



uMngeni Local Municipality
Annual Financial Statements
for the year ended 30 June 2024

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	uMngeni Municipality
Nature of business and principal activities	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
Mayoral committee	Cllr C Pappas (Mayor)
Executive Mayor	Cllr S Mnikathi (Deputy Mayor)
	Cllr JE Holmes (Speaker)
Councillors	Cllr PA Passmoor
	Cllr HM Lake
	Cllr S Lamula
	Cllr KPJ Van Rensburg
	Cllr PC Le Roux
	Cllr TA Duggan
	Cllr T Skhakhane
	Cllr NF Buthelezi
	Cllr KP Msimango
	Cllr HN Mabaso
	Cllr SS Msibi
	Cllr B Mkhize
	Cllr SJ Zuma
	Cllr MM Mchunu
	Cllr H Maphumulo
	Cllr GT Dlamini
	Cllr RS Sokhela
	Cllr CT Mthalane
	Cllr SD Nkuna
	Cllr QSB Buthelezi
	Cllr FT Cele
	Cllr N Ndlovu (end date: 05/12/2023)
	Cllr NF Buthelezi (start date: 06/10/2023)
	Cllr N Mabawula (end date: 29/04/2024)
	Cllr D Malevu (end date: 29/04/2024)
Grading of local authority	Three
Chief Finance Officer (CFO)	Ms BP Msomi
Accounting Officer	Mr M Hloba
Registered office	Corner of Dicks and Somme Streets Howick 3290
Postal address	P O Box 5 Howick 3290
Bankers	ABSA Bank
Auditors	Office of the Auditor General Registered Auditors

uMngeni Local Municipality

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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:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
VAT	Value Added Tax
SARS	South African Revenue Services

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

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 surplus 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 surplus

The accounting officer has reviewed the municipality's cash flow forecast for the next financial year, the 1st of July 2024 to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations and government grants. 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 5 to 14, which have been prepared on the going concern basis, were approved by the accounting officer Accounting Officer on 31 August 2024 and were signed on its behalf by:



Accounting Officer
Mr M Hloba

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

1. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 969 027 068 and that the municipality's current assets exceed its liabilities by R 26 747 327.

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 53 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 38 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



Accounting Officer
Mr M Hloba

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

	Note(s)	2024	2023
	Note(s)	R	Restated* R
Assets			
Current Assets			
Cash and cash equivalents	13	34 052 606	12 249 974
Trade and Other Receivables from Exchange Transactions	11	31 226 616	18 480 154
Trade and Other Receivables from Non-Exchange Transactions	12	63 814 628	33 201 929
VAT receivable	10	6 098 230	6 500 860
		135 192 080	70 432 917
Non-Current Assets			
Investment property	3	19 221 860	19 313 968
Property, plant and equipment	4	1 047 754 374	990 385 449
Heritage Assets	5	3 380 619	3 380 619
Receivables from exchange transactions	9	7 427 476	6 883 855
		1 077 784 329	1 019 963 891
Non-Current Assets		1 077 784 329	1 019 963 891
Current Assets		135 192 080	70 432 917
Total Assets		1 212 976 409	1 090 396 808
Liabilities			
Current Liabilities			
Finance lease obligation	15	-	477 902
Payables from exchange transactions	6	94 777 470	67 041 449
Consumer deposits	7	4 631 752	4 749 822
Employee benefit obligation	8	2 338 000	3 097 000
Unspent conditional grants and receipts	16	6 697 530	623 987
		108 444 752	75 990 160
Non-Current Liabilities			
Employee benefit obligation	8	37 549 000	34 929 000
Provisions	17	97 955 589	87 537 307
		135 504 589	122 466 307
Non-Current Liabilities		135 504 589	122 466 307
Current Liabilities		108 444 752	75 990 160
Total Liabilities		243 949 341	198 456 467
Assets		1 212 976 409	1 090 396 808
Liabilities		(243 949 341)	(198 456 467)
Net Assets		969 027 068	891 940 341
Accumulated surplus		969 027 068	891 940 341
Total Net Assets		969 027 068	891 940 341

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

	Note(s)	2024	2023
	Note(s)	R	Restated* R
Revenue			
Revenue from exchange transactions			
Sale of goods and rendering of services	14	4 896 534	4 251 338
Service charges	20	124 784 048	106 251 016
Rental of facilities and equipment	21	1 802 402	2 151 712
Licences and permits	24	3 613 354	2 819 447
Interest received from exchange transactions		3 502 673	3 990 221
Staff and Council Recoveries	27	258 172	321 756
Interest received - bank and investments	28	4 663 623	3 520 411
Operational revenue	64	1 936 648	315 764
Discount Received	65	-	13 716
Remeasurements on employee benefits	66	1 160 000	2 039 000
Gain from disposal of assets	67	763 750	585 199
Total revenue from exchange transactions		147 381 204	126 259 580
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	261 026 917	238 061 560
Property rates - penalties imposed	29	12 219 173	10 214 329
Surcharges and Taxes	26	-	297
Transfer revenue			
Government grants & subsidies	31	159 716 457	150 541 719
Public contributions and donations	33	1 229 655	200 224
Fines, Penalties and Forfeits	22	360 416	1 493 789
Total revenue from non-exchange transactions		434 552 618	400 511 918
		147 381 204	126 259 580
		434 552 618	400 511 918
Total revenue	18	581 933 822	526 771 498
Expenditure			
Materials and supplies	19	(3 161 156)	(2 144 612)
Loss on disposal of assets	23	(4 141 853)	(2 243 474)
Lease rentals on operating lease	25	(2 294 521)	(3 280 452)
Transfers and Subsidies	30	(1 778 998)	(1 406 576)
Bad debts written off	32	(18 770 845)	(41 418 570)
Employee related costs	34	(150 662 405)	(140 445 046)
Remuneration of councillors	35	(11 752 902)	(10 396 834)
Depreciation and amortisation	36	(52 287 544)	(60 609 004)
Impairment of non-cash generating assets	37	24 462 784	(58 904 121)
Finance costs	38	(9 230 379)	(9 110 167)
Debt Impairment (reversal of impairment)	40	16 958 612	(3 204 551)
Operational expenditure	41	(39 856 644)	(37 029 017)
Bulk purchases	42	(182 055 909)	(149 835 253)
Contracted services	43	(70 275 338)	(93 489 857)
Total expenditure		(504 847 098)	(613 517 534)
		-	-
Total revenue		581 933 822	526 771 498
Total expenditure		(504 847 098)	(613 517 534)

uMngeni Local Municipality
Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

	Note(s)	2024	2023
Surplus (deficit) before taxation		77 086 724	(86 746 036)
Taxation		-	-
Surplus (deficit) for the year		77 086 724	(86 746 036)

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	975 743 317	975 743 317
Correction of errors -refer to note 50	2 943 060	2 943 060
Balance at 01 July 2022 as restated*	978 686 377	978 686 377
Changes in net assets		
Net income (losses) recognised directly in net assets	-	-
Deficit for the year	(86 746 036)	(86 746 036)
Total recognised income and expenses for the year	(86 746 036)	(86 746 036)
Total changes	(86 746 036)	(86 746 036)
Balance at 01 July 2023	891 940 344	891 940 344
Surplus for the year	77 086 724	77 086 724
Total changes	77 086 724	77 086 724
Balance at 30 June 2024	969 027 068	969 027 068
Note(s)		

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

	Note(s)	2024	2023
	Note(s)	R	Restated* R
Cash flows from operating activities			
Receipts			
Property rates and taxes		230 318 292	259 505 955
Services Charges: Electricity and Waste Management		123 256 420	75 122 962
Government Grants and Subsidies		165 790 000	148 439 136
Interest Received on Investment		4 663 623	3 520 411
Interest Received on Receivables		15 513 240	14 228 055
		539 541 575	500 816 519
Payments			
Employee Related Costs and Remuneration of Councillors		(159 068 223)	(145 043 106)
Suppliers		(271 596 100)	(287 021 077)
Finance costs		(38 960)	(238 959)
		(430 703 283)	(432 303 142)
Total receipts		539 541 575	500 816 519
Total payments		(430 703 283)	(432 303 142)
Net cash flows from operating activities	44	108 838 292	68 513 377
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(87 415 072)	(59 645 436)
Proceeds from Asset Disposal	4	857 314	585 199
Net cash flows from investing activities		(86 557 758)	(59 060 237)
Cash flows from financing activities			
Repayment of other financial liabilities		-	(9 992 003)
Finance lease payments		(477 902)	(833 275)
Net cash flows from financing activities		(477 902)	(10 825 278)
Net increase/(decrease) in cash and cash equivalents		21 802 632	(1 372 138)
Cash and cash equivalents at the beginning of the year		12 249 974	13 622 112
Cash and cash equivalents at the end of the year	13	34 052 606	12 249 974

Interest on receivables is calculated based on the best estimate of penalties that have been billed by the municipality.

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	5 609 203	437 813	6 047 016	4 896 534	(1 150 482)	
Service charges - Electricity	156 164 177	3 924 227	160 088 404	112 860 742	(47 227 662)	62.1
Service Charges - Refuse	10 752 478	3 058 592	13 811 070	11 923 306	(1 887 764)	62.2
Rental of facilities and equipment	1 370 048	104 718	1 474 766	1 802 402	327 636	62.3
Interest received (trading)	4 307 597	101 055	4 408 652	3 502 673	(905 979)	62.4
Licences and permits	2 444 538	221 448	2 665 986	2 761 518	95 532	
Other revenue	1 562 695	1 007 266	2 569 961	2 194 821	(375 140)	62.5
Interest received - investment	3 029 552	-	3 029 552	4 663 623	1 634 071	62.6
Gains on disposal of assets	315 900	384 100	700 000	763 750	63 750	
Total revenue from exchange transactions	185 556 188	9 239 219	194 795 407	145 369 369	(49 426 038)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	253 564 477	1 500 000	255 064 477	261 026 917	5 962 440	
Interest earned - outstanding debtors	13 677 456	-	13 677 456	12 219 173	(1 458 283)	62.7
Licences and Permits (Non-exchange)	1 954 471	(1 081 788)	872 683	851 836	(20 847)	
Transfer revenue						
Government grants & subsidies	114 187 350	(4 107 580)	110 079 770	108 514 254	(1 565 516)	
Fines, Penalties and Forfeits	2 957 170	147 511	3 104 681	360 416	(2 744 265)	62.8
Total revenue from non-exchange transactions	386 340 924	(3 541 857)	382 799 067	382 972 596	173 529	
'Total revenue from exchange transactions'	185 556 188	9 239 219	194 795 407	145 369 369	(49 426 038)	
'Total revenue from non-exchange transactions'	386 340 924	(3 541 857)	382 799 067	382 972 596	173 529	
Total revenue	571 897 112	5 697 362	577 594 474	528 341 965	(49 252 509)	
Expenditure						
Employee Related Costs	(155 965 773)	4 516 051	(151 449 722)	(148 443 852)	3 005 870	
Remuneration of councillors	(11 326 672)	(589 492)	(11 916 164)	(11 752 900)	163 264	
Depreciation and amortisation	(51 439 264)	(8 613 868)	(60 053 132)	(52 287 544)	7 765 588	
Impairment loss/ Reversal of impairments	(10 242 707)	(2 414 822)	(12 657 529)	41 421 392	54 078 921	62.9
Inventory Consumed	(4 722 194)	(1 215 103)	(5 937 297)	(3 161 156)	2 776 141	62.10
Finance costs	(47 362)	(13 144)	(60 506)	(9 230 379)	(9 169 873)	62.11
Bad debts written off	-	(1 029 751)	(1 029 751)	(18 770 844)	(17 741 093)	62.12
Bulk purchases	(190 198 440)	5 800 000	(184 398 440)	(182 055 909)	2 342 531	
Contracted Services	(80 964 258)	6 548 490	(74 415 768)	(60 875 424)	13 540 344	62.13
Transfers and Subsidies	(1 520 000)	(547 163)	(2 067 163)	(1 778 998)	288 165	62.14
Loss on Disposal of Assets	-	(1 062 417)	(1 062 417)	(4 141 853)	(3 079 436)	62.15
General Expenses	(65 163 035)	(7 220 480)	(72 383 515)	(52 609 631)	19 773 884	62.16

