



**UMVOTI LOCAL MUNICIPALITY**

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

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## General Information

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### Nature of business and principal activities

The provision of services (electricity and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.

### Executive committee

Mayor

PG Mavundla (Mayor-21/06/2023)

RN Ngubane (Deputy Mayor-21/06/2023)

MM Masondo (Speaker-21/06/2023)

ALD R Maharaj (Exco Member)

TC Ngubane (Exco Member)

GZ Malembe [(Exco Member)-(Mayor 11/2021 - 21/06/2023)]

Councillors

ZN Ndlovu (Chief Whip-21/06/2023)

XP Dladla

MR Dlamini (Whip of council - 11/2021-21/06/2023)

NP Dlamini (Speaker 11/2021-21/06/2023)

TA Edwards

VB Gwala

RS Maharaj

MN Majozi

MA Makhaye

SJ Makhaye (05/04/2023)

NG Masikane

PS Myaka

SK Ndlovu

SS Ndlovu

ALD PMS Ngubane

VB Njoko Sibisi

LE Zondi

LN Zondi

ZM Zondi (16/06/2023)

ALD SV Zondi

TS Zuma

MJ Ngcobo (Deceased 02/2023)

J Jacquire (Resigned 23/02/2023)

ZP Dlomo (Resigned 12/2022)

ZW Zakwe (Resigned 30/07/2022)

### Chief Finance Officer (CFO)

CB Mkhize (Mrs)

### Accounting Officer

NP Ndaba (Ms)

### Registered office

41 Bell Street/ King Dinizulu

Greytown

3250

### Bankers

Standard Bank

### Auditors

The Auditor General South Africa

### Attorneys

MS Gwagwa and Associates

TL Mbili Attorneys

Nompumelelo Hadebe Incorporated

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## General Information

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### Website

[www.umnvoti.gov.za](http://www.umnvoti.gov.za)

### Legislation

Constitution of the Republic of south Africa (Act 108 of 1998)  
Local Government: Municipal Finance Management Act (Act no.56 of 2003)  
Local Government: Municipal Systems Act (Act 32 of 2000)  
Local Government: Municipal Structures Act (Act 117 of 1998)  
Municipal Property Rates Act (act of 6 2004)  
Division of Revenue Act (Act 1 of 2007)

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Index

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

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 11
Accounting Policies	12 - 24
Notes to the Annual Financial Statements	25 - 62

SALGA	South African Local Government Association
VAT	Value Added Tax
DBSA	Development Bank of South Africa
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
UIF	Unemployment Insurance Fund
WCA	Workers Compensation Fund
SDL	Skills Development Levy
MSCOA	Municipal Standard Chart of Accounts
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SCM	Supply Chain Management
INEP	Intergrated National Electrification Grant
EDTEA	Economic Development Tourism Environmental Affairs

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss 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 deficiency.

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

The accounting officer certifies that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act (Act no.20 of 1998).

The Internal auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements are examined by the municipality's Internal auditors and their report is presented to the council upon completion.

The annual financial statements set out on pages 5 to 62, which have been prepared on the going concern basis, were approved by council on 28 August 2023 and signed by:

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**NP Ndaba (Ms)**  
**Municipal Manager**

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	4 672 427	4 566 920
Other receivables	4	3 456 848	3 402 206
Receivables from exchange transactions	5	16 498 973	22 582 797
Receivables from non-exchange transactions	6	22 117 078	20 937 980
Cash and cash equivalents	7	32 896 194	44 118 201
		<b>79 641 520</b>	<b>95 608 104</b>
<b>Non-Current Assets</b>			
Biological assets	8	129 317 135	126 369 690
Investment property	9	99 615 719	88 413 000
Property, plant and equipment	10	466 424 932	466 360 475
Intangible assets	11	611 700	690 863
Heritage assets	12	355 590	355 590
		<b>696 325 076</b>	<b>682 189 618</b>
<b>Total Assets</b>		<b>775 966 596</b>	<b>777 797 722</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Advances - Agency/Principal transactions	13	-	859 963
Payables from exchange transactions	14	54 125 051	69 987 804
VAT payable	15	20 518 375	10 695 114
Consumer deposits	16	2 496 591	2 440 714
Unspent conditional grants and receipts	17	1 074 774	1 210 426
Provisions	18	540 620	698 708
Employee benefit obligation	19	1 019 747	1 025 934
Finance lease obligation	20	-	147 210
		<b>79 775 158</b>	<b>87 065 873</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	19	23 064 907	26 647 568
Provisions	18	6 691 436	5 933 851
		<b>29 756 343</b>	<b>32 581 419</b>
<b>Total Liabilities</b>		<b>109 531 501</b>	<b>119 647 292</b>
<b>Net Assets</b>			
Accumulated surplus and reserves			
Housing operating account	21	6 921	6 921
Accumulated surplus		666 428 174	658 143 509
<b>Total Net Assets</b>		<b>666 435 095</b>	<b>658 150 430</b>

\* See Note 50

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	93 794 643	99 898 215
Construction revenue	23	16 719 898	15 621 757
Rental of facilities and equipment		331 833	636 239
Interest received - current account		586 906	451 118
Licences and permits		1 185 263	1 778 697
Agency services	24	1 430 745	1 777 997
Sale of timber	25	36 790 826	17 593 033
Other income	26	1 735 140	3 046 934
Interest earned	27	3 509 696	2 846 366
<b>Total revenue from exchange transactions</b>		<b>156 084 950</b>	<b>143 650 356</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	28	50 028 421	45 673 389
<b>Transfer revenue</b>			
Government grants and subsidies	29	217 772 161	199 410 793
Fines, penalties and forfeits		394 446	828 779
<b>Total revenue from non-exchange transactions</b>		<b>268 195 028</b>	<b>245 912 961</b>
<b>Total revenue</b>		<b>424 279 978</b>	<b>389 563 317</b>
<b>Expenditure</b>			
Employee related costs	30	149 942 360	140 703 278
Remuneration of councillors	31	10 853 909	10 342 519
Depreciation and amortisation	32	34 719 669	31 566 747
Finance costs	33	4 248 883	3 337 905
Debt impairment	34	11 013 388	9 697 228
Bulk purchases	35	74 299 925	75 438 561
Contracted services	36	82 240 472	65 600 937
Indigent support	37	1 646 983	1 982 279
General expenses	38	60 199 676	53 801 123
<b>Total expenditure</b>		<b>429 165 265</b>	<b>392 470 577</b>
<b>Operating deficit</b>		<b>(4 885 287)</b>	<b>(2 907 260)</b>
Profit/ (loss) on disposal of assets	10	126 598	(55 000)
Fair value adjustments	39	12 195 578	22 640 080
Actuarial gains	19	7 117 215	1 291 939
Impairment loss	40	(6 269 439)	(3 042 694)
		<b>13 169 952</b>	<b>20 834 325</b>
<b>Surplus for the year</b>		<b>8 284 665</b>	<b>17 927 065</b>

\* See Note 50

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

Figures in Rand	Capital replacement reserve	Accumulated surplus	Total net assets
Opening balance as previously reported - refer to Note 44	6 921	640 739 679	640 746 600
Adjustments			
Prior year adjustments	-	(523 235)	(523 235)
<b>Balance at 01 July 2021 as restated*</b>	<b>6 921</b>	<b>640 216 444</b>	<b>640 223 365</b>
Changes in net assets			
Surplus for the year	-	17 927 065	17 927 065
Total changes	-	17 927 065	17 927 065
Opening balance as previously reported	6 921	657 617 468	657 624 389
Adjustments			
Prior year adjustments	-	526 041	526 041
<b>Balance at 01 July 2022</b>	<b>6 921</b>	<b>658 143 509</b>	<b>658 150 430</b>
Changes in net assets			
Surplus for the year	-	8 284 665	8 284 665
Total changes	-	8 284 665	8 284 665
<b>Balance at 30 June 2023</b>	<b>6 921</b>	<b>666 428 174</b>	<b>666 435 095</b>
Note(s)	21		

