
Property, plant and equipment	58,904,121	10,658,901
Investment property	-	271,360
	<b>58,904,121</b>	<b>10,930,261</b>
<b>42. Finance costs</b>		
Landfill Sites Interest Cost	7,141,342	5,239,009
Non-current borrowings	189,796	1,193,927
Trade and other payables	7,220	14,060
Finance leases	41,943	108,271
	<b>7,380,301</b>	<b>6,555,267</b>

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>43. Auditors' remuneration</b>		
Fees	2,802,835	3,195,934
<b>44. Debt impairment</b>		
Debt impairment	3,024,076	18,886,100
<b>Services</b>		
Fines	1,395,043	1,608,340
Refuse Removal	955,860	1,907,810
Electricity	(4,549,609)	3,292,137
Property Rates	5,161,832	11,442,821
Property Rental	60,951	-
Sundry Debtors	-	634,992
	<b>3,024,077</b>	<b>18,886,100</b>
<b>45. Operational expenditure</b>		
Advertising	741,782	583,287
Assessment rates & municipal charges	1,418,232	1,370,754
Auditors remuneration	2,802,835	3,195,934
Bank charges	1,169,209	1,033,947
Insurance	3,329,858	2,410,369
Conferences and seminars	763,746	567,452
Marketing	70,503	115,185
Levies	1,193,262	1,081,830
Fuel and oil	4,624,902	3,588,825
Printing and stationery	15,652	-
Protective clothing	474,555	617,595
Subscriptions and membership fees	1,285,418	811,028
Telephone and fax	1,001,718	990,864
Travel - local	616,342	251,770
Electricity and Water Utilities	14,092,696	13,746,499
Management Fees	-	409,274
Motor Vehicle Licenses and Registrations	130,953	124,833
Ward Commiittes	1,988,772	1,314,140
Other expenses	1,278,823	972,231
	<b>36,999,258</b>	<b>33,185,817</b>
<b>46. Bulk purchases</b>		
Electricity - Eskom	150,207,690	157,238,558
<b>47. Contracted services</b>		
<b>Outsourced Services</b>		
Administrative and Support Staff	5,123,804	6,313,332
Animal Care	623,437	75,075
Business and Advisory	3,251,041	5,109,882
IT Expenses	5,713,679	3,841,792
Cleaning Services	-	529,918
Clearing and Grass Cutting Services	2,619,818	219,252
Fire Services	277,694	328,250
Hire Charges	1,907,422	2,028,457
Postage and Courier	1,066,923	2,263,741
Connection/Dis-connection	5,241,432	5,533,036
Security Services	20,769,573	18,728,398

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>47. Contracted services (continued)</b>		
<b>Consultants and Professional Services</b>		
Business and Advisory	8,932,528	6,519,306
Infrastructure and Planning	4,890,007	6,344,550
Laboratory Services	24,930	166,500
Legal Cost	4,145,270	8,166,721
<b>Contractors</b>		
Disaster Management	259,000	160,000
Employee Wellness	90,785	-
Maintenance of Buildings and Facilities	3,613,814	3,291,525
Maintenance of Equipment	41,626	18,982
Maintenance of Unspecified Assets	22,346,758	25,780,724
Pest Control and Fumigation	436,927	370,087
Prepaid Electricity Vendors	622,802	707,267
	<b>91,999,270</b>	<b>96,496,795</b>
<b>48. Cash generated from operations</b>		
Deficit	(83,650,544)	(24,896,263)
<b>Adjustments for:</b>		
Depreciation and amortisation	60,563,820	59,307,310
Loss on disposal of Assets	2,243,474	954,920
Deemed Interest	41,943	108,271
Impairment deficit	58,904,121	10,930,261
Debt impairment	3,024,076	18,930,779
Bad debts written off	41,418,570	-
Actuarial Loss	(2,039,000)	(1,207,000)
Discount Received	(13,716)	(477,886)
Straight lining of operating lease expenses	(7,141,342)	5,239,009
Contribution to Staff Leave	1,731,775	(2,877,904)
<b>Changes in working capital:</b>		
Non-Current Receivables from exchange transactions	(4,599,286)	(14,191,245)
Receivables from Non Exchange Transaction	(6,565,433)	(22,177,180)
Provision	(4,338,416)	5,518,681
Payables from exchange transactions	3,090,206	(3,124,352)
Vat	3,507,589	(5,546,844)
Unspent conditional grants and receipts	(79,953)	(440,683)
Consumer deposits	(11,794)	(1,158)
Employee Obligations	4,067,000	2,833,000
	<b>70,153,090</b>	<b>28,881,716</b>
<b>49. Taxation</b>		
<b>Reconciliation of the tax expense</b>		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	28.00 %	28.00 %
<b>50. Operating deficit</b>		
Operating deficit for the year is stated after accounting for the following:		