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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
Total expenditure	(571 589 705)	(5 841 699)	(577 431 404)	(503 687 098)	73 744 306	
	571 897 112	5 697 362	577 594 474	528 341 965	(49 252 509)	
	(571 589 705)	(5 841 699)	(577 431 404)	(503 687 098)	73 744 306	
Operating surplus	307 407	(144 337)	163 070	24 654 867	24 491 797	
Transfers and Subsidies - Capital	48 107 650	8 226 566	56 334 216	51 202 203	(5 132 013)	
Gain on foreign exchange	-	1 129 700	1 129 700	1 229 655	99 955	
	48 107 650	9 356 266	57 463 916	52 431 858	(5 032 058)	
Surplus / (Deficit) for the year	-	-	-	-	-	
Surplus / (Deficit) for the year	48 107 650	9 212 228	57 319 878	(77 086 724)	(134 406 602)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(48 107 650)	(9 212 228)	(57 319 878)	77 086 724	134 406 602	

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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
Statement of Financial Position						
Assets						
Current Assets						
Trade and Other Receivables from Non-Exchange Transactions	85 470 809	(27 034 231)	58 436 578	65 526 577	7 089 999	62.17
VAT receivable	11 611 509	(1 192 167)	10 419 342	8 016 877	(2 402 465)	62.18
Receivables From Exchange Transactions	24 686 302	1 579 876	26 266 178	29 514 668	3 248 490	62.19
Cash and cash equivalents	40 982 244	(35 902 872)	5 079 372	34 052 606	28 973 234	62.20
	162 750 864	(62 549 394)	100 201 470	137 110 728	36 909 258	
Non-Current Assets						
Investment property	56 086 889	(37 126 745)	18 960 144	19 221 860	261 716	
Property, plant and equipment	1 075 606 477	(47 882 227)	1 027 724 250	1 047 754 375	20 030 125	62.21
Heritage Assets	5 398 314	(2 017 695)	3 380 619	3 380 619	-	
Receivables from exchange transactions	5 718 318	1 165 537	6 883 855	7 427 475	543 620	
	1 142 809 998	(85 861 130)	1 056 948 868	1 077 784 329	20 835 461	
Non-Current Assets	1 142 809 998	(85 861 130)	1 056 948 868	1 077 784 329	20 835 461	
Current Assets	162 750 864	(62 549 394)	100 201 470	137 110 728	36 909 258	
Total Assets	1 305 560 862	(148 410 524)	1 157 150 338	1 214 895 057	57 744 719	
Liabilities						
Current Liabilities						
Finance lease obligation	2 275 251	(1 797 349)	477 902	-	(477 902)	62.22
Payables from exchange transactions	51 427 026	11 530 743	62 957 769	80 359 060	17 401 291	62.23
Provisions	41 840 312	(17 821 390)	24 018 922	16 756 399	(7 262 523)	62..24
VAT payable	7 465 956	(6 389 718)	1 076 238	1 918 649	842 411	
Consumer deposits	4 390 025	170 668	4 560 693	4 631 753	71 060	
Unspent conditional grants and receipts	-	-	-	6 697 530	6 697 530	62.25
	107 398 570	(14 307 046)	93 091 524	110 363 391	17 271 867	
Non-Current Liabilities						
Employee benefit obligation	20 000 000	6 961 000	26 961 000	29 127 000	2 166 000	
Provisions	62 711 195	23 604 139	86 315 334	106 377 598	20 062 264	62,24
	82 711 195	30 565 139	113 276 334	135 504 598	22 228 264	
	107 398 570	(14 307 046)	93 091 524	110 363 391	17 271 867	
Non - Current Liabilities	82 711 195	30 565 139	113 276 334	135 504 598	22 228 264	
	-	-	-	-	-	
Total Liabilities	190 109 765	16 258 093	206 367 858	245 867 989	39 500 131	
Assets	1 305 560 862	(148 410 524)	1 157 150 338	1 214 895 057	57 744 719	
Liabilities	(190 109 765)	(16 258 093)	(206 367 858)	(245 867 989)	(39 500 131)	
Net Assets	1 115 451 097	(164 668 617)	950 782 480	969 027 068	18 244 588	

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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
Net Assets						
Reserves						
Accumulated surplus	1 115 451 097	(164 668 617)	950 782 480	969 027 068	18 244 588	

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property Rates	240 886 253	(3 676 289)	237 209 964	243 396 437	6 186 473	
Service Charges	190 150 484	(2 036 680)	188 113 804	123 912 519	(64 201 285)	62,26
Transfers and Subsidies	114 187 350	(4 731 566)	109 455 784	114 587 797	5 132 013	
Interest income	3 029 552	-	3 029 552	4 663 623	1 634 071	62,27
Other revenue	77 829 111	5 595 446	83 424 557	1 778 996	(81 645 561)	62,28
Transfers and Subsidies - Capital	48 107 650	8 226 566	56 334 216	51 202 203	(5 132 013)	
	674 190 400	3 377 477	677 567 877	539 541 575	(138 026 302)	
Payments						
Suppliers and Employee Costs	(577 539 764)	13 601 829	(563 937 935)	(428 885 326)	135 052 609	62,29
Finance costs	(47 362)	(13 144)	(60 506)	(38 960)	21 546	
Transfers and Grants	(1 527 670)	(560 293)	(2 087 963)	(1 778 998)	308 965	
	(579 114 796)	13 028 392	(566 086 404)	(430 703 284)	135 383 120	
Total receipts	674 190 400	3 377 477	677 567 877	539 541 575	(138 026 302)	
Total payments	(579 114 796)	13 028 392	(566 086 404)	(430 703 284)	135 383 120	
Net cash flows from operating activities	95 075 604	16 405 869	111 481 473	108 838 291	(2 643 182)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(96 390 297)	(22 390 647)	(118 780 944)	(87 415 072)	31 365 872	62,30
Proceeds from sale of property, plant and equipment	315 900	384 100	700 000	857 315	157 315	
Net cash flows from investing activities	(96 074 397)	(22 006 547)	(118 080 944)	(86 557 757)	31 523 187	
Cash flows from financing activities						
Increase / (decrease) in consumer deposits	(189 129)	-	(189 129)	118 070	307 199	
Finance lease Payments	-	-	-	(477 902)	(477 902)	
Net cash flows from financing activities	-	-	-	(477 902)	(477 902)	
Net increase/(decrease) in cash and cash equivalents	(998 793)	(5 600 678)	(6 599 471)	21 802 632	28 402 103	
Cash and Cash equivalents at the beginning of the year	42 170 166	(29 920 193)	12 249 973	12 249 974	1	00
Cash and cash equivalents at the end of the year	41 171 373	(35 520 871)	5 650 502	34 052 606	28 402 104	

The accounting policies on page s 15 to 48 and the notes on page s 49 to 93 form an integral part of the annual financial statements.

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

	Note(s)	2024	2023
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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 2024

Accounting Policies

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 17 - 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

A Municipality 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 2024

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

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.

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.

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.6 Investment property (continued)

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.

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

Initial Recognition

Cost Model- measures the asset after its acquisition at its cost, less any accumulated depreciation at its cost less any accumulated depreciation and accumulated impairment losses

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.

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Property, plant and equipment (continued)

Initial Recognition and 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.

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 - 30 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.

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Property, plant and equipment (continued)

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.

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.

Derecognition:

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

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.8 Site restoration and dismantling cost (continued)

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance:

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 generationst

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

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

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

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.

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.9 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

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.

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 municipality's statement of financial position.

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

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

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

- 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.

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Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

Classification

The entity 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
Trade creditors	Financial liability measured at amortised cost
Payments received in advance	Financial liability measured at amortised cost
Consumer Deposit	Financial liability measured at amortised cost
Staff leave	Financial liability measured at amortised cost
Other creditors	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;

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Statutory receivables (continued)

- 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.

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, 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 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.

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Accounting Policies

1.11 Statutory receivables (continued)

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;
- 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.

uMngeni Local Municipality

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Accounting Policies

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.

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 of 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 when 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.

uMngeni Local Municipality

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Accounting Policies

1.14 Inventories (continued)

Identification

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

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

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

Value in use

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

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

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

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Accounting Policies

1.14 Inventories (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 2024

Accounting Policies

1.14 Inventories (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

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Accounting Policies

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.

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Accounting Policies

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.

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.

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Accounting Policies

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 entity, unless either:

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

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

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

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

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

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

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

uMngeni Local Municipality

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Accounting Policies

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 entity 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 entity 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 entity 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 entity provides post-employment benefits for one or more employees.

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

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

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

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

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

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

uMngeni Local Municipality

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Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity 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, an entity 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

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Accounting Policies

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 entity 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 entity) that are held by a entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

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

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

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

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity 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 entity'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 entity's informal practices would cause unacceptable damage to its relationship with employees.

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity 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.

The entity 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.

uMngeni Local Municipality

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Accounting Policies

1.16 Employee benefits (continued)

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

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

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

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

The entity 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 entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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 entity 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.

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.16 Employee benefits (continued)

Termination benefits

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

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

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

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

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

1.17 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 .

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 2024

Accounting Policies

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 47.

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 2024

Accounting Policies

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

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Accounting Policies

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

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Accounting Policies

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

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 2024

Accounting Policies

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 2024

Accounting Policies

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 Material and supplies

Materials and supplies refer to consumable items utilised in the provision of municipal services. These include materials utilised for repairs and maintenance, as well as the day-to-day operations of the municipality. Materials and supplies are recognised as an expense when they are consumed in the operations of the municipality.

1.24 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.

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Accounting Policies

1.24 Accounting by principals and agents (continued)

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

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

1.25 Contracted Services

Contracted services refer to services provided by external entities or individuals that are engaged to perform specific tasks or functions on behalf of municipality.

Contracted services are measured at the actual cost incurred. This includes direct payments to contractors and any directly attributable costs associated with the provision of contracted services.