\* See Note 50



# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from ratepayers, consumer debtors and others		227 831 406	192 825 418
Government grants		218 531 000	194 030 000
Interest income		3 509 696	2 846 366
		<u>449 872 102</u>	<u>389 701 784</u>
<b>Payments</b>			
Employees and councilors		(154 522 063)	(150 821 576)
Suppliers		(260 381 031)	(202 718 772)
Finance costs		(4 248 883)	(3 337 905)
		<u>(419 151 977)</u>	<u>(356 878 253)</u>
<b>Net cash flows from operating activities</b>	41	<b><u>30 720 125</u></b>	<b><u>32 823 531</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(42 521 405)	(43 750 052)
Proceeds from sale of property, plant and equipment	10	1 594 561	-
Disposal of investment property	9	-	40 000
Purchase of other intangible assets	11	(8 115)	-
		<u>(40 934 959)</u>	<u>(43 710 052)</u>
<b>Net cash flows from investing activities</b>		<b><u>(40 934 959)</u></b>	<b><u>(43 710 052)</u></b>
<b>Cash flows from financing activities</b>			
Receipts from principals in agency/ principal arrangements - note 13		-	60 779 876
Payments made on behalf of principals in agency/ principal arrangements - note 13		(859 963)	(60 779 876)
Finance lease payments		(147 210)	(202 049)
		<u>(1 007 173)</u>	<u>(202 049)</u>
<b>Net cash flows from financing activities</b>		<b><u>(1 007 173)</u></b>	<b><u>(202 049)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(11 222 007)</b>	<b>(11 088 570)</b>
Cash and cash equivalents at the beginning of the year		44 118 201	55 206 771
<b>Cash and cash equivalents at the end of the year</b>	7	<b><u>32 896 194</u></b>	<b><u>44 118 201</u></b>

\* See Note 50

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	115 789 811	(2 462 953)	<b>113 326 858</b>	93 794 643	<b>(19 532 215)</b>	55.1
Construction contracts	-	-	-	16 719 898	<b>16 719 898</b>	
Rental of facilities and equipment	436 751	(99 840)	<b>336 911</b>	331 833	<b>(5 078)</b>	
Interest received - current account	-	-	-	586 906	<b>586 906</b>	55.2
Agency services	-	-	-	1 430 745	<b>1 430 745</b>	55.3
Licences and permits	2 385 300	(514 644)	<b>1 870 656</b>	1 185 263	<b>(685 393)</b>	55.4
Other income	5 924 145	(2 841 231)	<b>3 082 914</b>	1 735 140	<b>(1 347 774)</b>	55.5
Sale of timber	-	6 086 957	<b>6 086 957</b>	36 790 826	<b>30 703 869</b>	55.6
Interest received - investment	2 167 768	1 112 249	<b>3 280 017</b>	3 509 696	<b>229 679</b>	
<b>Total</b>	<b>126 703 775</b>	<b>1 280 538</b>	<b>127 984 313</b>	<b>156 084 950</b>	<b>28 100 637</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Property rates</b>						
Property rates	50 122 747	-	<b>50 122 747</b>	50 028 421	<b>(94 326)</b>	
<b>Transfer revenue</b>						
Government grants and subsidies	170 574 000	48 149 925	<b>218 723 925</b>	217 772 161	<b>(951 764)</b>	
Fines, penalties and forfeits	48 294	56 018	<b>104 312</b>	394 446	<b>290 134</b>	55.7
<b>Total</b>	<b>220 745 041</b>	<b>48 205 943</b>	<b>268 950 984</b>	<b>268 195 028</b>	<b>(755 956)</b>	
<b>Total revenue</b>	<b>347 448 816</b>	<b>49 486 481</b>	<b>396 935 297</b>	<b>424 279 978</b>	<b>27 344 681</b>	
<b>Expenditure</b>						
Employee cost	(145 077 832)	(11 044 527)	<b>(156 122 359)</b>	(149 942 360)	<b>6 179 999</b>	
Remuneration of councillors	(10 805 725)	-	<b>(10 805 725)</b>	(10 853 909)	<b>(48 184)</b>	
Depreciation and Amortization	(30 650 590)	(506 113)	<b>(31 156 703)</b>	(34 719 669)	<b>(3 562 966)</b>	
Impairment loss	-	-	-	(6 269 439)	<b>(6 269 439)</b>	55.8
Finance costs	(314 400)	-	<b>(314 400)</b>	(4 248 883)	<b>(3 934 483)</b>	55.9
Debt Impairment	(8 474 705)	(22 889 746)	<b>(31 364 451)</b>	(11 013 388)	<b>20 351 063</b>	55.10
Bulk purchases	(79 910 810)	-	<b>(79 910 810)</b>	(74 299 925)	<b>5 610 885</b>	
Contracted services	(44 367 781)	(2 775 575)	<b>(47 143 356)</b>	(82 240 472)	<b>(35 097 116)</b>	55.11
Indigent relief	(4 753 813)	-	<b>(4 753 813)</b>	(1 646 983)	<b>3 106 830</b>	55.12
General expenses	(42 799 811)	(2 762 833)	<b>(45 562 644)</b>	(60 199 676)	<b>(14 637 032)</b>	55.13
<b>Total expenditure</b>	<b>(367 155 467)</b>	<b>(39 978 794)</b>	<b>(407 134 261)</b>	<b>(435 434 704)</b>	<b>(28 300 443)</b>	
<b>Operating deficit</b>	<b>(19 706 651)</b>	<b>9 507 687</b>	<b>(10 198 964)</b>	<b>(11 154 726)</b>	<b>(955 762)</b>	
Gain on disposal of assets and liabilities	-	-	-	126 598	<b>126 598</b>	55.14
Fair value adjustments	-	-	-	12 195 578	<b>12 195 578</b>	55.14
Actuarial gains	-	-	-	7 117 215	<b>7 117 215</b>	55.14
	-	-	-	<b>19 439 391</b>	<b>19 439 391</b>	
<b>Surplus</b>	<b>(19 706 651)</b>	<b>9 507 687</b>	<b>(10 198 964)</b>	<b>8 284 665</b>	<b>18 483 629</b>	
<b>Total surplus</b>	<b>(19 706 651)</b>	<b>9 507 687</b>	<b>(10 198 964)</b>	<b>8 284 665</b>	<b>18 483 629</b>	

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	6 383 698	(1 901 778)	<b>4 481 920</b>	4 672 427	<b>190 507</b>	
Receivables from exchange transactions	-	-	-	3 456 848	<b>3 456 848</b>	55.15
Receivables from non-exchange transactions	(16 273 874)	63 324 365	<b>47 050 491</b>	22 117 078	<b>(24 933 413)</b>	55.15
Receivable from exchange transactions	43 816 124	(63 453 836)	<b>(19 637 712)</b>	16 498 973	<b>36 136 685</b>	55.15
Cash and cash equivalents	83 288 588	(177 549 850)	<b>(94 261 262)</b>	32 896 194	<b>127 157 456</b>	55.16
	<b>117 214 536</b>	<b>(179 581 099)</b>	<b>(62 366 563)</b>	<b>79 641 520</b>	<b>142 008 083</b>	

##### Non-Current Assets

Biological assets that form part of an agricultural activity	96 917 369	29 452 321	<b>126 369 690</b>	129 317 135	<b>2 947 445</b>	55.17
Investment property	86 442 000	1 971 000	<b>88 413 000</b>	99 615 719	<b>11 202 719</b>	55.17
Property, plant and equipment	313 635 674	168 369 549	<b>482 005 223</b>	466 424 932	<b>(15 580 291)</b>	
Intangible assets	690 863	(86 358)	<b>604 505</b>	611 700	<b>7 195</b>	
Heritage assets	355 590	-	<b>355 590</b>	355 590	-	
	<b>498 041 496</b>	<b>199 706 512</b>	<b>697 748 008</b>	<b>696 325 076</b>	<b>(1 422 932)</b>	

#### Total Assets

	<b>615 256 032</b>	<b>20 125 413</b>	<b>635 381 445</b>	<b>775 966 596</b>	<b>140 585 151</b>	
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#### Liabilities