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>50. Operating deficit (continued)</b>		
<b>Operating lease charges</b>		
Motor vehicles		
• Contractual amounts	1,913,583	797,046
Equipment		
• Contractual amounts	1,093,585	969,079
Lease rentals on operating lease - Other		
• Contractual amounts	273,284	278,179
	<b>3,280,452</b>	<b>2,044,304</b>
Loss on sale of property, plant and equipment	(2,243,474)	(954,920)
Impairment on property, plant and equipment	58,904,121	10,658,901
Impairment on investment property	-	271,360
Depreciation on property, plant and equipment	60,288,257	58,992,970
Depreciation on investment property	275,563	314,340
Employee costs	150,841,880	135,982,281

## 51. Financial instruments disclosure

### Categories of financial instruments

#### 2023

##### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	18,480,154	18,480,154
Other receivables from non-exchange transactions	32,893,483	32,893,483
Vat Receivables	10,939,522	10,939,522
Cash and cash equivalents	12,249,973	12,249,973
	<b>74,563,132</b>	<b>74,563,132</b>

##### Financial liabilities

	At amortised cost	Total
Finance Lease Liability	477,902	477,902
Unspent Grants	623,987	623,987
Trade and Other Payables	71,815,928	71,815,928
Consumer Deposits	4,749,822	4,749,822
	<b>77,667,639</b>	<b>77,667,639</b>

#### 2022

##### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	21,069,100	21,069,100
Other receivables from non-exchange transactions	46,074,919	46,074,919
Cash and cash equivalents	13,622,109	13,622,109
Vat Receivables	14,448,155	14,448,155
	<b>95,214,283</b>	<b>95,214,283</b>

##### Financial liabilities

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>51. Financial instruments disclosure (continued)</b>		
	At amortised cost	Total
Finance Lease Liability	1,311,178	1,311,178
Annuity Loans	9,992,004	9,992,004
Unspent Grants	1,059,706	1,059,706
Trade and Other Payables	66,849,880	66,849,880
Consumer Deposits	4,761,616	4,761,616
Employee Obligations	35,998,000	35,998,000
	<b>119,972,384</b>	<b>119,972,384</b>

## 52. Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

• Roads and Stormwater Refursing	866,359	-
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#### Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	12,205,880	-
• Landfil Site	1,500,000	-
• Electrical Assets	22,486,000	-
• Roads and Stormwater	39,530,981	-
• Community Assets	4,131,170	-
	<b>79,854,031</b>	<b>-</b>

#### Total capital commitments

Already contracted for but not provided for	866,359	-
Not yet contracted for and authorised by accounting officer	79,854,031	-
	<b>80,720,390</b>	<b>-</b>

### Total commitments

<b>Total commitments</b>		
Authorised capital expenditure	80,720,390	-

## 53. Contingencies

### Contingent liabilities

#### Contigent Liabilities

Contempt Order Application	-	85,991
Other Matters	1,137,894	3,212,515
Pothole Claims	3,409,060	295,841
Damages	300,000	1,150,000
Planning Matters	110,000	-
Eviction Matters	410,000	-
	<b>5,366,954</b>	<b>4,744,347</b>

There are other matters that the municipality can not quantify, to the value of R10 million.