1.26 Operational expenditure

Operational costs refer to the ongoing expense incurred by municipality in the daily functioning of its services and programs. This relates to the provision of goods and services to the municipality, rather than performing specific tasks or functions on behalf of the municipality.

Operational expenditure is measured at the actual cost incurred, and is recognised as expenses in the period in which the services are rendered.

1.27 Bulk purchases

Bulk Purchases refer to electricity purchased from Eskom as well as alternative service providers. It is measured at the actual cost incurred and are recognised as expenses in the period in which the services are rendered.

1.28 Comparative figures

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

1.29 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.

1.30 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..

uMngeni Local Municipality

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Accounting Policies

1.31 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).

1.32 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.

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.

1.33 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 2023/07/01 to 2024/06/30.

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

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.34 Related parties

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the municipality, includingK 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.

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.

1.35 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.

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024

2023

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 amendments to the standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">iGRAP 21: The Effect of Past Decisions on MaterialityGRAP 25 (as revised): Employee BenefitsiGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interactionGRAP 2020: Improvements to the Standards of GRAP 2020Guideline: Guideline on Accounting for Landfill SitesGRAP 1 (amended): Presentation of Financial Statements (Materiality)	<ul style="list-style-type: none">01 April 202301 April 202301 April 202301 April 202301 April 202301 April 2023	<ul style="list-style-type: none">The impact is not material.The impact is not material.The impact is not material.The impact is not material.The impact is not material.The impact is not material.

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 107 MergersGRAP 106 Transfer of Functions Between Entities Not Under Common ControlGRAP 105 Transfer of Functions Between Entities Under Common ControlGRAP 2023 Improvements to the Standards of GRAP 2023GRAP 1 (amended): Presentation of Financial Statements (Going Concern)GRAP 103 (as revised): Heritage AssetsiGRAP 22 Foreign Currency Transactions and Advance ConsiderationGRAP 104 (as revised): Financial Instruments	<ul style="list-style-type: none">To be determinedTo be determinedTo be determinedTo be determinedTo be determinedTo be determined01 April 202501 April 2025	<ul style="list-style-type: none">Unlikely there will be a material impactUnlikely there will be a material impactUnlikely there will be a material impactImpact is currently being assessedUnlikely there will be a material impactUnlikely there will be a material impactUnlikely there will be a material impactImpact is currently being assessed

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

3. Investment property

	2024		2023	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
				Accumulated depreciation and accumulated impairment
Investment property	23 006 087	(3 784 227)	19 221 860	23 006 087
				(3 692 119)
				19 313 968

Reconciliation of investment property - 2024

Investment property

	Opening balance	Depreciation	Total
Investment property	19 313 968	(92 108)	19 221 860

Reconciliation of investment property - 2023

Investment property

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

All of the municipality's investments properties are held under freehold interest and none had been pledged as security for any liabilities of the Municipality. There are no restrictions on the realisability of investment property or remittance of revenue. There are no contractual obligations on investment property. There were no repairs and maintenance expensed on non-rental generating investment property.

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 2024

Notes to the Annual Financial Statements

	2024	2023
3. Investment property (continued)		
Maintenance of investment property		
The following maintenance costs were incurred:		
Preventative Maintenance incurred on		
Revenue generating investment property	1 626 669	2 002 997
Corrective Maintenance incurred on		
Direct operating expenses (excluding repairs and maintenance	(220 304)	(294 704)
Repairs and maintenance	(217 577)	-
	1 188 788	1 708 293

uMngeni Local Municipality

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Notes to the Annual Financial Statements

	2024			2023		
	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	(1 435 410)	202 898 594
Buildings	321 028 123	(138 881 895)	182 146 228	319 141 824	(127 342 576)	191 799 248
Plant and machinery	14 955 809	(8 737 068)	6 218 741	13 420 079	(7 948 946)	5 471 133
Furniture and fixtures	6 309 090	(5 267 927)	1 041 163	6 272 867	(5 011 333)	1 261 534
Motor vehicles	44 934 417	(15 683 073)	29 251 344	36 279 146	(13 002 505)	23 276 641
IT equipment	9 205 028	(5 513 388)	3 691 640	7 823 211	(4 858 006)	2 965 205
Electricity Infrastructure	170 366 244	(52 027 893)	118 338 351	148 369 449	(47 142 303)	101 227 146
Roads and stormwater infrastructure	809 757 915	(360 738 587)	449 019 328	775 070 829	(362 199 042)	412 871 787
Landfill Site	90 628 326	(35 479 341)	55 148 985	82 237 931	(33 623 770)	48 614 161
Total	1 671 518 956	(623 764 582)	1 047 754 374	1 592 949 340	(602 563 891)	990 385 449

uMngeni Local Municipality
Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

4. Property, plant and equipment (continued)
Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss (Reversal of loss)	Total
Land	202 898 594	-	-	-	-	-	202 898 594
Buildings	191 799 248	1 717 434	(5 714)	181 355	(11 223 078)	(323 017)	182 146 228
Plant and machinery	5 471 133	1 714 060	(53 988)	-	(912 464)	-	6 218 741
Furniture and fixtures	1 261 534	107 548	(1 783)	-	(326 136)	-	1 041 163
Motor vehicles	23 276 641	9 244 385	(78 972)	-	(3 190 710)	-	29 251 344
IT equipment	2 965 205	1 757 397	(94 961)	-	(936 001)	-	3 691 640
Electricity Infrastructure	101 227 146	22 998 044	(376 484)	(181 355)	(5 329 000)	-	118 338 351
Roads and stormwater infrastructure	412 871 787	43 942 329	(4 158 113)	-	(24 669 221)	21 032 546	449 019 328
Landfill Site	48 614 161	7 163 531	-	1 226 864	(5 608 826)	3 753 255	55 148 985
	990 385 449	88 644 728	(4 770 015)	1 226 864	(52 195 436)	24 462 784	1 047 754 374

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	203 787 884	-	-	-	-	(889 290)	202 898 594
Buildings	205 783 869	-	-	-	(13 984 621)	-	191 799 248
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	20 489 762	(39 356)	-	(1 786 987)	-	23 276 641
IT equipment	2 353 571	1 428 201	-	-	(816 567)	-	2 965 205
Electricity Infrastructure	88 053 985	18 497 606	(1 575 251)	-	(3 749 194)	-	101 227 146
Roads and stormwater infrastructure	496 101 756	9 442 952	(628 867)	-	(34 029 223)	(58 014 831)	412 871 787
Landfill Site	43 494 599	6 847 435	-	3 166 459	(4 894 332)	-	48 614 161
	1 047 344 373	61 355 652	(2 243 474)	3 166 459	(60 333 440)	(58 904 121)	990 385 449

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
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4. Property, plant and equipment (continued)

Pledged as security

There are no assets pledged as security.

Details of properties

Khayelisha and Stormwater rising Main and Pump

Terms and conditions

Capital Expenditure

- Impairment

13 798 948	13 798 948
(8 503 388)	(8 503 388)
5 295 560	5 295 560

There were no projects identified to be taking significantly longer time to complete than expected. One project has been halted during the prior years

Construction of Khayelisha and stormwater Rising Main & Pump was halted due to Budgeting and financial Constraints

Reconciliation of work in Progress 2024

	Included within Solid Waste	Included within Buildings	Included with Roads & Stormwater	Included within Electrical	Total
Opening balance	-	-	6 929 689	23 585 218	30 514 907
Additions	1 901 431	1 717 416	43 942 329	22 998 046	70 559 222
Transferred to completed items	(1 901 431)	(1 717 416)	(36 221 118)	(4 459 800)	(44 299 765)
	-	-	14 650 900	42 123 464	56 774 364

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	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
Prior Year Additions Adjustment	-	70 502	-	70 502
Transferred to completed items	(4 742 350)	(7 808 821)	(5 454 126)	(18 005 297)
	-	6 929 689	23 585 218	30 514 907

uMngeni Local Municipality
Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

4. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2024

	Preventative Maintenance Total	Corrective Maintenance Planned	Corrective Maintenance Total	Total
Electrical	-	7 409 563	7 409 563	7 409 563
Roads and Stormwater	-	6 727 746	6 727 746	6 727 746
Other Equipment	-	13 410	13 410	13 410
Buildings	-	690 844	690 844	690 844
Motor vehicles	-	3 840 015	3 840 015	3 840 015
	-	18 681 578	18 681 578	18 681 578

Maintenance of property, plant and equipment by condition - 2023

	Preventative Maintenance Total	Corrective Maintenance Planned	Corrective Maintenance 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
	-	26 002 197	26 002 197	26 002 197

uMngeni Local Municipality
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Notes to the Annual Financial Statements

5. Heritage Assets

	2024		2023	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Historical monuments	2 830 619	-	2 830 619	2 830 619
Historical buildings	490 000	-	490 000	490 000
Stamp collections, military insignia, medals, coin	60 000	-	60 000	60 000
Total	3 380 619	-	3 380 619	3 380 619

Reconciliation of heritage assets 2024

Historical monuments
Historical buildings
Stamp collections, military insignia, medals, coin

Opening balance	Total
2 830 619	2 830 619
490 000	490 000
60 000	60 000
3 380 619	3 380 619

Reconciliation of heritage assets 2023

Historical monuments
Historical buildings
Stamp collections, military insignia, medals, coin

Opening balance	Total
2 830 619	2 830 619
490 000	490 000
60 000	60 000
3 380 619	3 380 619

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
6. Payables from exchange transactions		
Trade Payables and Accruals	46 240 838	17 129 902
Payments received in advance	18 071 789	21 280 894
Leave Accruals	14 418 399	14 092 314
Retention	4 452 419	3 916 648
Unidentified deposits	11 287 761	10 315 777
Salary Creditors	306 264	305 914
	94 777 470	67 041 449
7. Consumer deposits		
Electricity	2 528 198	2 648 186
Housing rental	2 103 554	2 101 636
	4 631 752	4 749 822
8. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(37 549 000)	(34 929 000)
Present value of the defined benefit obligation-partly or wholly funded	(2 338 000)	(3 097 000)
	(39 887 000)	(38 026 000)
Non-current liabilities	(37 549 000)	(34 929 000)
Current liabilities	(2 338 000)	(3 097 000)
	(39 887 000)	(38 026 000)
Less: Transfer to Current Provisions		
Post Employment Health Care Benefit Liability		
Post Employment Health Care Benefit Liability	31 150 000	28 984 000
Less: Transfer to Current Provisions	(1 597 000)	(1 353 000)
The major categories of plan assets as a percentage of total plan assets are as follows:		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	8 870 000	4 671 000
Net expense recognised in the statement of financial performance	2 410 000	4 199 000
	11 280 000	8 870 000
Net expense recognised in the statement of financial performance		
Service Cost - Current service cost	1 029 000	1 165 000
Interest cost	3 695 000	3 343 000
Remeasurements - Actuarial (gains) losses	961 000	1 132 000
Curtailment	(1 353 000)	(1 441 000)
	4 332 000	4 199 000

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
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8. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount Rates used	12,22 %	12,45 %
CPI Inflation Rate	6,20 %	8,06 %
Net Discount Rate (Medical Aid Contributions)	4,06 %	5,67 %
Net Discount Rate (Maximum Subsidy)	6,42 %	6,42 %

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:

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

	2024	2023	2022	2021	2020
Defined benefit obligation	32 747 000	30 337 000	28 402 000	26 843 000	21 537 000

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.