##### Current Liabilities

Payables from exchange transactions	135 994 941	(13 218 858)	<b>122 776 083</b>	54 125 051	<b>(68 651 032)</b>	55.18
VAT payable	-	-	-	20 518 375	<b>20 518 375</b>	55.18
Consumer deposits	-	2 440 714	<b>2 440 714</b>	2 496 591	<b>55 877</b>	55.18
Employee benefit obligation	-	-	-	1 019 747	<b>1 019 747</b>	55.18
Unspent conditional grants and receipts	-	-	-	1 074 774	<b>1 074 774</b>	55.18
Provisions	-	6 632 559	<b>6 632 559</b>	540 620	<b>(6 091 939)</b>	55.18
	<b>135 994 941</b>	<b>(4 145 585)</b>	<b>131 849 356</b>	<b>79 775 158</b>	<b>(52 074 198)</b>	

##### Non-Current Liabilities

Employee benefit obligation	-	-	-	23 064 907	<b>23 064 907</b>	55.19
Provisions	-	-	-	6 691 436	<b>6 691 436</b>	55.19
	-	-	-	<b>29 756 343</b>	<b>29 756 343</b>	

#### Total Liabilities

	<b>135 994 941</b>	<b>(4 145 585)</b>	<b>131 849 356</b>	<b>109 531 501</b>	<b>(22 317 855)</b>	
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#### Net Assets

	<b>479 261 091</b>	<b>24 270 998</b>	<b>503 532 089</b>	<b>666 435 095</b>	<b>162 903 006</b>	
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#### Net Assets

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

##### Reserves

Housing development fund	6 921	-	<b>6 921</b>	6 921	-	
Accumulated surplus	479 254 170	24 270 998	<b>503 525 168</b>	666 428 174	<b>162 903 006</b>	
<b>Total Net Assets</b>	<b>479 261 091</b>	<b>24 270 998</b>	<b>503 532 089</b>	<b>666 435 095</b>	<b>162 903 006</b>	

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Receipts from ratepayers, consumer debtors and others	182 362 338	(16 839 894)	<b>165 522 444</b>	227 831 406	<b>62 308 962</b>	
Government grants	201 084 368	2 531 632	<b>203 616 000</b>	218 531 000	<b>14 915 000</b>	
Interest income	-	-	-	3 509 696	<b>3 509 696</b>	
	<b>383 446 706</b>	<b>(14 308 262)</b>	<b>369 138 444</b>	<b>449 872 102</b>	<b>80 733 658</b>	
<b>Payments</b>						
Suppliers and employees	-	-	-	(419 151 977)	<b>(419 151 977)</b>	55.20
<b>Net cash flows from operating activities</b>	<b>383 446 706</b>	<b>(14 308 262)</b>	<b>369 138 444</b>	<b>30 720 125</b>	<b>(338 418 319)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	-	-	-	(42 521 405)	<b>(42 521 405)</b>	
Proceeds from sale of property, plant and equipment	-	-	-	1 594 561	<b>1 594 561</b>	
Purchase of other intangible assets	-	-	-	(8 115)	<b>(8 115)</b>	
<b>Net cash flows from investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40 934 959)</b>	<b>(40 934 959)</b>	
<b>Cash flows from financing activities</b>						
Finance lease payments	-	-	-	(147 210)	<b>(147 210)</b>	
Payments made on behalf of principals	-	-	-	(859 963)	<b>(859 963)</b>	
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 007 173)</b>	<b>(1 007 173)</b>	
Net increase/(decrease) in cash and cash equivalents	383 446 706	(14 308 262)	<b>369 138 444</b>	(11 222 007)	<b>(380 360 451)</b>	
Cash and cash equivalents beginning of the period	-	-	-	44 118 201	<b>44 118 201</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>383 446 706</b>	<b>(14 308 262)</b>	<b>369 138 444</b>	<b>32 896 194</b>	<b>(336 242 250)</b>	

The accounting policies on pages 12 to 24 and the notes on pages 25 to 62 form an integral part of the annual financial statements.

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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.

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

#### 1.1 Presentation currency

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

#### 1.2 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.

#### 1.3 Changes in accounting policies and comparability

Changes in accounting policies due to adoption of newly effective Standards of GRAP are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy or where allowed transitional provisions are adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

#### 1.4 Comparative information

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

#### 1.5 Significant judgements and sources of estimation uncertainty

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the annual financial statements:

##### Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on relevant accounting standards as assessed by management.

##### Impairment: Write down of Property, Plant and Equipment (PPE) and inventories

An allowance for writing inventory down to the lower of cost or net realisable value where required, management determine estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit for the period in which it arises.

Significant estimates and judgments are made relating to PPE impairment tests and impairment of inventories.

##### Impairment of financial assets

In making the estimation of impairment, management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. Management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

## Accounting Policies

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

#### Useful lives of Property, Plant and Equipment

The municipality depreciates/amortises its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The municipality shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting policies, Changes in Accounting Estimates and Errors (GRAP 3).

#### Defined benefit plan liabilities

The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. Details of the liabilities are provided in the notes to the annual financial statements. Assumptions of the actuaries are contained in the actuary reports. Multi-employer defined benefit funds are accounted for as defined contribution plans.

#### Biological assets

The fair value of plantations is subject to the conversion of hectares to tons. The municipality engages the services of professional valuers for the determination of fair value.

#### Cash generating/ non-cash generating assets

The municipality's assets are used for service delivery and are therefore classified as non cash generating assets.

#### Statutory receivables

The municipality accounts for statutory receivables which arise from the implementation of the Municipal Property Rates Act 6 of 2004 (MPRA) and the National Road Traffic Act 93 of 1996 (NRTA).

Transaction amounts for these statutory receivables are determined with reference to property values taking into consideration any exemptions, rebates and reductions as per policy for property rates and schedules as per the act and offence in the case of traffic fines.

#### Agency/ Principal arrangements

The municipality classifies arrangements in which the municipality acts on behalf of other entities / organisations for the benefit of residents or beneficiaries other than the municipality itself as Agency/ Principal transactions. The municipality does not recognise any revenue or losses in respect of these arrangements.

#### Revenue recognition

In making their judgement, management considers the detailed criteria for the recognition of revenue in particular when services are rendered, whether the service has been rendered. Management of the municipality is satisfied that recognition of revenue in the current year is appropriate. Revenue from plantation sale is recognised when all the risk and rewards of ownership have been passed to the buyer.

### 1.6 Biological assets

The municipality owns wattle, gum and pine plantations. For subsequent measurement the plantations are measured at fair value less cost to sell.

Fair value is based on active market prices less costs to sell for timber at rotation age and the cost value approach for timber at pre-rotation age.

A gain or loss arising on subsequent measurement is recognised in surplus or deficit for the period in which the gain or loss arises.

### 1.7 Investment property

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

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

## Accounting Policies

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### 1.7 Investment property (continued)

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

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

### 1.8 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. 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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

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

Item	Average useful life
Buildings	5 to 50 years
Furniture and fixtures	7 to 10 years
Motor vehicles	5 to 10 years
Office equipment	3 to 5 years

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Infrastructure

• Roads and paving	10 to 20 years
• Pedestrian malls	3 years
• Major substation buildings	10 to 50 years
• Transformers and related equipment	20 to 50 years
• Mains	20 years
• Street lights	20 years

#### Community

• Buildings	5 to 50 years
• Security	5 to 10 years
• Other property, plant and equipment	3 years

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

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

### Subsequent measurement

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

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

### 1.9 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

Item	Useful life
Computer software, other	5 years



## Accounting Policies

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### 1.9 Intangible assets (continued)

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.10 Heritage assets

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### 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 assess 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.

#### Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.11 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.11 Financial instruments (continued)

#### Classification

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

<b>Class</b>	<b>Category</b>
Receivables from exchange transactions	Financial asset measured at amortised cost
VAT Receivables	Financial asset measured at amortised cost
Cash and cash equivalents	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:

<b>Class</b>	<b>Category</b>
Payables from exchange transactions	Financial liability measured at amortised cost
VAT payable	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost
Advances - Agency/Principal relationship transactions	Financial liability measured at amortised cost

#### Initial recognition

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

#### Initial measurement of financial assets and financial liabilities

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

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition at amortised cost.