## **uMngeni Local 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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#### **54. Related parties**

##### **Remuneration of management**

**uMngeni Local Municipality**  
Annual Financial Statements for the year ended 30 June 2023

**Notes to the Annual Financial Statements**

Figures in Rand

**54. Related parties (continued)**

**Management class: Councillors**

**2023**

<b>Name</b>	<b>Basic salary</b>	<b>Travel Allowance</b>	<b>Cellphone Allowance</b>	<b>Total</b>
Mayoral Committees	2,120,629	706,877	150,093	2,977,599
Councillors	4,965,919	1,655,306	798,010	7,419,235
	<b>7,086,548</b>	<b>2,362,183</b>	<b>948,103</b>	<b>10,396,834</b>

**2022**

<b>Name</b>	<b>Basic salary</b>	<b>Travel Allowance</b>	<b>Cellphone Allowance</b>	<b>Total</b>
Mayoral Committee	2,103,134	701,044	238,449	3,042,627
Councillors	4,708,998	1,149,830	717,312	6,576,140
	<b>6,812,132</b>	<b>1,850,874</b>	<b>955,761</b>	<b>9,618,767</b>

**Management class: Executive management**

**2023**

<b>Name</b>	<b>Basic salary</b>	<b>Cellphone Allowance</b>	<b>Travel Allowance</b>	<b>Total</b>
Chief Financial Officer	1,081,865	-	349,719	1,431,584
GM: Community Services	894,595	18,000	291,418	1,204,013
GM: Planning	894,595	-	291,418	1,186,013
GM: Corporate	985,182	-	280,352	1,265,534
GM: Technical	894,595	-	291,418	1,186,013
	<b>4,750,832</b>	<b>18,000</b>	<b>1,504,325</b>	<b>6,273,157</b>

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 54. Related parties (continued)

2022

Name	Basic salary	Cellphone Allowance	Travel Allowance	Leave Encashment	Total
Municipal Manager	1,271,084	16,000	-	99,837	1,386,921
Chief Financial Officer	850,618	10,500	253,489	-	1,114,607
GM:Community Services	760,466	18,000	253,489	-	1,031,955
GM:Planning	760,466	18,000	253,489	-	1,031,955
GM:Corporate	1,006,097	18,000	227,961	-	1,252,058
GM :Technical	760,466	10,500	253,489	-	1,024,455
	<b>5,409,197</b>	<b>91,000</b>	<b>1,241,917</b>	<b>99,837</b>	<b>6,841,951</b>

### 55. Prior period errors

Traffic fines issued in 2021/2022 financial year was incorrectly disclosed due to capturing error identified in the 2022/2023 financial year. Therefore, the municipality has to adjust the disclosed amount accordingly

### 56. Prior-year adjustments

Traffic fines adjustment after the reporting date

### Statement of Financial Position

2022

	Note	As previously reported	Correction of error	Restated
Total Current Assets		95,266,752	(52,468)	95,214,284
Total Non-Current Assets		1,075,772,353	-	1,075,772,353
Total Current Liabilities		(79,260,004)	-	(79,260,004)
Total Non-current Liabilities		(116,212,020)	-	(116,212,020)
Total Net Assets		(975,567,081)	52,468	(975,514,613)
		-	-	-



# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022			
<b>56. Prior-year adjustments (continued)</b>					
<b>Statement of Financial Performance</b>					
<b>2022</b>					
	Note	As previously reported	Correction of error	Re-classification	Restated
Total Revenue From Exchange Transactions		121,637,100	-	-	121,637,100
Total Revenue From Non-exchange Transaction		377,362,706	(3,200)	-	377,359,506
Contracted services		(96,393,410)	-	(103,384)	(96,496,794)
Lease rentals on Operating Lease		(2,255,959)	-	211,655	(2,044,304)
Finance Costs		(6,446,996)	-	(108,271)	(6,555,267)
Total Expenditure (excluding items that have been re-classified)		(418,841,258)	-	-	(418,841,258)
<b>Surplus for the year</b>		<b>(24,937,817)</b>	<b>(3,200)</b>	<b>-</b>	<b>(24,941,017)</b>

### Cash Flow Statement

**2022**

	Note	As previously reported	Restated
Cash Flows From Operating Activities		28,881,716	28,881,716
Cash Flows From Investing Activities		(33,892,891)	(33,892,891)
Cash Flows From Financing Activities		(3,851,044)	(3,851,044)
Cash and Cash Equivalents at the beginning of the year		22,484,328	22,484,328
		<b>13,622,109</b>	<b>13,622,109</b>

## 57. Risk management

### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Municipality. The utilisation of credit limits is regularly monitored.