9. Receivables from exchange transactions

Electricity Deposit to Eskom	7 427 476	6 883 855
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10. VAT receivable

VAT	6 098 230	6 500 860
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VAT Reconciliation

Output VAT Accrual on Outstanding Debtors	(4 250 791)	(6 521 372)
Output Vat Accrual - Provision for Doubtful Debt Impairment	2 300 774	4 124 062
Input Vat Accrual on Outstanding Creditors	5 524 496	2 082 713
Vat Recievable - Due from SARS	2 505 749	6 815 457
	6 080 228	6 500 860

VAT is claimed on a payment basis.

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

Only once an invoice is paid is VAT claimed and receivable from SARS .

11. Receivables from Exchange Transactions

Gross balances

Electricity	30 540 107	29 759 893
Accrued Income	1 711 949	1 511 346
Refuse	13 034 625	13 590 892
Business service levies	784 236	784 236
Sundry Debtors	1 381 617	1 148 925
Housing rental	1 413 349	3 302 672
	48 865 883	50 097 964

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
11. Receivables from Exchange Transactions (continued)		
Less: Allowance for impairment		
Electricity	(9 195 772)	(18 271 699)
Refuse	(6 893 197)	(9 410 488)
Regional services levies	(548 997)	(928 215)
Housing rental	(1 001 301)	(3 007 408)
	(17 639 267)	(31 617 810)
Net balance		
Electricity	21 344 335	11 488 194
Sewerage	1 711 949	1 511 346
Refuse	6 141 428	4 180 404
Business service levies	784 236	784 236
Sundry Debtors	832 620	220 710
Housing rental	412 048	295 264
	31 226 616	18 480 154
Transactions from exchange transactions		
Transactions from exchange transactions	48 667 405	50 097 964
Less: Debt impairment	(17 639 266)	(31 617 809)
	31 028 139	18 480 155
Gross amounts		
Electricity	30 540 107	29 759 893
Refuse	13 034 626	13 590 892
Housing rental	1 413 349	3 302 672
Accrued Income	1 711 949	1 511 346
Other Receivables	784 236	784 236
Sundry	1 183 138	1 148 925
	48 667 405	50 097 964
Less: Debt impairment		
Electricity	9 195 772	18 271 699
Refuse	6 893 197	9 410 487
Sundry Debtors	548 997	928 215
Rental	1 001 301	3 007 408
	17 639 267	31 617 809
Net of Impairment		
Electricity	21 344 335	11 488 194
Refuse	6 141 429	4 180 405
Accrued income	1 711 949	1 511 346
Other receivables	784 236	784 236
Rental	412 048	295 264
Sundry Debtors	634 141	220 709
	31 028 138	18 480 154

uMngeni Local Municipality

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Notes to the Annual Financial Statements

	2024	2023
11. Receivables from Exchange Transactions (continued)		
Electricity		
Current (0 -30 days)	8 379 303	6 633 062
31 - 60 days	1 727 671	1 317 315
61 - 90 days	384 259	564 484
91 - 120 days	350 112	510 390
121 - 365 days	332 480	687 678
> 365 days	19 366 282	20 046 964
	30 540 107	29 759 893
Refuse		
Current (0 -30 days)	1 036 841	1 017 251
31 - 60 days	556 769	609 260
61 - 90 days	432 380	450 945
91 - 120 days	397 119	431 823
121 - 365 days	371 842	417 912
> 365 days	10 239 674	10 663 701
	13 034 625	13 590 892
Sundries		
Current (0 -30 days)	426 870	375 550
31 - 60 days	58 471	51 281
61 - 90 days	10 639	48 446
91 - 120 days	5 821	25 728
121 - 365 days	37 797	9 412
> 365 days	643 540	638 508
	1 183 138	1 148 925
Housing rental		
Current (0 -30 days)	96 702	81 246
31 - 60 days	56 857	117 445
61 - 90 days	49 931	56 623
91 - 120 days	78 323	30 408
121 - 365 days	42 340	31 381
> 365 days	1 089 196	2 985 569
	1 413 349	3 302 672

Credit quality for receivables that are neither past due nor impaired

The Municipality deems outstanding debt less than 90 days to be receivables that are not considered for impairment, on the following basis:

- The Municipality has a stringent customer care, credit control and debt collection policy which is actively implemented by the Municipality
- This includes monitoring of debtors accounts, implementation of physical disconnections where necessary.
- Therefore the Municipality views debt outstanding for less than 90 days being a fair reflection of the credit quality.

Basis used to access and test whether a receivable is impaired

Management considered receivables individually that may be impaired as well as groups of similar receivables that may be impaired.

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

uMngeni Local Municipality

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Notes to the Annual Financial Statements

	2024	2023
11. Receivables from Exchange Transactions (continued)		
The impairment calculations are based on the individual assessment criteria as well as group collection rate in accordance with customer care, credit control and debt collection policy.		
The group impairment percentage is determined taking into account the average collection rate based on a five year trend as a minimum by class of financial asset.		
12. Receivables from Non-Exchange Transaction		
Gross balances		
Receivables from Non-Exchange Transactions - Rates	208 234 449	182 658 840
Receivables from Non-Exchange Transactions - Traffic Fines	19 289 146	19 055 413
	227 523 595	201 714 253
Less: Allowance for impairment		
Receivables from Non-Exchange - Rates	(145 046 917)	(150 242 969)
Receivables from Non-Exchange - Traffic Fines	(18 662 050)	(18 269 355)
	(163 708 967)	(168 512 324)
Net balance		
Receivables from non-exchange - Rates	63 187 532	32 415 871
Receivables from non-exchange - Traffic Fines	627 096	786 058
	63 814 628	33 201 929
Statutory receivables included in receivables from non-exchange transactions are as follows, on a gross basis:		
Traffic Fines	19 289 146	19 055 413
Property rates - Vacant Land	19 842 731	19 663 293
Property rates - Public Service Infrastructure	3 752 794	767 373
Property rates - State Owned Properties	1 802 057	2 299 118
Property rates - Public Service Purpose Properties	629 741	463 884
Property rates - Mining and Quarry	2 633 246	2 765 479
Property rates - Rural Agricultural	14 912 474	13 746 744
Property rates - Business and Commercial	36 445 761	30 769 122
Property rates - Industrial	7 491 568	6 676 068
Property rates - Residential	120 724 076	105 507 758
	227 523 594	201 714 252

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Notes to the Annual Financial Statements

	2024	2023
12. Receivables from Non-Exchange Transaction (continued)		
Statutory receivables that are past due and impaired included in receivables from non-exchange transactions are as follows:		
Traffic Fines	18 662 050	18 269 355
Property rates - Vacant Land	13 557 040	15 549 355
Property rates - Public Service Infrastructure	3 208 018	764 722
Property rates - State Owned Properties	1 392 123	2 144 179
Property rates - Mining and Quarry	2 273 358	2 509 475
Property rates - Public and Service Purposes	304 735	284 822
Property rates - Rural Agricultural	9 842 711	10 288 616
Property rates - Business and Commercial	27 431 014	25 692 939
Property rates - Industrial	5 373 307	5 350 280
Property rates - Residential	81 664 610	87 658 579
	163 708 966	168 512 322
Statutory receivables included in receivables from non-exchange transactions above are as follows, net of impairment:		
Traffic Fines	627 097	786 058
Property rates - Vacant Land	6 285 691	4 113 937
Property rates - Public Service Infrastructure	544 775	2 651
Property rates - State Owned Properties	409 933	154 939
Property rates - Mining and Quarry	359 887	256 004
Property rates - Public and Service Purposes	325 005	179 062
Property rates - Rural Agricultural	5 069 767	3 458 128
Property rates - Business and Commercial	9 014 749	5 076 183
Property rates - Industrial	2 118 259	1 325 788
Property rates - Residential	39 059 465	17 849 178
	63 814 628	33 201 928
Statutory receivables that are past due but are not impaired and included in receivables from non-exchange transactions:		
Total debts	208 234 448	182 658 839
Less: Debt Below 90 days not considered past due as per aging	(38 765 621)	(39 730 571)
Less: Debt recognised as past due and impaired	(145 046 917)	(150 242 969)
	24 421 910	(7 314 701)
Financial asset receivables included in consumer debtors above	(188 130 876)	(161 197 622)
Total consumer debtors	63 814 628	33 201 929
Rates		
Current (0 -30 days)	19 529 621	18 055 655
31 - 60 days	7 860 616	17 286 843
61 - 90 days	5 561 618	4 388 072
91 - 120 days	5 813 766	4 241 922
121 - 365 days	3 747 292	3 746 580
> 365 days	165 721 535	134 939 767
	208 234 448	182 658 839

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
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12. Receivables from Non-Exchange Transaction (continued)

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Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Statutory receivables that are past due and have not been impaired and included in receivables from non-exchange transactions.

As of 30 June 2024, the following statutory receivables were considered to be past due and not impaired. This was determined by taking into account the debt that is outstanding for a period of more than 90 days which have not been subjected to impairment

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	37	37
Bank balances	15 057 879	4 516 529
Short-term deposits	18 994 690	7 733 408
	34 052 606	12 249 974

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024			2023		
13. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA BANK - Primary Account 4063796636	13 921 718	4 514 445	4 624 681	15 049 622	4 516 528	4 624 681
FNB BANK - Call Account 62547030875	149 358	1 108 008	50 635	149 358	1 108 008	50 635
FNB BANK - Call Account 62821205425	138 881	128 529	90 723	138 881	128 529	90 723
FNB BANK - Fixed Deposit 74372357316	-	-	245 167	-	-	245 167
FNB BANK - Security Deposit 74547419339	-	-	2 343 008	-	-	2 343 008
ABSA BANK- Call Account 9312757198	204 732	68 961	897 977	204 732	68 961	897 977
ABSA BANK- Call Account 9244671585	7 473 553	59 315	40 099	7 473 553	59 315	40 099
INVESTEC BANK -Call Account 1100503504501	4 074 113	-	-	4 074 113	-	-
ABSA BANK - Call Account - 91549612908	439 437	109 032	121 591	439 437	109 032	121 591
ABSA BANK - Call Account - 9312756980	322 919	300 942	285 019	322 919	300 942	285 019
INVESTEC BANK - Call Account 1100503504500	126 717	38 022	-	126 717	38 022	-
INVESTEC BANK - Call Account - 1144520050352	-	-	1 948 581	-	-	1 948 581
ABSA BANK -Call Account 2074952988	236 144	220 753	210 272	236 144	220 753	210 272
FNB BANK- Security Deposit RU500475658	3 201 358	2 947 420	2 764 355	3 201 358	2 947 420	2 764 355
ABSA BANK- Traffic 9264784869	8 259	2 091	-	8 259	2 091	-
FNB BANK- Call Account 63028208361	2 627 476	2 752 418	-	2 627 476	2 752 418	-
Cash on hand	-	37	-	37	37	-
Total	32 924 665	12 249 973	13 622 108	34 052 606	12 252 056	13 622 108