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

#### Impairment of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.11 Financial instruments (continued)

#### Derecognition

##### Financial assets

The municipality derecognises financial assets when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

##### Financial liabilities

The municipality derecognises financial liabilities when the municipality's obligations are discharged, cancelled or they expire.

### 1.12 Statutory receivables

#### Statutory receivables

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

The municipality accounts for statutory receivables which arise from the implementation of:

The Municipal Property Rates Act 6 of 2004 (MPRA) whose purpose is to regulate the power of a municipality to impose rates on property, to exclude certain properties from rating in the national interest and to make provision for municipalities to implement a transparent and fair system of exemptions, reductions and rebates through their rating policies.

The National Road Traffic Act 93 of 1996 (NRTA) whose purpose is to provide for road traffic matters which shall apply uniformly throughout the Republic and for matters connected therewith.

#### Determination of transaction amount

Transaction amounts for these statutory receivables are determined as follows:

Property rates - billed amount with reference to property values taking into consideration any exemptions, rebates and reductions as per policy, excluding any receipts.

Traffic fines - with reference to the schedules as per the act and offence.

#### Interest or other charges levied/charged

Interest on outstanding balances is charged on overdue property rates balances and form part of statutory receivables at 1.5% per month on the outstanding balance excluding interest.

#### Basis used to assess and test whether a statutory receivable is impaired

All balances outstanding for more than 180 days on inactive accounts are deemed 100% impaired, while those for active accounts are deemed impaired by 50%. Balances older than 90 days up to 180 days are deemed impaired by 50%. Balances owing by government and government departments are not deemed impaired regardless of the ageing.

#### Recognition

##### 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 derecognised.

## Accounting Policies

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### 1.13 Leases

#### 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 municipality's incremental borrowing rate.

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.

#### Operating leases - lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

#### Operating leases - lessee

Operating lease rentals are recognised as an expense in surplus or deficit for the year on a straight-line basis over the term of the relevant lease.

### 1.14 Inventories

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

Subsequently inventories are measured at the lower of cost determined on the weighted average basis and, net realisable value.

### 1.15 Construction contracts and receivables

Projects in progress for the benefit of Eskom are not recognised in the cost of property, plant and equipment of the municipality. Instead, these costs, are recognised in surplus or deficit in the year in which they arise.

Revenue from construction contracts is recognised to the extent of expenditure incurred.

Any unspent amounts at the end of the financial period remain in payables.

### 1.16 Impairment of cash-generating assets

#### Identification

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

#### 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.

### 1.17 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.

## Accounting Policies

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### 1.17 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 asset 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.

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

#### Reversal of an impairment loss

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

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

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

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

### 1.18 Accounting by principals and agents

#### Identifying whether the municipality is a principal or an agent

Management assesses whether the municipality is party to any principal-agent arrangements. Should the municipality be party to such an arrangement, management assesses whether it is a principal or an agent in the arrangement. The assessment of whether the 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 the municipality will be an agent. Where the municipality concludes that it is not the agent, then it is the principal in the transactions.

## Accounting Policies

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

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

#### Recognition

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.

### 1.19 Employee benefits

#### Short-term employee benefits

Remuneration to employees is recognised in surplus or deficit for the year as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is included as an accrual in financial liabilities. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

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

Defined contribution plans are post-employment benefit plans under which the 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.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit for the year in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The municipality has no further payment obligations once the contributions have been paid.

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

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

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

#### Pension benefits

The municipality and its employees contribute to the Natal Joint Municipal Pension Fund (Superannuation, Retirement and Provident fund). The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administered or trustee-administered funds, determined by periodic actuarial calculations.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund assets as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

## Accounting Policies

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### 1.19 Employee benefits (continued)

#### Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the statement of financial performance.

#### Long service awards

The municipality has an obligation to provide benefits to its employees. The municipality's liability is based on actuarial valuation using actuary assumptions. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

### 1.20 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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

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

Contingent assets and contingent liabilities are not recognised. Contingent assets and liabilities are disclosed in the notes to the annual financial statements.

### 1.21 Commitments

Commitments inclusive of VAT are disclosed for all capital and operational projects. The commitment is measured at the value of the contract less amounts incurred.

### 1.22 Revenue from exchange transactions

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

Revenue comprises the fair value of the consideration received or receivable for the sale or rendering of services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

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

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable.

#### Service charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made when meter readings cannot be performed

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.

#### Plantation sales

Revenue from plantation sales is recognised when all the risks and rewards of ownership have passed to the buyer.

## Accounting Policies

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### 1.22 Revenue from exchange transactions (continued)

#### Approved Tariff charges and Rentals

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

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement where material, where such lease periods span over more than one financial year.

#### Finance Income

Interest earned on investments is recognised in surplus or deficit for the year on the time proportion basis that takes into account the effective yield on the investment.

### 1.23 Revenue from non-exchange transactions

#### Rates, including collection charges and penalties and interest.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

#### Fines.

Revenue from issuing of traffic fines is recognised when it is probable that economic benefits associated with a transaction will flow to the Municipality and can be measured reliably.

Revenue from traffic fines is initially fair value and subsequently tested for impairment.

The revenue from traffic fines is subject to judicial process which is outside the municipality's control.

#### Public contributions.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Revenue is recognised at the fair value of the consideration received. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

#### Government grants and receipts.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised as accounts receivable in the period in which they become receivable.

Interest earned on investments arising from grant received, is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability and if it is not payable to the funder, it is recognised as interest earned in surplus or deficit for the year.

### 1.24 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. These costs are recognised as expenses in surplus or deficit for the year.

### 1.25 Unauthorised expenditure

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

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



## Accounting Policies

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### 1.26 Fruitless and wasteful expenditure

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

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

### 1.27 Irregular expenditure

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

### 1.28 Housing operating account

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the account. Where the municipality experiences a net loss on proceeds realised these are funded by the accumulated surplus. Monies standing to the credit of the account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial Member of the Executive Committee responsible for housing.

### 1.29 Value Added Tax (VAT)

The municipality accounts for VAT on the accruals basis.

Based on approval received from the Commissioner for South African Revenue Services, the municipality has been given permission to remit or claim for VAT on the payments basis for debtors and creditors.

### 1.30 Budget information

The municipality presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as a separate statement called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements. The budget and financial statements are comparable on an accruals basis.

### 1.31 Related parties

Individuals, including councillors, as well as their close family members, and/ or entities are related parties if one party has the ability to, directly or indirectly, to control or jointly control the other party, or exercise significant influence over the other party in making financial and/ operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

### 1.32 Accounting by principals or agents

A principal-agent arrangement results from a binding arrangement in which one entity, the municipality, undertakes transactions with third parties on behalf, and for the benefit of, another entity, the principal. The municipality recognises increases in assets and related increases in liabilities on receipt of the related funding. The liability is reduced when the amounts are spent in accordance with funding conditions.

### 1.33 Events after reporting date

Events after the reporting date that have been classified as adjusting events are accounted for in the annual financial statements. Events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the annual financial statements.

### 1.34 Offsetting

Assets, liabilities, revenue and expenses are not offset, except where offsetting is required or permitted by Standards of GRAP.

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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

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

The following new GRAP standards have been approved but are not yet effective.

##### GRAP 25 - Employee Benefits

The objective of this standard is to prescribe the accounting and disclosure requirements for employee benefits. The standard is expected to have an impact on the municipality as the municipality has employees who it pays on a monthly basis and also contributes to post retirement medical aid.

##### GRAP 104 – Financial instruments

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. The standard is expected to have an impact on the municipality as the municipality has accounts receivable and payable. The revised standard will come into effect in 2025.

#### 2.2 Interpretations approved but not yet effective

The following interpretations have been approved but are not yet effective.

**IGRAP 7: Limit on a Defined Benefit Asset Min Fund Requirement and Interact** - This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits. The effective date is still to be announced.

**IGRAP 21 - The Effect of Past Decisions on Materiality** - The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods. The effective date of this interpretation is still to be announced.

### 3. Inventories

Consumables	4 672 427	4 566 920
Inventories recognised as an expense during the year	11 229 436	11 529 010

#### Inventory pledged as security

No inventory was pledged as security.