## 58. Going concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlements of liabilities, contingent obligations and commitments will occur in the ordinary course of business. We draw attention to the fact that on 30 June 2023, the Municipality had an accumulated surplus of R 891,864,070, therefore indicating that the Municipality's total assets exceeded its liabilities by R 891,864,070. The annual financial statements have been prepared based on accounting policies applicable to a going concern, taking into account that material uncertainties related to events or conditions exist that may cast significant doubt upon the municipality's ability to continue as a going concern, were identified.

# uMngeni Local 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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### 58. Going concern (continued)

The municipality's current liabilities exceeded its current assets by R6,208,463 (2022: current assets exceeded its current liabilities by R15,954,279). The municipality has a net deficit of R83,650,543 (2022: R24,896,263). The municipality's cash and cash equivalents were R12,249,973 (2022: R13,622,109) which is not sufficient to cover the current liabilities of the municipality. Unspent grants are cash backed.

Net Debtors days have improved slightly, however there is still a high risk that all outstanding debtors will not be collected. Over the next 12 months the municipality is still committed to ensure that expenditure is kept within the funded and approved budget.

Whilst the current ratio is 0,93 which is below the norm of 2:1, The ability of the municipality to continue as a going concern is dependent on several factors, which includes the funding position of the municipality, the municipality's ability to raise rates and taxes as well as other factors as discussed below.

The most significant of these factors is the ability of the accounting officers to continue procure funding for the ongoing operations for the municipality, particularly the funding that has been gazetted to the municipality in terms of the Division of Revenue Act, the provincial agreements that are in place for specific municipal initiatives and also collecting the budgeted revenue and applying credit control measures on arear debt. As at 30 June 2023, there is no planned intention for the municipality to be disestablished or any significant services rendered by the municipality to be discontinued.

The assumption is therefore that the municipality will be able to continue operating for a period that is sufficient to carry out its commitments, obligations and objectives.

Whilst the municipality has a cash coverage ratio of nil months, the legislative power to levy rates or taxes enables the municipality to operate for the next 12 months. The municipality's net debtors days for collection of revenue is 203 days, however measures are also actively being implemented by the municipality to collect historic debt and reduce the current debtors book by applying the credit control policy and the revenue enhancement strategies that are currently in place.

As at 30 June 2023, The Municipality has incurred a net deficit of R83,650,543, which has been the result of non-cash items being the provision for bad debt, depreciation, provisions related to employee obligations, contribution to the landfill site and the impairment for non-generating assets. These are provisional estimates of future costs, that have been set aside for future obligations, should these occur.

### 59. Events after the reporting date

There are no events that took place after the reporting date - 30 June 2023

### 60. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	145,938,460	283,024,597
Irregular expenditure	71,479,317	68,159,459
Fruitless and wasteful expenditure	4,627,032	4,621,196
<b>Closing balance</b>	<b>222,044,809</b>	<b>355,805,252</b>

\*Refer to reconciling notes in the annual report

### 61. Unauthorised expenditure

Opening balance as previously reported	283,024,597	254,578,610
Add: Unauthorised expenditure - current	100,709,547	28,445,987
Less: Amount written off - prior period	(237,795,684)	-
<b>Closing balance</b>	<b>145,938,460</b>	<b>283,024,597</b>

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

Non-cash	85,373,454	26,648,131
Cash	15,336,093	1,797,856
	<b>100,709,547</b>	<b>28,445,987</b>

## uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>61. Unauthorised expenditure (continued)</b>		
<b>Unauthorised expenditure: Budget overspending – per municipal department:</b>		
Budget and Treasury	30,424,170	23,532,367
Executive and Council	70,285,377	4,913,620
	<b>100,709,547</b>	<b>28,445,987</b>
<b>62. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	4,621,196	4,607,136
Add: Fruitless and wasteful expenditure identified - current	5,836	14,060
<b>Closing balance</b>	<b>4,627,032</b>	<b>4,621,196</b>