14. Sale of goods and rendering of services

Sale of goods	4 896 534	4 251 338
Building Plan fees	3 022 774	3 083 043
Tender Documents	-	85 218
Rate Clearance Certificates	680 794	665 036
Entrance Fees	62 588	42 478
Application Fees	-	2 035
Cemetery and Burial Fees	86 857	195 827
Photocopies and Faxes	21 768	9 299
Town Planning and Servitudes	336 180	116 628
Domestic Fees	4 415	261
Objection and Appeals	17 622	23 897
Advertisements	67 433	86 858
Weighbridge fees	596 103	-
	4 896 534	4 310 580

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
15. Finance lease obligation		
Minimum lease payments due		
- within one year	-	487 080
	-	487 080
less: future finance charges	-	(9 178)
Present value of minimum lease payments	-	477 902
Present value of minimum lease payments due		
- within one year	-	477 902

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

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Disaster Recovery Grant	3 732 013	-
Housing Grant	211 153	239 982
Municipal Employment Initiative Grant	1 000 000	-
Nodal Plan and Land Scheme Grant	104 051	104 051
Informal Trader Grant	1 400 000	-
MAP Synergistic Partnership	104 155	133 796
Massification Grant	135 116	135 116
Sports and Recreation Maintenance Grant	11 042	11 042
	6 697 530	623 987

Movement during the year

Balance at the beginning of the year	623 987	1 059 706
Additions during the year	166 413 985	148 858 025
Income recognition during the year	(160 340 442)	(149 293 744)
	6 697 530	623 987

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;

See note 32 for reconciliation of grants from National/Provincial Government.

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
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17. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	87 537 307	1 226 865	9 191 417	97 955 589

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	75 499 641	3 166 458	8 871 208	87 537 307

The Provision is made in terms of the municipality's licensing stipulations for the rehabilitation of landfill sites.

The payment dates for the total closure and rehabilitation are uncertain

There is no expected reimbursement (from the manufacturer) in respect of this provision.

The calculation for the rehabilitation of the landfill site provision was compiled by an indepent qualified waste management specialist in order to determine the present value to rehabilitate the landfill site at the end of useful life.the total obligation at year end can be attributed to the following sites;Hilton landfill site and Curries Post Landfill site.In terms of the landfill refuse sites,the municipality will incur the following licensing and rehabilitation cost to restore the site at the end of its useful life, estimated to be in 2028.

The principal Assumptions used for the purpose of the actuaril valuations were as folows ; A calculation of time value for money,based on the government bond rate for the current and comparative year was applied using the longest term fixed ;2022-2023 rate(11.75%) and 2023-2023 rate(10.50%)

18. Revenue

Sale of goods	4 896 534	4 251 338
Service charges	124 784 048	106 251 016
Royalty income	763 750	585 199
Rental of facilities and equipment	1 802 402	2 151 712
Interest received (trading)	3 502 673	3 990 221
Licences and permits	3 613 354	2 819 447
Miscellaneous other revenue	1 936 648	315 764
Fees earned	-	13 716
Staff and Council Recoveries	258 172	321 756
Interest received - investment	4 663 623	3 520 411
Property rates	261 026 917	238 061 560
Property rates - penalties imposed	12 219 173	10 214 329
Surcharges and Taxes	-	297
Government grants & subsidies	159 716 457	150 541 719
Public contributions and donations	1 229 655	200 224
Fines, Penalties and Forfeits	360 416	1 493 789
	580 773 822	524 732 498

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
18. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	4 896 534	4 251 338
Service charges	124 784 048	106 251 016
Royalty income	763 750	585 199
Rental of facilities and equipment	1 802 402	2 151 712
Interest received (trading)	3 502 673	3 990 221
Licences and permits	3 613 354	2 819 447
Miscellaneous other revenue	1 936 648	315 764
Fees earned	-	13 716
Staff and Council Recoveries	258 172	321 756
Interest received - investment	4 663 623	3 520 411
	146 221 204	124 220 580

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	261 026 917	238 061 560
Property rates - penalties imposed	12 219 173	10 214 329
Surcharges and Taxes	-	297

Transfer revenue

Government grants & subsidies	159 716 457	150 541 719
Public contributions and donations	1 229 655	200 224
Fines, Penalties and Forfeits	360 416	1 493 789
	434 552 618	400 511 918

Sale of Prepaid Electricity

The Municipality utilises the service of an agent for the provision of supply, delivery, installation and commissioning of an online hosted prepayment electricity vending and revenue management system for uMngeni Municipality.

There is a binding arrangement where Contour Technology (Pty) Ltd (agent) undertakes transactions with 3rd parties, on behalf of, and for the benefit of, uMngeni Municipality.

Terms and conditions are as per the contract and no changes occurred during the reporting period.

No risks as the Municipality is able to access the Contour prepaid electricity and is able to reconcile monies paid to the municipality by the agent to the actual sales as per the reports for correctness.

19. Materials and Supplies

Consumables stores	833 224	659 027
Material and supplies	2 327 932	1 485 585
	3 161 156	2 144 612

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
20. Service charges		
Sale of electricity	112 860 742	94 405 903
Refuse removal	11 923 306	11 845 113
	124 784 048	106 251 016
<p>The estimated Distribution loss R 59 318 283 (2023: R 37 341 457) is noted . There were 81 561 134 Kilowatts purchased, however 56 319 315 were sold resulting at a loss of R 59 318 283 @ R2,35c that equivalent to 31% (24% for 2023).</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 has appointed an electrical expert to investigate the root cause / strategies to further reduce electricity losses experienced by the Municipality.</p>		
21. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	1 802 402	2 151 712
	-	-
Facilities and equipment	1 802 402	2 151 712
	1 802 402	2 151 712
22. Fines, Penalties and Forfeits		
Overdue Books Fines	5 499	5 921
Municipal Traffic Fines	340 350	1 466 475
Property Rates Penalties	14 567	21 393
	360 416	1 493 789
23. Loss on disposal of assets		
Loss on disposal of assets and liabilities	4 141 853	2 243 474
24. Licences and permits		
Road and Transport	851 836	978 094
Market Porters	27 107	24 227
Taxi Rank Permits	31 661	47 217
Drivers Licences Application / Duplicate Drivers Licences	2 702 750	1 769 909
	3 613 354	2 819 447
.		
25. Lease rentals on operating lease		
Motor vehicles		
Contractual amounts	1 593 160	1 913 583
Equipment		
Contractual amounts	501 672	1 093 585
Lease rentals on operating lease - Other		
Contractual amounts	199 689	273 284
	2 294 521	3 280 452
26. Surcharges and Taxes		
Surcharges	-	297

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
27. Staff and Council Recoveries		
Staff and Council Recoveries	258 172	321 756
28. Interest received - Bank and Investments		
Interest Received - investments	4 663 623	3 520 411
29. Property rates		
Rates received		
Residential Properties	191 386 309	177 526 390
Business and Commercial Properties	33 535 665	33 442 886
State owned Properties	-	678 655
Public Service Purposes Properties	3 302 655	-
Agricultural Properties	19 008 813	19 087 489
Industrial Properties	8 443 800	5 648 428
Public Benefit Organisation Properties	2 144 733	1 675 743
Public Service Purposes Properties	3 101 361	-
Mining and Quarry Properties	103 581	1 969
	<u>261 026 917</u>	<u>238 061 560</u>
Property rates - penalties imposed	12 219 173	10 214 329
	273 246 090	248 275 889
Valuations		
Residential Properties	23 243 221 150	22 822 414 720
Business & Commercial Properties	3 363 407 000	3 340 707 000
Vacant Land	1 113 060 500	1 088 679 000
Municipal Properties	379 714 100	387 148 000
Public Service Infrastructure	230 919 000	2 121 625 000
Public Service Properties	1 909 187 000	733 397 000
Place of Worship	215 204 000	159 324 000
Agricultural	7 984 887 000	7 846 720 000
Mining and Quarry	757 597 000	10 200 000
	<u>39 197 196 750</u>	<u>38 510 214 720</u>
<p>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.</p> <p>Rates are levied on an annual basis with the final date for payment being Wednesday, 31 July 2024 Interest at prime plus 1% per month (2024: 1%) and -% (2023: 1%), is levied on rates outstanding one months after due date.</p> <p>The new general valuation was implemented on the 01 July 2022 with a fixed date of March 2022.</p>		
30. Grants and Subsidies Paid		
Other subsidies		
Grants in Aid	173 000	366 800
Grant in Aid	777 630	506 676
SPCA	828 368	533 100
	1 778 998	1 406 576
Grants paid to ME's	-	-
Other subsidies	1 778 998	1 406 576

Notes to the Annual Financial Statements

	2024	2023
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uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
31. Government grants & subsidies		
Operating grants		
Equitable share	98 874 000	88 389 000
Expanded Public Works Programme Grant	2 199 000	1 400 000
Integrated National Electrification Grant	559 031	3 855 000
Library Staffing Costs	4 437 000	4 691 000
Finance Management Grant	1 573 759	1 720 000
Museum Grant	249 000	235 000
MAP Synergistic Partnership Grant	29 641	21 500
Cedara College / Khanya Village Road	-	414 219
Energy Efficiency & Demand Side Management Grant	199 500	19 500
Housing Grant	28 829	-
Municipal Infrastructure Grant	364 494	93 223
	108 514 254	100 838 442
Capital grants		
Municipal Infrastructure Grant	24 652 506	30 722 777
Integrated National Electrification Grant	18 916 969	15 000 000
Disaster Recovery Grant	3 685 987	-
Energy Demand Efficiency Grant	3 800 500	3 980 500
Financial Management Grant	146 241	-
	51 202 203	49 703 277
Total Operating Grants	108 514 254	100 838 442
Total Capital Grants	51 202 203	49 703 277
	159 716 457	150 541 719
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	60 842 457	62 152 719
Unconditional grants received	98 874 000	88 389 000
	159 716 457	150 541 719
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Expanded Public Works Program		
Current-year receipts	2 199 000	1 400 000
Conditions met - transferred to revenue	(2 199 000)	(1 400 000)
	-	-
Conditions have been met (see note 32).		
Finance Management Grant		
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 32).		
Housing grant		

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
31. Employee related costs (continued)		
Balance unspent at beginning of year	239 982	239 982
Conditions met - transferred to revenue	(28 829)	-
	211 153	239 982
Conditions still to be met - remain liabilities (see note 16).		
Integrated National Electricity Programme Grant		
Current-year receipts	19 476 000	18 855 000
Conditions met - transferred to revenue	(19 476 000)	(18 855 000)
	-	-
Conditions have been met (see note 32).		
Museum Grant		
Current-year receipts	249 000	235 000
Conditions met - transferred to revenue	(249 000)	(235 000)
	-	-
Conditions have been met (see note 32).		
Municipal Infrastructure Grant		
Current-year receipts	25 017 000	30 816 000
Conditions met - transferred to revenue	(25 017 000)	(30 816 000)
	-	-
Conditions have been met (see note 32).		
Nodal Scheme Grant		
Balance unspent at beginning of year	104 051	104 051
Conditions still to be met - remain liabilities (see note 16).		
Provincial Libraries		
Current-year receipts	4 437 000	4 691 000
Conditions met - transferred to revenue	(4 437 000)	(4 691 000)
	-	-
Conditions have been met (see note 32) .		
Provincial Government KZN:Capacity Building		
Current-year receipts	-	200 224
Conditions met - transferred to revenue	-	(200 224)
	-	-
Conditions have been met..		
Provincial - Cedara College / Khanya Village		