### 4. Other receivables

Impairment	(1 270 144)	(1 270 144)
Other receivables	4 726 992	4 672 350
	<b>3 456 848</b>	<b>3 402 206</b>

Other receivables include Eskom deposits amounting to R 2 523 610, a court award amounting to R762 025 and debt arrangement amounting to R474 882

#### Reconciliation of provision for impairment of other receivables

Opening balance	(1 270 144)	(1 270 144)
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# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>5. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	14 711 056	19 001 754
Refuse	9 372 765	9 692 039
Housing rental	46 339	57 487
Sundry debtors	6 353 037	6 616 972
	<b>30 483 197</b>	<b>35 368 252</b>
<b>Less: Allowance for impairment</b>		
Electricity	(5 227 355)	(4 733 818)
Refuse	(4 051 568)	(4 176 429)
Housing rental	(38 631)	(52 437)
Sundry debtors	(4 666 670)	(3 822 771)
	<b>(13 984 224)</b>	<b>(12 785 455)</b>
<b>Net balance</b>		
Electricity	9 483 701	14 267 936
Refuse	5 321 197	5 515 610
Housing rental	7 708	5 050
Sundry debtors	1 686 367	2 794 201
	<b>16 498 973</b>	<b>22 582 797</b>
<b>Electricity and other receivables from exchange transactions</b>		
Current (0 -30 days)	6 910 592	10 166 409
31 - 60 days	84 157	54 267
61 - 90 days	831 440	1 124 381
91 - 120 days	1 009 980	1 041 754
121 - 365 days	21 647 029	23 103 337
	<b>30 483 198</b>	<b>35 490 148</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(12 785 455)	(18 261 510)
Contributions to allowance	(7 940 198)	(3 867 432)
Debt impairment written off against allowance	6 741 429	9 343 487
	<b>(13 984 224)</b>	<b>(12 785 455)</b>
<p>The municipality recorded a material provision for debt impairment and also a write off of balances relating to deceased and indigent consumers during the year. Interest outstanding was written off in line with a decision reached to suspend interest until further notice.</p>		
<p>Interest was not charged during the year in line with the resolution made by Council to suspend interest billing as a measure to cushion consumers from the economic hardships resulting from Covid-19. This resolution is still in place.</p>		
<b>Consumer debtors past due but not impaired</b>		
<p>At 30 June 2023, R 1 925 577 (2022: R 2 220 402) were past due but not impaired.</p>		
<p>The ageing of amounts past due but not impaired is as follows:</p>		
1 month past due	84 157	54 267
2 months past due	831 440	1 124 381
3 months past due	1 009 980	1 041 754
	<b>1 925 577</b>	<b>2 220 402</b>
<b>Receivables from exchange transactions pledged as security</b>		
<p>No receivables from exchange transactions have been pledged as security.</p>		

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 5. Receivables from exchange transactions (continued)

#### Receivables from exchange transactions impaired

As of 30 June 2023, consumer debtors of R 21 647 026 (2022: R 23 103 336) were impaired and provided for.

The amount of the provision was R 13 984 224 as of 30 June 2023 (2022: R 12 785 455).

The ageing of these receivables is as follows:

3 to 5 months	1 405 472	3 099 572
Over 5 months	20 241 554	20 003 764
	<b>21 647 026</b>	<b>23 103 336</b>

### 6. Receivables from non-exchange transactions

Fines	8 572 840	8 296 940
Fines - Impairment	(7 970 974)	(7 813 449)
Property rates	31 217 496	30 009 201
Property rates - impairment	(9 702 284)	(9 554 712)
	<b>22 117 078</b>	<b>20 937 980</b>

#### Property Rates

Current (0 -30 days)	4 657 869	4 778 455
31 - 60 days	4 178	-
61 - 90 days	981 484	899 396
91 - 120 days	834 750	777 957
121 days and above	24 739 215	23 551 111
	<b>31 217 496</b>	<b>30 006 919</b>

#### Statutory receivables - Receivables from non-exchange transactions pledged as security

No statutory receivables were pledged as security.

#### Statutory receivables - Receivables from non-exchange transactions past due but not impaired

At 30 June 2023, R 1 820 412 (2022: R 1 677 353) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	4 178	-
2 months past due	981 484	899 396
3 months past due	834 750	777 957
	<b>1 820 412</b>	<b>1 677 353</b>

#### Receivables from non-exchange transactions impaired

As of 30 June 2023, statutory receivables - receivables from non-exchange transactions of R 24 739 214 (2022: R 24 430 749) were impaired and provided for.

The amount of the provision was R 17 673 258 as of 30 June 2023 (2022: R 17 368 161).

The ageing of these receivables is as follows:

3 to 5 months	1 483 190	1 476 435
Over 5 months	23 256 024	22 954 314
	<b>24 739 214</b>	<b>24 430 749</b>

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

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

#### Reconciliation of provision for impairment - receivables from non-exchange transactions

Opening balance	(17 368 161)	(16 762 918)
Contribution to impairment	(3 073 187)	(5 323 277)
Amounts written off as uncollectible	2 768 090	4 718 034
	<b>(17 673 258)</b>	<b>(17 368 161)</b>

The municipality recorded a material provision for debt impairment and also a write off of balances relating to deceased and indigent consumers during the year. Interest outstanding was written off in line with a decision reached to suspend interest until further notice.

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	56 720	108 695
Bank balances	2 339 113	2 846 362
Short-term deposits	30 500 361	41 163 144
	<b>32 896 194</b>	<b>44 118 201</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
STANDARD BANK - 268530947-046	515 592	9 614 183	182 844	515 592	9 614 183	182 844
STANDARD BANK - 268530947-053	-	4 585 731	10 218 786	-	4 585 731	10 218 786
NEDBANK - 037165015566-352	2 705 967	25 086 943	11 155 342	2 705 967	25 086 943	11 155 342
NEDBANK - 037165015566-336	-	1 246 631	1 200 760	-	1 246 631	1 200 760
NEDBANK - 037165015566-314	-	-	2 788 806	-	-	2 788 806
NEDBANK - 037165015566-335	-	629 656	1 715 273	-	629 656	1 715 273
NEDBANK - 037165015566-313	-	-	509 515	-	-	509 515
NEDBANK - 037165015566-334	-	-	483 360	-	-	483 360
NEDBANK - 037165015566-202	-	-	20 377 876	-	-	20 377 876
NEDBANK - 037165015566-349	2 867 140	-	-	2 867 140	-	-
NEDBANK - 037165015566-351	1 042 266	-	-	1 042 266	-	-
NEDBANK - 037165015566-348	631 078	-	-	631 078	-	-
NEDBANK - 037165015566-357	5 266 653	-	-	5 266 653	-	-
NEDBANK - 037165015566-355	2 141 268	-	-	2 141 268	-	-
STANDARD BANK - 268530947-054	15 330 397	-	-	15 330 397	-	-
STANDARD BANK - MAIN	2 339 113	2 846 362	6 477 380	2 339 113	2 846 362	6 477 380
CASH ON HAND	-	-	-	56 720	108 695	96 829
<b>Total</b>	<b>32 839 474</b>	<b>44 009 506</b>	<b>55 109 942</b>	<b>32 896 194</b>	<b>44 118 201</b>	<b>55 206 771</b>

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 8. Biological assets

	2023		2022	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Trees in a plantation forest	129 317 135	- 129 317 135	126 369 690	- 126 369 690

#### Reconciliation of biological assets -June 2023

	Opening balance	Additions	Losses arising from changes in fair value	Decrease due to harvest/sales	Total
Trees in a plantation forest	126 369 690	9 786 488	992 859	(7 831 902)	129 317 135

#### Reconciliation of biological assets -June 2022

	Opening balance	Additions	Gains or losses arising from changes in fair value	Decrease due to harvest/sales	Total
Trees in a plantation forest	101 470 501	7 729 835	21 393 580	(4 224 226)	126 369 690

#### Pledged as security

No assets were pledged as security. The municipality sold 43 520.62 tonnes of timber and related products generating R36 790 834.30 in 2023 compared 34 251.3 which generated R17 593 032.58 in 2022.