# uMngeni Local Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

2023 2022

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

##### Details of fruitless and wasteful expenditure

	Description		
Finance Costs	Opening balance	4,621,196	4,607,136
Finance Costs	Interest on late payments - creditors	33	13,723
Finance Costs	Interest on late payments - water accounts	1,370	110
Finance Costs	Interest on late Payments - Electricity	4,433	227
		<b>4,627,032</b>	<b>4,621,196</b>

#### 63. Irregular expenditure

Opening balance as previously reported	68,159,459	52,067,532
Add: Irregular expenditure - current	3,319,858	-
Non - compliance with SCM Regulations	-	7,321,320
Non - compliance with SCM Regulations (advert)	-	8,770,607
<b>Closing balance</b>	<b>71,479,317</b>	<b>68,159,459</b>

#### 64. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(83,650,544)	(24,896,263)
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#### 65. Additional disclosure in terms of Municipal Finance Management Act

##### Contributions to organised local government

Opening balance	1,418,232	1,370,754
Current year subscription / fee	(1,418,232)	(1,370,754)

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## uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>65. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Audit fees</b>		
Opening balance	-	307,024
Current year subscription / fee	2,802,835	3,195,934
Amount paid - current year	(2,802,835)	(3,502,958)
	-	-
<b>PAYE and UIF</b>		
Current year subscription / fee	21,156,142	19,117,695
Amount paid - current year	(21,156,142)	(19,117,695)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	22,501,651	20,724,710
Amount paid - current year	(22,501,651)	(20,724,710)
	-	-
<b>VAT</b>		
VAT receivable	10,940,566	14,448,155
All VAT returns have been submitted on the due date throughout the year.		
<b>Supply chain management regulations</b>		
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.		
<b>Deviations</b>		
Impractically Impossible to obtain three quotations - Quarter 1	604,594	-
Impractically impossible to obtain three quotations - Quarter 2	872,773	-
Impractically impossible to obtain three quotations - Quarter 3	254,450	-
Impractically Impossible to obtain three quotations - Quarter 4	3,122,477	-
	<b>4,854,294</b>	<b>-</b>

### 66. Segment information

**uMngeni Local Municipality**  
Annual Financial Statements for the year ended 30 June 2023

**Notes to the Annual Financial Statements**

Figures in Rand

**66. Transitional provisions (continued)**

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

**2023**

	Community Services	Disaster Management	Economic Development, Planning and Tourism	Electricity and Roads and Stormwater	Housing	Property Services	Public Safety	Refuse Removal and Street Cleaning	Unallocated	Total
<b>Revenue</b>										
Fines, penalties and Forfeits	5,921	-	-	-	-	-	1,465,625	-	21,393	1,492,939
Government Grant and Subsidies	4,725,776	-	-	66,459,679	-	-	-	9,722,790	69,633,474	150,541,719
Public Contributions and Donations	-	-	-	-	-	-	-	-	200,224	200,224
Licenses and Permits	-	-	24,227	-	-	-	2,795,221	-	315,765	3,135,213
Property Rates	-	-	-	-	-	-	-	-	238,061,560	238,061,560
Property Rates Imposed	-	-	-	-	-	-	-	-	10,214,329	10,214,329
Rental Facilities	2,002,997	-	-	-	-	148,715	-	-	-	2,151,712
Sale of Goods	244,726	-	3,236,279	-	-	-	-	-	770,333	4,251,338
Surcharges and Taxis	-	-	297	-	-	-	-	-	-	297
Discount	-	-	-	-	-	-	-	-	13,716	13,716
Interest on Investment	-	-	-	-	-	-	-	-	3,520,411	3,520,411
Interest Recieved Trading	-	-	-	2,498,001	-	-	-	1,492,220	-	3,990,221
Service Charges	-	-	-	94,405,903	-	-	-	11,845,113	-	106,251,016
Staff and Council Reoverities	-	-	-	-	-	-	-	-	321,756	321,756
Acturial Gains	-	-	-	-	-	-	-	-	2,039,000	2,039,000
Gain from disposal of Assets	-	-	-	-	-	-	-	-	585,199	585,199
<b>Total segment revenue</b>	<b>6,979,420</b>	<b>-</b>	<b>3,260,803</b>	<b>163,363,583</b>	<b>-</b>	<b>148,715</b>	<b>4,260,846</b>	<b>23,060,123</b>	<b>325,697,160</b>	<b>526,770,650</b>
<b>Entity's revenue</b>										<b>526,770,650</b>

# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

	Community Services	Disaster Management	Economic Development, Planning and Tourism	Electricity and Roads and Stormwater	Housing	Property Services	Public Safety	Refuse Removal and Street Cleaning	Unallocated	Total
<b>66. Transitional provisions (continued)</b>										
<b>Expenditure</b>										
Bulk Purchases	-	-	-	(150,207,690)	-	-	-	-	-	(150,207,690)
Contracted Services	(978,007)	(259,000)	(991,264)	(25,553,707)	-	-	(651,140)	(6,208,446)	(57,357,706)	(91,999,270)
Employee Costs	(21,002,771)	-	(13,654,553)	(12,217,145)	(1,405,989)	-	(14,289,992)	(12,198,745)	(65,675,850)	(140,445,045)
Finance Costs	-	-	-	(206,153)	-	-	-	(7,141,342)	(32,806)	(7,380,301)
Debt Impairment	-	-	-	-	-	-	-	-	(3,024,076)	(3,024,076)
Operational Cost	(1,510,592)	(31,185)	(1,583,613)	(8,467,184)	(52,070)	(21,420)	(876,476)	(2,224,994)	(22,231,724)	(36,999,258)
Transfers and Subsidies	(366,800)	-	(533,100)	-	-	-	-	-	(506,676)	(1,406,576)
Depreciation	-	-	-	-	-	-	-	-	(60,563,820)	(60,563,820)
Materials and Suppliers	(76,336)	-	(8,910)	(453,935)	-	-	(37,154)	(791,413)	(783,955)	(2,151,703)
Write- off Impairment	-	-	-	-	-	-	-	-	(58,904,121)	(58,904,121)
Lease Rental on Operating	-	-	-	-	-	-	-	-	(3,280,452)	(3,280,452)
Bad debts written off	-	-	-	-	-	-	-	-	(41,418,571)	(41,418,571)
Loss on Disposal	-	-	-	-	-	-	-	-	(2,243,474)	(2,243,474)
Remuneration of Councillors	-	-	-	-	-	-	-	-	(10,396,833)	(10,396,833)
<b>Total segment expenditure</b>	<b>(23,934,506)</b>	<b>(290,185)</b>	<b>(16,771,440)</b>	<b>(197,105,814)</b>	<b>(1,458,059)</b>	<b>(21,420)</b>	<b>(15,854,762)</b>	<b>(28,564,940)</b>	<b>(326,420,064)</b>	<b>(610,421,190)</b>
<b>Total segment surplus/(deficit)</b>	<b>30,913,926</b>	<b>290,185</b>	<b>20,032,243</b>	<b>360,469,397</b>	<b>1,458,059</b>	<b>170,135</b>	<b>20,115,608</b>	<b>51,625,063</b>	<b>652,117,224</b>	<b>(83,727,179)</b>
<b>Assets</b>										
Work in Progress	-	-	-	-	-	-	-	-	28,465,107	28,465,107
Non-Current Assets	-	-	-	27,870,053	-	-	-	-	-	27,870,053
Office Equipment	1,239,163	-	330,864	-	-	-	-	-	-	1,570,027
Transport Assets	1,474,787	-	-	-	-	-	-	-	-	1,474,787
<b>Total segment assets</b>	<b>2,713,950</b>	<b>-</b>	<b>330,864</b>	<b>27,870,053</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,465,107</b>	<b>59,379,974</b>