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
31. Employee related costs (continued)		
Balance unspent at beginning of year	-	414 219
Conditions met - transferred to revenue	-	(414 219)
	-	-
Conditions have been met		
MAP Synergistic Grant		
Balance unspent at beginning of year	133 796	155 296
Conditions met - transferred to revenue	(29 640)	(21 500)
	104 156	133 796
Conditions still to be met - remain liabilities (see note 16).		
Massification Grant		
Balance unspent at beginning of year	135 116	135 116
Conditions still to be met - remain liabilities (see note 16).		
Sports and Recreation Maintenance Grant		
Balance unspent at beginning of year	11 042	11 042
Conditions still to be met - remain liabilities (see note 16).		
Municipal Employment Initiative		
Current-year receipts	1 000 000	-
Conditions still to be met - remain liabilities (see note 16).		
Informal Trader Grant		
Current-year receipts	1 400 000	-
Conditions still to be met - remain liabilities (see note 16).		
Municipal Disaster Recovery Grant		
Current-year receipts	7 418 000	-
Conditions met - transferred to revenue	(3 685 987)	-
	3 732 013	-
Conditions still to be met - remain liabilities (see note 16).		

32. Bad Debts Written Off

The council resolved to write-offs bad debts

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
32. Bad Debts Written Off (continued)		
Services		
Electricity	9 693 074	11 147 703
Property Rates	1 692 390	26 816 120
Refuse Removal	4 728 071	2 474 032
Sundry Debtors	2 657 310	980 715
	18 770 845	41 418 570
33. Public contributions and donations		
Public contributions and donations	1 229 655	200 224
34. Employee related costs		
Basic	92 794 859	82 380 418
Bonus	6 342 416	5 792 025
Medical aid - company contributions	8 748 331	12 001 495
UIF	667 670	608 416
WCA	1 058 550	903 979
Leave pay provision charge	3 987 009	3 652 743
Defined contribution plans	19 151 155	14 528 863
Overtime payments	6 603 086	11 136 952
Long-service awards	1 498 998	1 330 404
Acting allowances	744 472	542 707
Car allowance	6 877 849	6 007 581
Housing benefits and allowances	423 633	388 295
Bargaining Council Levies	44 769	40 230
Cellphone Allowance	85 756	132 384
Standby Allowance	1 633 852	998 554
	150 662 405	140 445 046
35. Remuneration of councillors		
Mayor	1 039 509	971 943
Deputy Mayor	842 262	787 136
Mayoral Committee Members	2 647 734	1 682 558
Speaker	842 262	787 136
Councillors	6 381 135	6 168 061
	11 752 902	10 396 834

In-kind benefits

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.

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
35. Remuneration of councillors (continued)		
Additional information		
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.		
36. Depreciation and amortisation		
Property, plant and equipment	52 195 435	60 333 441
Investment property	92 109	275 563
	52 287 544	60 609 004
37. Impairment of non-cash generating assets		
Impairments		
Property, plant and equipment	323 017	58 904 121
Reversal of impairments		
Property, plant and equipment	(24 785 801)	-
There has been an improvement or renewal of Roads and Stormwater assets in 2023/2024 Financial Year.		
38. Finance costs		
Landfill Sites Interest Cost	9 191 418	8 871 208
Non-current borrowings	-	189 796
Trade and other payables	30 983	7 220
Finance leases	7 977	41 943
	9 230 378	9 110 167
39. Auditors' remuneration		
Fees	2 324 258	2 802 835
40. Debt impairment		
Debt impairment	(16 958 612)	3 204 551
Services		
Fines	392 695	1 395 043
Refuse Removal	(2 188 949)	955 860
Electricity	(7 892 110)	(4 549 609)
Property Rates	(5 196 052)	5 161 832
Property Rental	(1 744 440)	60 951
Sundry Debtors	(329 755)	-
	(16 958 611)	3 024 077

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
41. Operational expenditure		
Advertising	757 588	830 782
Assessment rates & municipal charges	1 540 707	1 418 232
Auditors remuneration	2 324 258	2 802 835
Bank charges	1 318 438	1 169 209
Discount allowed	1 593 818	-
Entertainment	51 428	-
Insurance	4 092 277	3 341 903
Conferences and seminars	530 422	763 746
Marketing	98 960	-
Levies	1 318 433	1 193 262
Fuel and oil	5 269 374	4 624 902
Printing and stationery	-	15 652
Protective clothing	280 618	474 555
Subscriptions and membership fees	999 778	1 283 778
Telephone and fax	262 782	999 465
Travel - local	762 923	616 342
Electricity and Water Utilities	13 171 214	14 095 806
Motor Vehicle Licenses and Registrations	336 289	130 953
Ward Commiittes	1 581 952	1 988 772
Other expenses	3 565 385	1 278 823
	39 856 644	37 029 017
42. Bulk purchases		
Electricity - Eskom	182 055 909	149 835 253

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
43. Contracted services		
Outsourced Services		
Administrative and Support Staff	5 334 864	5 123 804
Animal Care	491 928	623 437
Business and Advisory	1 117 608	3 251 041
Catering Services	140 257	-
IT Expenses	7 702 386	5 882 803
Clearing and Grass Cutting Services	2 803 128	2 619 818
Fire Services	557 758	277 694
Hire Charges	1 593 718	1 907 422
Postage and Courier	103 809	1 066 923
Connection/Dis-connection	2 577 884	5 241 432
Security Services	16 450 742	20 769 573
Transport Services	117 290	-
Consultants and Professional Services		
Business and Advisory	6 365 436	8 932 528
Infrastructure and Planning	2 522 953	4 914 407
Laboratory Services	-	24 930
Legal Cost	2 135 744	5 211 530
Contractors		
Disaster Management	-	259 000
Catering Services	40 240	-
Employee Wellness	23 236	90 785
First Aid	15 200	-
Graphic Designers	17 000	-
Maintenance of Buildings and Facilities	908 421	3 768 441
Maintenance of Equipment	13 410	41 626
Maintenance of Unspecified Assets	17 977 324	22 422 934
Pest Control and Fumigation	519 982	436 927
Prepaid Electricity Vendors	745 020	622 802
Presented previously	-	-
Outsourced Services	38 991 372	46 763 947
Consultants and Professional Services	11 024 133	19 083 395
Contractors	20 259 833	27 642 515
	70 275 338	93 489 857

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
44. Cash generated from operations		
Surplus (deficit)	77 086 724	(86 746 036)
Adjustments for:		
Depreciation and amortisation	52 287 544	60 609 004
Loss on disposal of Assets	4 141 853	1 658 271
Discount allowed on debtors	1 593 818	-
Impairment	(24 462 784)	58 904 121
Debt impairment	(16 958 612)	3 204 551
Bad debts written off	18 770 845	41 418 570
Actuarial Gains	(1 160 000)	(2 039 000)
Discount Received	-	(13 716)
Landfill site interest cost	9 191 417	8 871 208
Contribution to defined benefit obligations	3 021 000	4 067 000
Contribution to Staff Leave	326 085	1 731 774
Public contributions and donations	(1 229 656)	(200 224)
Other non-cash items	209 157	(1 463 485)
Changes in working capital:		
Receivables from exchange transactions	(15 102 316)	(42 330 609)
Receivables from Non Exchange Transaction	(30 612 699)	13 369 061
Provisions	(1 226 864)	3 166 458
Vat	(402 630)	7 947 295
Unspent conditional grants and receipts	6 073 543	(2 102 583)
Consumer deposits	(118 070)	(11 794)
Payables from exchange	27 409 937	(1 526 489)
	108 838 292	68 513 377

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
45. Financial instruments disclosure		
Categories of financial instruments		
2024		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	31 226 616	31 226 616
Other receivables from non-exchange transactions	63 814 628	63 814 628
VAT Receivables	5 966 878	5 966 878
Cash and cash equivalents	34 052 606	34 052 606
	135 060 728	135 060 728
Financial liabilities		
	At amortised cost	Total
Unspent conditional grants	6 697 530	6 697 530
Other financial liabilities	6 969 752	6 969 752
Trade and other payables from exchange transactions	94 777 471	94 777 471
	108 444 753	108 444 753
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	33 201 929	33 201 929
VAT Receivables	6 500 860	6 500 860
Cash and cash equivalents	12 249 974	12 249 974
	70 432 917	70 432 917
Financial liabilities		
	At amortised cost	Total
Finance Lease Obligation	477 902	477 902
Unspent conditional grants	623 987	623 987
Other financial liabilities	7 846 822	7 846 822
Trade and other payables from exchange transactions	67 041 449	67 041 449
	75 990 160	75 990 160

Financial instruments in Statement of financial performance

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
46. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	18 672 158	866 359
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	11 421 949	12 205 880
• Landfill Site	2 100 000	1 500 000
• Electrical assets	16 120 000	22 486 000
• Roads and Stormwater	44 778 574	39 530 981
• Community Assets	5 390 000	4 131 170
	79 810 523	79 854 031
Total capital commitments		
Already contracted for but not provided for	18 672 158	866 359
Not yet contracted for and authorised by accounting officer	79 810 523	79 854 031
	98 482 681	80 720 390
Total commitments		
Total commitments		
Authorised capital expenditure	98 482 681	80 720 390

The above commitments expenditure will be funded by internal generated and Grants revenue, capital commitments are inclusive of vat

47. Contingencies

Contingent Liabilities

Other Matters	2 163 235	922 515
Pothole Claims	217 408	3 409 060
Damage Claims	10 405 054	10 300 000
Planning Matters	-	110 000
Eviction Matters	-	310 000
	12 785 697	15 051 575

Other Matters: The municipality received two combined summons with amount of R 2 068 823 and R 94 413 in the 2023/2024 financial year.

Pothole Claims amounts to R 27 755 and R 189 653 received by the municipality in the 2023/2024 financial year.

Damage claims: An amount of R 10 000 000 has claim for damages to the municipality the matter is proceeding in terms of High Court Rules Discovery Rule 35, Bulldozer accident at Landfill site amounts to R 25 052 and R 94 413 for traffic claim.