The additional 9 269.32 tonnes sold in 2023 included 6 819.55 of Wattle sold in 2023 against nil in 2022. Wattle accounts for 15.7% of the total revenue in 2023. This combined with higher average prices in 2023 resulted in the municipality recording a huge increase in revenue in 2023 compared to 2022."

### 9. Investment property

	2023		2022	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	99 615 719	- 99 615 719	88 413 000	- 88 413 000

#### Reconciliation of investment property -June 2023

	Opening balance	Fair value adjustments	Total
Investment property	88 413 000	11 202 719	99 615 719

#### Reconciliation of investment property -June 2022

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	87 261 500	(95 000)	1 246 500	88 413 000

#### Pledged as security

No assets were pledged as security.

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.

The valuation was conducted by Mills Fitchet, who hold recognised and relevant professional qualifications and have recent experience in the valuation of similar properties. The last valuation was performed as at 30 June 2023.

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	19 420 574	-	19 420 574	19 420 574	-	19 420 574
Buildings	69 604 550	(40 657 111)	28 947 439	69 601 550	(37 166 619)	32 434 931
Plant and machinery	25 018 202	(19 786 708)	5 231 494	23 951 495	(16 904 532)	7 046 963
Furniture and fixtures	6 674 088	(4 776 567)	1 897 521	6 448 351	(3 631 321)	2 817 030
Motor vehicles	25 980 197	(19 429 369)	6 550 828	27 136 663	(19 435 524)	7 701 139
Office equipment	3 580 181	(2 307 434)	1 272 747	2 888 460	(1 768 813)	1 119 647
Infrastructure	409 836 710	(213 570 183)	196 266 527	409 836 710	(190 006 691)	219 830 019
Community assets	145 011 244	(60 352 095)	84 659 149	145 011 244	(53 629 628)	91 381 616
Work in Progress - Infrastructure	64 928 488	-	64 928 488	43 595 536	-	43 595 536
Work in Progress - Community assets	57 250 165	-	57 250 165	41 013 020	-	41 013 020
<b>Total</b>	<b>827 304 399</b>	<b>(360 879 467)</b>	<b>466 424 932</b>	<b>788 903 603</b>	<b>(322 543 128)</b>	<b>466 360 475</b>

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	19 420 574	-	-	-	-	19 420 574
Buildings	32 434 931	3 000	-	(3 490 492)	-	28 947 439
Plant and machinery	7 046 963	1 095 008	(28 160)	(2 882 317)	-	5 231 494
Furniture and fixtures	2 817 030	225 737	-	(1 145 246)	-	1 897 521
Motor vehicles	7 701 139	2 866 156	(1 503 784)	(2 512 683)	-	6 550 828
Office equipment	1 119 647	761 407	(23 172)	(585 135)	-	1 272 747
Infrastructure	219 830 019	-	-	(18 805 614)	(4 757 878)	196 266 527
Community assets	91 381 616	-	-	(5 210 903)	(1 511 564)	84 659 149
Work in Progress - Infrastructure	43 595 536	21 332 952	-	-	-	64 928 488
Work in Progress - Community assets	41 013 020	16 237 145	-	-	-	57 250 165
	<b>466 360 475</b>	<b>42 521 405</b>	<b>(1 555 116)</b>	<b>(34 632 390)</b>	<b>(6 269 442)</b>	<b>466 424 932</b>

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

	Opening balance	Additions	Transfers in/(out)	Assets written off	Depreciation	Impairment loss	Total
Land	19 420 574	-	-	-	-	-	19 420 574
Buildings	36 951 382	99 900	-	-	(4 616 351)	-	32 434 931
Plant and machinery	7 498 871	978 057	-	-	(1 429 965)	-	7 046 963
Furniture and fixtures	2 775 008	739 082	-	(98 856)	(598 204)	-	2 817 030
Motor vehicles	10 570 608	-	-	(653 810)	(2 215 659)	-	7 701 139
Office equipment	970 355	480 572	-	(12 954)	(318 326)	-	1 119 647
Infrastructure	239 079 182	-	-	(111 258)	(18 247 414)	(890 491)	219 830 019
Community Assets	80 005 463	-	17 582 826	-	(4 054 470)	(2 152 203)	91 381 616
Work in Progress - Infrastructure	18 135 542	25 459 994	-	-	-	-	43 595 536
Work in Progress - Community Assets	42 603 400	15 992 447	(17 582 827)	-	-	-	41 013 020
	<b>458 010 385</b>	<b>43 750 052</b>	<b>(1)</b>	<b>(876 878)</b>	<b>(31 480 389)</b>	<b>(3 042 694)</b>	<b>466 360 475</b>

#### Pledged as security

No assets were pledged as security.



# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 10. Property, plant and equipment (continued)

#### Property, plant and equipment in the process of being constructed or developed

##### Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Fencing material for the botanic gardens	150 000	150 000
Construction of Khokhoba to Matshemane link road The Municipality anticipated terminating the Contractor in quarter 3 due to slow performance however the Contractor presented a revised implementation and showed some improvement on site however the contractor failed to meet the agreed revised implementation plan. The Municipality then terminated the contract on the 1st June 2022. The contractor will be appointed to complete the outstanding activities.]	10 630 454	9 488 019
Construction of Enhlalakahle sportsfield The contractor was terminated due to poor performance, this impacted on the outstanding activities not being completed. The new contractor to be appointed and now the project is on tender stage for appointment of the new contractor.	23 196 536	12 310 474
Construction of Ward 1 sportfield	12 211 933	16 955 836
	<b>46 188 923</b>	<b>38 904 329</b>

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

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

Contracted Services	12 750 759	9 946 292
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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.

### 11. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 382 955	(1 771 255)	611 700	2 374 840	(1 683 977)	690 863

#### Reconciliation of intangible assets - June 2023

	Opening balance	Additions	Amortisation	Total
Computer software	690 863	8 115	(87 278)	611 700

#### Reconciliation of intangible assets -June 2022

	Opening balance	Amortisation	Total
Computer software	777 221	(86 358)	690 863

#### Pledged as security

No intangible assets were pledged as security.

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 12. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	355 590	-	355 590	355 590	-	355 590

#### Reconciliation of heritage assets - June 2023

	Opening balance	Total
Historical monuments	355 590	355 590

#### Reconciliation of heritage assets June 2022

	Opening balance	Total
Historical monuments	355 590	355 590

#### Pledged as security

No heritage assets were pledged as security.

### 13. Advances - Agency/Principal transactions

#### Umvoti Local Municipality as agent for the Department of Economic Development, Tourism and Environmental Affairs

#### Umvoti Local Municipality as agent for the Department of Human Settlements

The municipality entered into an arrangement with the Department of Human Settlements whereby the municipality acts as an agent on behalf of the department in overseeing the contractors engaged by the department to build low cost houses for distribution to beneficiaries within the Umvoti area. The municipality receives cash from the department, accepts invoices from service providers for work done and manages the payment process on behalf of the department. The risks that may arise in the execution of the housing projects are the responsibility of the principal - the department. A reconciliation of the funds received and paid and any outstanding balances are disclosed below.

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

As at 30 June, the assets and liabilities at hand with regards to the agency/ principal relationship between the municipality and its principals are shown below:

#### Assets (cash) held at year end:

Department of Human Settlements	-	859 963
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#### Reconciliation of funds received:

Reconciliation of receipts and payments from funds received and utilised under the agency/ principal arrangement between the municipality and its principal is shown below:

#### Department of Human Settlements

Opening balance	859 963	859 963
Received during the year	-	60 779 876
Expenditure for the year	(859 963)	(60 779 876)
	-	859 963

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>14. Payables from exchange transactions</b>		
Trade payable	14 969 796	25 183 932
Payments received in advance	56 895	167 987
Retentions	13 942 023	11 965 000
Accrued leave pay	11 688 515	12 274 574
Sundry deposits	173 869	173 869
Staff bonus - accrual	-	3 884 123
Other creditors	13 293 953	16 338 319
	<b>54 125 051</b>	<b>69 987 804</b>

Other creditors include payments not yet presented to the bank amounting to R2 449 598 (2022: R3,983,629) and debtors with credit balances amounting to R8 134 955 (2022: R6 636 783).