# uMngeni Local Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

	Community Services	Disaster Management	Economic Development, Planning and Tourism	Electricity and Roads and Stormwater	Housing	Property Services	Public Safety	Refuse Removal and Street Cleaning	Unallocated	Total
<b>66. Transitional provisions (continued)</b>										
<b>Total assets as per Statement of financial Position</b>										<b>59,379,974</b>
<b>Liabilities</b>										
<b>Liabilities</b>	-	25	-	-	-	-	-	-	-	25
<b>Total liabilities as per Statement of financial Position</b>										<b>25</b>

In accordance with the Standard, parts of an entity would not meet the definition of the segment as these functions do not meet a service delivery or economic benefit directly, and therefore are administrative in nature. Administrative and Corporate Support, Human Resources, Executive and Council, Finance, IT, Internal Audit, Supply Chain Management and Municipal Managers office are considered administrative, and therefore have been disclosed as Unallocated.

#### 67. Budget differences

##### Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 10%

62.1 Service Charges - Electricity: The main contributing factor is the ongoing electricity theft the Municipality is facing. There are also illegal connections, both these factors result in a huge variance from what the Municipality had estimated to bill when compared to what is being collected.

62.2 Rental of Facilities & Equipment: The municipality has worked hard on putting measures in place and also monitoring the lease agreements renewal, this has yielded some positive results in the 2022/2023 Financial Year.

62.3 Licenses & Permits: Non-performance on licenses was impacted by the National problem where the public could not apply for licences due to the License equipment that was reported as being faulty, this issue was not quickly resolved Nationally, this unfortunately negatively affected the performance on this item.



# uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>67. Budget differences (continued)</b>		
62.4 Other Revenue: This did not perform to estimated budget because there are some shared GIS Services with the neighbouring Municipalities and not all Municipalities honour the payment obligations.		
62.5 Interest earned - Outstanding debtors: This translates to the huge amount recorded on the outstanding debtors age analysis, the Municipality wrote-off some debtors to the value of R41 million but the outstanding balance was still high.		
62.6 Fines, Penalties & Forfeits: Law offenders continue with not paying for traffic fines issued to them.		
62.7 Depreciation: This has been a continuous problem over the years, but with the cleaning up of the Fixed Asset Register, the Municipality will get to a stage where this item does not attract Unauthorised Expenditure. Asset verification and conditional assessments on municipal assets were conducted in Quarter 4, with the aim of confirming existence location and condition of municipal assets, this thorough exercise has resulted in over expenditure in what municipality has budgeted for, on depreciation.		
62.8 Finance Costs: The variance is caused by the interest on the landfill site (non- cash), after an assessment that was conducted by an Expert, which also contributes to the Unauthorised Expenditure.		
62.9 Debt impairment: There is a positive variance because the municipality wrote-off its long outstanding and irrecoverable debtors.		
62.10 Bad debts written off - In May 2023, Council Approved the written-off of long outstanding debtors from the books of the Municipality, unfortunately this item was provided in the year under review.		
62.11 Transfers and Subsidies: The municipality made a provision for transfer and subsidies.		
62.12 Loss on Disposable Assets: This is due to Roads and Stormwater rehabilitation conducted by the municipality during the year under review.		
62.13 Inventory Consumed: There were savings on this item because the Municipality embarked on some cost saving strategies that would lead to some sort of savings in the budget.		
62.14 General Expenses: The municipality had strict measures in place during the year to reduce costs on unnecessary expenditure which yielded a positive result in most items within other general expenditure items.		
<b>68. Operational revenue</b>		
Administration Handling Fees	52,781	50,903
Commission Received	1,144	1,400
Incidental Cash Surplus	958	1,905,320
Skills Development Levy Refund	13,391	46,820
Insurance Refund	247,490	184,822
	<b>315,764</b>	<b>2,189,265</b>
<b>69. Discount received</b>		
Fees earned	13,716	477,886
<b>70. Actuarial Gains</b>		
Actuarial gains for Medical Aid Benefit	(1,132,000)	(871,000)
Actuarial gains for Long Service Awards	(907,000)	(336,000)
	<b>(2,039,000)</b>	<b>(1,207,000)</b>
<b>71. Gains from disposal of assets</b>		
Gains from disposal of assets	585,199	-