48. Related parties

Remuneration of management

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
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48. Related parties (continued)

Management class: Councillors

2024

	Basic salary	Travel Allowance	Cellphone Allowance	Total
Name				
Mayoral Committees	3 729 650	1 243 217	398 889	5 371 756
Councillors	4 099 166	1 366 389	915 591	6 381 146
	7 828 816	2 609 606	1 314 480	11 752 902

2023

	Basic salary	Travel Allowance	Cellphone Allowance	Total
Name				
Mayoral Committee	2 120 629	706 877	150 093	2 977 599
Councillors	4 965 191	1 655 306	798 010	7 418 507
	7 085 820	2 362 183	948 103	10 396 106

Management class: Executive management

2024

	Basic salary	Cellphone Allowance	Travel Allowance	Leave Encashment	Total
Name					
Municipal Manager	1 195 112	-	384 810	-	1 579 922
Chief Financial Officer	731 469	-	238 738	58 437	1 028 644
Director: CS&PS	553 155	9 726	174 215	90 903	827 999
Director: EDP&HS	984 625	-	314 649	-	1 299 274
Director: DASS	964 252	-	308 399	190 447	1 463 098
Director:EPWP	984 626	-	314 649	-	1 299 275
	5 413 239	9 726	1 735 460	339 787	7 498 212

2023

	Basic salary	Cellphone Allowance	Travel Allowance	Total
Name				
Municipal Manager	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
	4 750 832	18 000	1 504 325	6 273 157

uMngeni Local Municipality

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Notes to the Annual Financial Statements

2024

2023

49. Change in estimate

Property, plant and equipment

The useful life of the asset classes were adjusted during 2023/24 to more accurately reflect the period of economic benefits or service potential derived from these assets.

The municipality has revised the remaining useful lives of the property, plant and equipment which had reached the end of their useful lives based on the asset condition in terms of GRAP 17 paragraph 56.

The effect of changing the remaining useful life of assets for the municipality during 2020/21 has decreased the depreciation charge for the current year by R 159 820 and future periods.

Depreciation	Depreciation before	Depreciation after	Change in estimate
Buildings	9 745	3 861	5 884
Roads Infrastructure	5 408	7 545	(2 137)
Electricity infrastructure	153 389	105 212	48 178
Machinery and Equipment	333 676	319 633	14 042
Transport assets	220 673	182 323	38 350
Furniture and Office Equipment	161 912	135 994	25 918
Computer Equipment	142 299	112 714	29 585
	1 027 102	867 282	159 820

50. Prior period errors

Traffic fines issued in 2022/2023 financial year was incorrectly disclosed due to capturing error identified in the 2023/2024 financial year. Therefore, the municipality has to adjust the disclosed amount accordingly.

Property Plant and Equipment: Re-classification of Landfill site assets form part of the buildings. Electrical street lights newly identified by the expert during the asset verification and conditional assessment in the 2023/2024.

VAT Receivable: The municipality incorrectly recognised Trade payables: accruals exclusive of VAT in the previous financial year.

Trade Payables: Accruals: the municipality incorrectly recognised Trade payables: accruals exclusive of VAT in the previous financial years

51. Prior-year adjustments

Correction of error narrations are as follows:

Current Assets: Revenue Receivable From Non-exchange Transactions: Traffic fines adjustment after the reporting date due to withdrawal by the Magistrate Court amounted to R 316 445 and Vat Receivables amounts to R 4 439 701 due to incorrectly recognising trade payables: accruals exclusive of VAT portion in the previous financial years

Non-Current Assets: Property Plant and Equipment: A re-classification of R 9 208 879 from Buildings to Landfill site assets. Electrical street lights amounted to R 1 129 590 that was newly identified by the expert during the asset verification and conditional assessment in the 2023/2024.

Current Liabilities: Trade and other payables: Accruals amounts to R 4 774 479 was incorrectly recognised exclusive of VAT portion in the previous financial years.

Non-Current Liabilities: Landfill Site Provision adjustment in line with the National Treasury guidelines amounts to R 4 774 479.

Accumulated Surplus: an amount of R 2 943 060 was adjusted in the opening balance as at the 1st of July 2022 due to the above mentioned prior-period error adjustments..

Adjustments: 2022/2023 Financial Year

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024

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51. Prior-year adjustments (continued)

Non-Current Assets: Property Plant and Equipment: Landfill Site asset adjustment amounts to R 8 079 289 in line with the National Treasury guideline

Non-Current Liabilities: Landfill Site provision adjustment amounts to R 8 079 289 in line with the National Treasury guideline

Accumulated Surplus: an amount of R 1 704 543 was adjusted in the 2022/2023 Financial year.

Statement of Financial Performance

Contracted Services: an amount of R 1 490 587 was incorrectly recognised exclusive of VAT portion in the previous financial years.

Bulk Purchases: an amount of R 385 437 was incorrectly recognised in the previous financial years

Finance Costs: Landfill Site finance charges amounts to R 1 729 866 was adjusted in line with the National Treasury guideline

Operation Expenditure: an amount of R 29 759 was incorrectly recognised in the previous financial years.

Other Expenditure: an amount of R 2 864 775 was incorrectly recognised in the previous financial years.

Statement of Financial Position

2023

	Note	As previously reported	Prior Period Error	Adjustments	Restated
Total Current Assets		74 556 176	(4 123 259)	-	70 432 917
Total Non-Current Assets		1 012 265 004	1 129 590	8 079 289	1 021 473 883
Total Current Liabilities		(80 764 639)	4 774 479	-	(75 990 160)
Total Non-current Liabilities		(114 192 467)	1 162 250	(9 783 832)	(123 976 299)
Accumulated Surplus		(891 864 074)	(2 943 060)	1 704 543	(891 940 341)
		-	-	-	-

Statement of Financial Performance

2023

	Note	As previously reported	Adjustments	Restated
Total Revenue from exchange transactions		126 259 580	-	126 259 580
Total Revenue from Non-exchange Transactions		400 511 068	-	400 511 918
Contracted services		(91 999 270)	(1 490 587)	(93 489 857)
Bulk Purchases		(150 207 690)	385 437	(149 825 253)
Finance Costs		(7 380 301)	(1 729 866)	(9 110 167)
Operational Expenditure		(36 999 258)	(29 759)	(37 029 017)
Other Expenditure		(323 834 672)	2 864 775	(324 063 240)
Surplus for the year		(83 650 543)	-	(86 746 036)

Cash Flow Statement

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

		2024	2023	
51. Prior-year adjustments (continued)				
2023				
	Note	As previously reported	Prior Period Error	Restated
Cash Flows from Operating Activities		70 153 090	70 502	70 223 592
Cash Flows from Investing Activities		(60 699 948)	(70 502)	(60 770 452)
Cash Flows from Financing Activities		(10 825 278)	-	(10 825 278)
Cash and Cash Equivalents at the Beginning of the year		13 622 109	-	13 622 112
		12 249 973	-	12 249 974

2023

	Note	As previously reported	Prior Period Error	Restated
Unauthorised, Irregular and Fruitless and Wasteful Expenditure				
Fruitless and Wasteful expenditure		4 627 032	1 752 131	6 379 163

Fruitless and wasteful expenditure

The prior period error correction occurred after investigation performed by the internal audit unit as the understatement of the expenditure was due to an error on the formula on the register.

52. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024

2023

53. 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 2024, the Municipality had an accumulated surplus of R 969 027 068 therefore indicating that the Municipality's total assets exceeded its liabilities by R 26 747 327. The annual financial statements have been prepared based on accounting policies applicable to a going concern, taking into account events or conditions that may cast significant doubt upon the municipality's ability to continue as a going concern, were identified.

The municipality's current assets exceeded its current liabilities by R 26 747 327 (2023: current assets exceeded its current liabilities by R 5 734 903). The municipality has a net surplus of R 77 086 724 (2023: R 86 746 036- deficit). The municipality's cash and cash equivalents were R 34 052 606 (2023: R12,249,973) which is insufficient 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 1:1 which is below the norm of 2:1, The ability of the municipality to continue as a going concern depends on several factors, which includes the funding position of the municipality through grants allocations and ability to raise monthly rates and taxes ..

The most significant of these factors is the ability of the accounting office 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 arrear debt. As at 30 June 2024, 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 236 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 2024, The Municipality has incurred a net surplus of R 69 533 126 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.

54. Events after the reporting date

There are no events that took place after the reporting date - 30 June 2024

55. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	-	145 938 460
Irregular expenditure	30 918 530	71 479 317
Fruitless and wasteful expenditure	4 327	4 627 032
Closing balance	30 922 857	222 044 809

*Refer to reconciling notes in the annual report

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
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56. Unauthorised expenditure

Opening balance as previously reported	145 938 460	283 024 597
Add: Unauthorised expenditure - current	-	100 709 547
Less: Amount authorised - prior period	(145 938 460)	(237 795 684)
Closing balance	-	145 938 460

The municipality record the unauthorised expenditure in relation to a vote approved budget against the actual amounts exceed the amount appropriated for that vote.

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

Non-cash	-	85 373 454
Cash	-	15 336 093
	-	100 709 547

Unauthorised expenditure: Budget overspending – per municipal department:

Transport	-	30 424 170
Safety and security	-	70 285 377
	-	100 709 547

57. Fruitless and wasteful expenditure

Opening balance as previously reported	6 379 163	6 373 327
Add: Fruitless and wasteful expenditure identified - current	28 120	5 836
Less: Amount written off - current	(23 793)	-
Less: Amount written off - prior period	(6 379 163)	-
Closing balance	4 327	6 379 163

58. Irregular expenditure

Opening balance as previously reported	71 479 317	68 159 459
Add: Irregular expenditure - current	1 402 122	3 319 858
Less: Amount written off- current	(1 402 122)	-
Less: Amount written off- prior period	(40 560 787)	-
Closing balance	30 918 530	71 479 317

59. Reconciliation between budget and statement of financial performance

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

Net surplus (deficit) per the statement of financial performance	77 086 724	(86 746 036)
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60. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1 540 707	1 418 232
Current year subscription / fee	(1 540 707)	(1 418 232)
	-	-

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
60. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Current year subscription / fee	2 324 258	2 802 835
Amount paid - current year	(2 324 258)	(2 802 835)
	-	-
PAYE and UIF		
Current year subscription / fee	25 770 592	21 156 142
Amount paid - current year	(25 770 592)	(21 156 142)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	24 868 370	22 501 651
Amount paid - current year	(24 868 370)	(22 501 651)
	-	-
VAT		
VAT receivable	6 098 230	6 500 860
All VAT returns have been submitted on the due date throughout the year.		
Supply chain management regulations		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.		
Incident		
Social crime prevention	-	604 594
Earthmoving equipment repairs	-	872 773
Emergency pipeline repairs	-	254 450
Information technology upgrade	-	3 122 477
Advertisement	572 015	-
Less than three quotes	2 330 546	-
Travel and Accommodation	332 269	-
Emergency	338 343	-
Single Source	549 648	-
Other	201 468	-
	4 324 289	4 854 294

61. Segment information

uMngeni Local Municipality
Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community Facilities	Disaster Management	Economic Development, Planning and Tourism	Electricity and Roads and Stormwater	Housing	Property Services	Public Safety	Refuse Removal and Street Cleaning	Unallocated	Total
Revenue										
Fines, penalties and Forfeits	5 499	-	-	-	-	-	340 350	-	14 567	360 416
Government Grant and Subsidies	4 686 000	-	-	66 021 347	28 829	-	-	10 876 140	78 104 141	159 716 457
Public Contributions and Donations	100 000	-	1 129 655	-	-	-	-	-	-	1 229 655
Licenses and Permits	-	-	27 107	-	-	-	3 586 247	-	-	3 613 354
Property Rates	-	-	-	-	-	-	-	-	261 026 917	261 026 917
Property Rates Imposed	-	-	-	-	-	-	-	-	12 219 173	12 219 173
Rental Facilities	175 733	-	-	-	-	1 626 669	-	-	-	1 802 402
Sale of Goods	113 249	-	3 390 701	-	-	-	-	-	1 392 584	4 896 534
Operational Revenue	-	-	-	-	-	-	-	-	1 936 648	1 936 648
Interest on Investment	-	-	-	-	-	-	-	-	4 663 623	4 663 623
Interest Received	-	-	-	1 945 125	-	-	-	1 557 548	-	3 502 673
Trading	-	-	-	112 860 742	-	-	-	11 923 306	-	124 784 048
Service Charges	-	-	-	-	-	-	-	-	258 172	258 172
Staff and Council Reoveries	-	-	-	-	-	-	-	-	1 160 000	1 160 000
Actuarial Gains	-	-	-	-	-	-	-	-	763 750	763 750
Gain from disposal of Assets	-	-	-	-	-	-	-	-	-	-
Total segment revenue	5 080 481	-	4 547 463	180 827 214	28 829	1 626 669	3 926 597	24 356 994	361 539 575	581 933 822
Entity's revenue	581 933 822									

uMngeni Local Municipality

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Notes to the Annual Financial Statements

	Community Facilities	Disaster Management	Economic Development, Planning and Tourism	Electricity and Roads and Stormwater	Housing	Property Services	Public Safety	Refuse Removal and Street Cleaning	Unallocated	Total
61. Segment information (continued)										
Expenditure										
Bulk Purchases	-	-	-	(182 055 909)	-	-	-	-	-	(182 055 909)
Contracted Services	(3 948 417)	-	(947 183)	(23 685 235)	(28 829)	(217 571)	(16 464 152)	(1 554 760)	(23 429 186)	(70 275 333)
Employee Costs	(22 640 644)	-	(15 026 062)	(8 821 658)	(1 413 306)	-	(16 473 687)	(11 459 029)	(74 828 020)	(150 662 406)
Finance Costs	-	-	-	-	-	-	-	(9 191 418)	(38 961)	(9 230 379)
Debt Impairment Reversal	-	-	-	7 892 110	-	-	1 681 501	2 188 949	5 196 052	16 958 612
Operational Cost	(865 099)	-	(817 852)	(8 664 062)	(29 054)	(20 615)	(650 785)	(239 617)	(28 569 562)	(39 856 646)
Transfers and Subsidies	(173 000)	-	(828 368)	-	-	-	-	(555 000)	(222 630)	(1 778 998)
Depreciation	-	-	-	-	-	-	-	-	(52 287 544)	(52 287 544)
Materials and Suppliers	(213 809)	(258 600)	(46 666)	(496 640)	(118 229)	-	(227 032)	(785 796)	(1 014 385)	(3 161 157)
Impairment on Non-Generating Assets	-	-	-	-	-	-	-	3 753 255	20 709 529	24 462 784
Lease Rental on Operating	-	-	-	-	-	(199 689)	-	-	(2 094 835)	(2 294 524)
Bad debts written off	-	-	-	(9 693 074)	-	-	-	(4 728 070)	(4 349 699)	(18 770 843)
Loss on Disposal	-	-	-	-	-	-	-	-	(4 141 853)	(4 141 853)
Remuneration of Councillors	-	-	-	-	-	-	-	-	(11 752 902)	(11 752 902)
Total segment expenditure	(27 840 969)	(258 600)	(17 666 131)	(225 524 468)	(1 589 418)	(437 875)	(32 134 155)	(22 571 486)	(176 823 996)	(504 847 098)
Total segment surplus/(deficit)	32 921 450	258 600	22 213 594	406 351 682	1 618 247	2 064 544	36 060 752	46 928 480	538 363 571	77 086 724

uMngeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	Community Facilities	Disaster Management	Economic Development, Planning and Tourism	Electricity and Roads and Stormwater	Housing	Property Services	Public Safety	Refuse Removal and Street Cleaning	Unallocated	Total
61. Segment information (continued)										
Assets										
Landfill sites assets	-	-	-	-	-	-	-	7 163 531	-	7 163 531
Non-Current Assets	-	1 717 434	-	-	-	-	-	-	11 109 330	12 826 764
Roads and stormwater	-	-	-	22 998 046	-	-	-	-	-	22 998 046
Electrical Assets	-	-	-	43 942 329	-	-	-	-	-	43 942 329
Plant and Machinery	-	-	-	1 714 060	-	-	-	-	-	1 714 060
Total segment assets	-	1 717 434	-	68 654 435	-	-	-	7 163 531	11 109 330	88 644 730
Total assets as per Statement of financial Position										88 644 730

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.

62. Budget differences

Material differences between budget and actual amounts

The excess of actual revenue /expenditure above 10% when comparing with the final adjustment budget approved on the 26th of June 2024

62.1 Service Charges - Electricity: The main contributing factor is the ongoing electricity theft the Municipality is facing due to illegal connections and theft by the community members. The municipality has appointed an electrical expert to determine the root cause and strategies to reduce electricity loss to an acceptable norm.

uMngeni Local Municipality

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Notes to the Annual Financial Statements

2024

2023

62. Budget differences (continued)

62.2 Refuse Service Charges - The actual billed amount is less than anticipated due to an increase in the approved indigent applications during the 2023/2024 financial year.

62.3 Rental of Facilities & Equipment: The municipality has worked hard in forcing internal controls, procedures and monitoring of the lease agreements applications and renewal. The municipality appointed a service provider to determine the market related rental that will be utilized in the 2024/2025 financial year

62.4 Interest received: trade receivables exchange transactions- the target for interest received was not met due to bad debt written-off approved by the council in the 2023/2024 financial year.

62.5 Other Revenue -This is due to delays on insurance claims on assets damaged by the storm during the year under review.

62.6 Interest earned - External investments - The Municipality has been investing unspent grants and this yielded the over-performance for this line item.

62.7 Interest received: Trade receivables non-exchange transactions- The target for interest received was met not due to bad debt write-off approved by the council in the 2023/2024 financial year.

62.8 Fines and Penalties - The budget provision was met due to the traffic fines issued by the municipality and withdrawn by the magistrates court .

62.9 Impairment Loss Reversal - This is due to the roads and stormwater assets improvement / renewal during the 2023/2024 financial year.

62.10 Inventory Consumed - This is due to the SCM module implementation and challenges experienced by the budget users for the six months of the year under review.

62.11 Finance Costs - The Municipality has overspent on this item, this is due to non-cash interest for landfill site which is calculated and captured at year-end when a Landfill Expert has provided its report.

62.12 Bad Debts Write-off - uMngeni reported R250 million as outstanding debtors as at 30 June 2024, the Municipality is struggling with its collection and Council has approved R18mln as debt write off for 2023/2024.

62.13 Contracted Services - The Municipality had measures and controls in place to minimise outsourced service costs, this could be seen in a reduction of R7 million under Consultants within the Contracted Services Note number 44.

62.14 Tansfers and Subsidies - This is due to the late transfer of conditional unspent grants by the transferer to the municipality.

62.15 Loss on disposal of Assets - The Roads and stormwater assets improvement / renewal during the 2023/2024 financial year.

62.16 General Expenses -The Municipality had measures and controls in place to minimise outsourced service and entertainment costs

62.17 Receivables from Non-exchange transactions - This is due to the financial stability, customer payments delays and lengthening of the accounts receivable collection period.

62.18 Vat Receivable - Refunds owed by SARS to the municipality for value added taxes received (output) and paid (input) by the municipality in June 2024

62.19 Receivables from exchange transactions-This is due to the financial instability, customer payments delays and lengthening of the accounts receivable collection period.

62.20 Cash and Cash Equivalent- The municipality has implementated a cash management strategy.

62.21 Property, Plant and Equipment - This is due to the compliance with SCM regulation and policy in appointing service providers

62.22 Finance Lease - The finance lease contract with ABSA bank has come to an end.

uMngeni Local Municipality

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2024

2023

62. Budget differences (continued)

62.23 Payables from Exchange Transactions - The cash management strategy and increase in accrual invoices received after the end of 2023/2024 financial year.

62.24 Provisions - This is in line with the National Treasury Landfill site guideline and expert report recived by the municipality.

62.25 Unspent Grants -This is due to the late transfer of conditional unspent grants by the transferer to the municipality.

62.26 Services charges- Electricity losses due to illegal connections and theft.

62.27 Interest income- This is due to unspent grants towards the end of the 2023/2024 financial year.

62.28 Other Revenue- This is due to misalignment of the MSCOA and GRAP requirements.

62.29 Supplier and employee costs - This is due to the compliance with SCM regulation and policy in appointing service providers.

62.30 Property, Plant and Equipment additions - This is due to the compliance with SCM regulation and policy in appointing service providers.

63. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

In accordance with GRAP 109, the municipality is an agent for the KZN Department of Transport, and the Department is the Principal in this arrangement.

Details of the arrangement are as follows:

The Department is responsible for the registration, licensing and testing functions in terms of applicable national and provincial road traffic legislation and for providing access to clients throughout the Province, transferring specified registration, licensing and testing functions to appropriately identified agents, which act as agents for the Department to process these functions.

The Department and the Municipality entered into an agreement on 1 October 2019 for transferring registration and licensing of motor vehicles and driving licence testing functions.

The municipaplity will be entitled to a fee for the collection of 10% (ten percent) including VAT for all fees collected in terms of clause 7.2 for motor vehicle registration and licensing fees, as specified in the relevent schedules contained in applicable national and provincial road traffic legislations.

No significant terms and conditions of the arrangement and no changes occurred during the reporting period.

Entity as agent

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

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

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R3 613 354 (2023: R2 819 447).

Liabilities and corresponding rights of reimbursement recognised as assets

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

No corresponding rights of reimbursement that have been recognised at year end.

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

uMngeni Local Municipality

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	2024	2023
63. Accounting by principals and agents (continued)		
No resources have been recognised by the agent in its financial statements.		
Resource and/or cost implications for the entity if the principal-agent arrangement is terminated		
The municipality is required to return all the equipment and stock supplied by the department should the agreement be terminated.		
In the event the Agent fails to return all equipment to the Department, the Department shall be entitled to institute legal action against the Agent and recover all fees and costs on an attorney-client scale.		
64. Operational revenue		
Administration Handling Fees	111 324	52 781
Commission Recieved	-	1 144
Incidental Cash Surplus	8 218	958
Skills Development Levy Refund	1 594 482	13 391
Insurance Refund	222 624	247 490
	1 936 648	315 764
65. Discount received		
Fees earned	-	13 716
66. Remeasurements on employee benefits		
Actuarial gains for Medical Aid Benefit	(961 000)	(1 132 000)
Long Services Award Benefit	(199 000)	(907 000)
	(1 160 000)	(2 039 000)
67. Gains from disposal of assets		
Gains from disposal of assets	763 750	585 199