### 15. VAT payable

Tax payable	20 518 375	10 695 114
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VAT becomes due or payable/receivable upon payment to suppliers/receipt of cash from customers.

### 16. Consumer deposits

Electricity	2 496 591	2 440 714
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### 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Financial Management Grant (FMG)	615 820	-
Energy Efficiency and Demand Side Management Grant	784	784
Massification	-	1 166 472
Storm damage	43 170	43 170
Department of Sports Grant	415 000	-
	<b>1 074 774</b>	<b>1 210 426</b>

#### Movement during the year

Balance at the beginning of the year	1 210 426	6 347 421
Additions during the year	73 342 000	194 030 000
Income recognised during the year	(73 477 652)	(199 166 995)
	<b>1 074 774</b>	<b>1 210 426</b>

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 18. Provisions

#### Reconciliation of provisions - June 2023

	Opening Balance	Actuarial (gain)/loss	Current service cost	vesting benefits	interest	Total
Long Service Awards	6 632 559	256 466	590 644	(943 792)	696 179	7 232 056

#### Reconciliation of provisions - June 2022

	Opening Balance	Actuarial (gain)/loss	Current service cost	vesting benefits	interest	Total
Long Service Awards	5 798 000	279 559	670 000	(643 000)	528 000	6 632 559
Non-current liabilities	6 691 436	5 933 851				
Current liabilities	540 620	698 708				
	<b>7 232 056</b>	<b>6 632 559</b>				

The municipality rewards qualifying employees for serving a continuous period of 10,15,20,25,30, 35,40 and 45 years. At each reporting date the municipality estimates the long service awards using qualified actuaries.

### 19. Employee benefit obligations

#### Defined benefit plan

#### Post retirement medical aid plan

The municipality offers employees and continuation members an opportunity to belong to one of several medical aid schemes (Bonitas, Key Health, LA Health, SAMWU Med), most of which offer a range of options pertaining to levels of cover. The post employment medical aid benefit actuarial valuation was conducted by One Pangaea Expertise and Solutions. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death in retirement, the surviving dependants may continue membership of the medical scheme.

#### Movement in the defined benefit obligation plan

Opening balance	27 673 502	26 715 000
Current service cost	1 499 769	842 000
Interest	3 536 302	2 681 000
Actuarial (gain)/loss	(1 251 238)	(1 571 498)
Transferred to current	(7 373 681)	(993 000)
	<b>24 084 654</b>	<b>27 673 502</b>

#### Long service awards

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>19. Employee benefit obligations (continued)</b>		
<b>Movement in the defined benefit obligation</b>		
Opening balance	6 632 559	5 798 000
Current service cost	590 644	670 000
Interest	696 179	528 000
Actuarial (gain/loss)	256 466	279 559
Vesting benefits	(943 792)	(643 000)
	<b>7 232 056</b>	<b>6 632 559</b>
<b>Key assumptions used</b>		
Assumptions used at the reporting date:		
Discount rates used	12.96 %	11.11 %
Expected rate of return on reimbursement rights	5.06 %	8.04 %
The average retirement age is 62 years.		
<b>20. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	-	151 537
	-	151 537
less: future finance charges	-	(4 327)
<b>Present value of minimum lease payments</b>	-	<b>147 210</b>
<b>Present value of minimum lease payments due</b>		
- within one year	-	147 210
The average lease term was 24 months and the average effective borrowing rate was 7% (2023: -%).		
Interest rates are fixed at the contract date.		
<b>Defaults and breaches</b>		
The municipality is not in breach of any of its obligations under the agreement.		
<b>Market risk</b>		
The carrying amounts of finance lease liabilities are denominated in the following currencies:		
Rand	-	147 210
For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note 51.		
The fair value of finance lease liabilities approximate their carrying amounts.		
<b>21. Housing operating account</b>		
Opening balance	6 921	6 921
<b>22. Service charges</b>		
Electricity revenue	82 317 676	89 986 144
Refuse revenue	11 476 967	9 912 071
	<b>93 794 643</b>	<b>99 898 215</b>

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>23. Construction revenue</b>		
ESKOM	14 845 884	14 740 473
EDTEA	1 874 014	881 284
	<b>16 719 898</b>	<b>15 621 757</b>

The municipality entered an arrangement with ESKOM to construct electrical infrastructure for ESKOM in the ESKOM area of supply and with the Department of Economic Development, Tourism and Environmental Affairs to erect storage facilities for informal traders within the the municipality's jurisdiction. The municipality recognises revenue only to the extent of expenditure incurred on the construction of such infrastructure.

### 24. Agency services

Licenses	1 430 745	1 777 997
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The municipality receives revenue from the Department of Transport as commission for issuing motor vehicle licenses on it's behalf.

### 25. Sale of timber

Revenue from sale of timber	36 790 826	17 593 033
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The municipality sold 43 520.62 tonnes of timber and related products generating R36 790 826.30 in 2023 compared 34 251.3 which generated R17 593 032.58 in 2022. The additional 9 269.32 tonnes sold in 2023 included 6 819.55 of Wattle sold in 2023 against nill in 2022. Wattle accounts for 15.7% of the total revenue in 2023. This combined with higher average prices in 2023 resulted in the municipality recording a huge increase in revenue in 2023 compared to 2022.

### 26. Other income

Escort fees	593 607	278 306
Sundry receipts	1 141 533	2 768 628
	<b>1 735 140</b>	<b>3 046 934</b>

Sundry receipts include income from sale of tender documents, fees charged on spatial planning and land use management, photocopies and clearance certificates.

### 27. Interest earned

<b>Interest revenue</b>		
Bank	3 509 696	2 846 366

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 28. Property rates

#### Rates receivable

Residential	14 604 346	13 562 505
Commercial	21 809 408	19 322 149
State	7 202 120	6 404 197
Small holdings and farms	6 023 959	5 985 877
Vacant land	388 588	398 661
	<b>50 028 421</b>	<b>45 673 389</b>

Rates income from State Owned Properties fell as a result of additional rebates given to consumers as part of measures to cushion the consumers from economic hardships.

#### Valuations

Residential	1 264 903 934	1 258 998 934
Commercial	664 671 000	674 181 000
State	281 460 000	294 117 300
Municipal	150 475 500	150 910 500
Agriculture	3 146 393 700	3 157 951 700
Industrial	303 005 000	303 005 000
Vacant land	18 404 600	18 335 600
Other	597 435 300	582 235 000
	<b>6 426 749 034</b>	<b>6 439 735 034</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	162 289 000	145 819 000
Museum subsidy	235 000	225 000
Library subsidy	2 218 000	2 113 000
Expanded Public Works Programme	2 704 000	-
Finance Management Grant (FMG)	1 934 180	2 550 000
Skills Development Grant	271 981	243 798
Taxi Rank	-	98 264
Energy Efficiency and Demand Side Management Grant	-	1 999 216
Corridor Development	-	2 040
Public contributions	-	5 500
Specific programme	-	77 353
	<b>169 652 161</b>	<b>153 133 171</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	48 120 000	41 323 000
Urban renewal	-	1 199 126
Sports and Recreation	-	3 408 272
Single land use scheme	-	317 000
Eshane Development	-	374
Gijima KZN	-	12 451
Phasiwe Farm	-	17 399
	<b>48 120 000</b>	<b>46 277 622</b>
	<b>217 772 161</b>	<b>199 410 793</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	73 342 000	48 211 000
Unconditional grants received	162 289 000	130 391 679
	<b>235 631 000</b>	<b>178 602 679</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Museum Subsidy</b>		
Current-year receipts	235 000	225 000
Conditions met - transferred to revenue	(235 000)	(225 000)
	-	-
<b>Library Subsidy</b>		
Current-year receipts	2 218 000	2 113 000
Conditions met - transferred to revenue	(2 218 000)	(2 113 000)
	-	-
<b>Financial Management Grant (FMG)</b>		
Current-year receipts	2 550 000	2 550 000
Conditions met - transferred to revenue	(1 934 180)	(2 550 000)
	<b>615 820</b>	-



# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Government grants and subsidies (continued)</b>		
<b>Skills Development Grant</b>		
Current-year receipts	271 981	243 798
Conditions met - transferred to revenue	(271 981)	(243 798)
	-	-
<b>Municipal Infrastructure Grant (MIG)</b>		
Current-year receipts	48 120 000	41 323 000
Conditions met - transferred to revenue	(48 120 000)	(41 323 000)
	-	-
<b>Urban renewal</b>		
Balance unspent at beginning of year	-	1 199 126
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(1 199 126)
	-	-
<b>Sports and Recreation</b>		
Balance unspent at beginning of year	-	3 408 272
Conditions met - transferred to revenue	-	(3 408 272)
	-	-
<b>Single Land-use Scheme</b>		
Balance unspent at beginning of year	-	317 000
Conditions met - transferred to revenue	-	(317 000)
	-	-
<b>Expanded Public Works Programme (EPWP)</b>		
Current-year receipts	2 704 000	-
Conditions met - transferred to revenue	(2 704 000)	-
	-	-

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Government grants and subsidies (continued)</b>		
<b>Public contribution</b>		
Balance unspent at beginning of year	-	5 500
Conditions met - transferred to revenue	-	(5 500)
	-	-
<b>Massification</b>		
Balance unspent at beginning of year	1 166 472	1 166 472
Conditions met - transferred to revenue	(1 166 472)	-
	-	<b>1 166 472</b>
<b>Eshane development</b>		
Balance unspent at beginning of year	-	374
Conditions met - transferred to revenue	-	(374)
	-	-
<b>Corridor Development</b>		
Balance unspent at beginning of year	-	2 040
Conditions met - transferred to revenue	-	(2 040)
	-	-
<b>Gijima KZN</b>		
Balance unspent at beginning of year	-	12 451
Conditions met - transferred to revenue	-	(12 451)
	-	-
<b>Storm damage</b>		
Balance unspent at beginning of year	43 170	43 170
Conditions still to be met - remain liabilities (see note 17).		
<b>Phasiwe farm</b>		
Balance unspent at beginning of year	-	17 399
Conditions met - transferred to revenue	-	(17 399)
	-	-
<b>Specific programme</b>		
Balance unspent at beginning of year	-	77 353
Conditions met - transferred to revenue	-	(77 353)
	-	-
<b>Taxi Rank</b>		
Balance unspent at beginning of year	-	98 264
Conditions met - transferred to revenue	-	(98 264)
	-	-
<b>Energy Efficiency and Demand Side Management Grant</b>		
Balance unspent at beginning of year	784	-
Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	-	(1 999 216)

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Government grants and subsidies (continued)</b>		
	<b>784</b>	<b>784</b>
Conditions still to be met - remain liabilities (see note 17)		
<b>Department of Sports and Recreation Maintenance Grant</b>		
Current-year receipts	415 000	-
Conditions still to be met - remain liabilities (see note 17).		

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>30. Employee related costs</b>		
Basic	106 396 790	96 144 392
Bonus	5 172 077	7 465 941
Medical Aid - company contributions	3 843 571	3 344 564
UIF	1 014 092	924 242
WCA	1 063 336	976 341
SDL	1 400 967	1 266 410
SALGA Levies	57 703	52 085
Leave pay	382 676	1 672 688
Defined contribution plans	2 014 351	1 568 199
Travel, motor car,accommodation, subsistence and other allowances	4 852 790	4 220 753
Overtime payments	3 607 849	4 410 786
Acting allowances	1 078 350	1 197 454
Housing benefits and allowances	1 098 259	1 087 341
Group Life Insurance	1 365 195	1 185 493
Pension	11 982 974	10 650 223
Standby allowance	3 581 367	3 195 195
Cellphone allowances	398 765	137 600
Protective clothing	711 602	1 325 064
Less: Employee costs included in other expenses	(80 354)	(121 493)
	<b>149 942 360</b>	<b>140 703 278</b>

### Remuneration of Municipal Manager NP Ndaba (Ms)

Annual Remuneration	272 690	-
Car Allowance	45 000	-
Housing	45 000	-
	<b>362 690</b>	<b>-</b>

### Remuneration of Chief Finance Officer - CB Mkhize (Mrs)

Annual Remuneration	734 905	688 159
Car Allowance	114 000	114 000
Performance Bonuses	105 619	78 000
Leave Pay	172 214	-
Housing	78 000	154 839
	<b>1 204 738</b>	<b>1 034 998</b>

### Remuneration of Director: Corporate Services - M. Maphanga (Mr)

Annual Remuneration	623 738	577 005
Car Allowance	189 450	189 450
Performance Bonuses	105 622	11 370
Housing Allowance	113 706	126 486
Acting Allowance	31 163	-
	<b>1 063 679</b>	<b>904 311</b>

### Remuneration of Director: Technical services - N Qwabe (Mr)

Annual Remuneration	589 355	542 610
Car Allowance	210 968	210 968
Performance Bonuses	79 214	126 581
Housing Allowance	126 581	128 800
	<b>1 006 118</b>	<b>1 008 959</b>

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>30. Employee related costs (continued)</b>		
<b>Remuneration of Director: Community Services - B Mchunu (Mrs)</b>		
Annual Remuneration	623 748	577 005
Car Allowance	189 450	189 450
Performance Bonuses	79 214	79 214
Housing Allowance	113 706	113 706
Other	-	41 551
	<b>1 006 118</b>	<b>1 000 926</b>
<b>Remuneration of Director: Planning - TC Buthelezi (Mr)</b>		
Annual Remuneration	574 566	577 005
Car Allowance	173 663	189 450
Performance Bonuses	172 214	113 706
Housing Allowance	104 231	-
	<b>1 024 674</b>	<b>880 161</b>
<b>Remuneration of Municipal Manager - TN Ngiba (Mrs)</b>		
Acting Allowance	361 288	947 160
Car Allowance	60 000	180 000
Housing	20 000	210 779
Performance Bonuses	142 459	60 000
Leave Pay	228 850	-
	<b>812 597</b>	<b>1 397 939</b>
<p>Council resolved to suspend the Municipal Manager in December 2021, for non-compliance with various administrative processes. The matter was concluded through a separation settlement agreement approved by council. The contract of the Municipal Manager came to an end on 31 August 2022.</p>		
<b>31. Remuneration of Councillors</b>		
Transport allowances	1 042 804	1 300 466
Cellphone allowances	1 233 477	1 074 219
Basic	8 577 628	7 967 834
	<b>10 853 909</b>	<b>10 342 519</b>
<b>In-kind benefits</b>		
<p>The Mayor and the Deputy Mayor and Speaker are provided with an office, secretarial support, vehicles and security at the cost of the Council. The mayor also enjoys the benefit of a council house.</p>		
<p>Detailed disclosure is shown under on note 48, Related parties.</p>		
<b>Councillors allowances</b>		
Mayor	950 044	887 959
Deputy Mayor	759 504	709 298
Speaker	766 145	719 858
Executive Committee Members	1 269 227	1 232 196
Ordinary Councillors	6 561 841	6 793 208
	<b>10 306 761</b>	<b>10 342 519</b>
<b>32. Depreciation and amortisation</b>		
Property, plant and equipment	34 632 391	31 480 389
Intangible assets	87 278	86 358
	<b>34 719 669</b>	<b>31 566 747</b>

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>33. Finance costs</b>		
Trade and other payables	12 075	111 524
Other interest accrued - finance leases, changes in discount rates (Actuarial)	4 236 808	3 226 381
	<b>4 248 883</b>	<b>3 337 905</b>
Interest on trade and other payables represent interest on over due accounts.		
<b>34. Debt impairment</b>		
Debt impairment	11 013 388	9 697 228
<b>35. Bulk purchases</b>		
Electricity - Eskom	74 299 925	75 438 561
<b>36. Contracted services</b>		
<b>Outsourced Services</b>		
Project management advisory services - Plantation management	28 606 668	12 536 749
Engineering services	1 495 162	879 622
Professional Staff	1 263 508	4 434 736
Security Services	3 689 338	3 253 141
Transport Services	4 496 182	5 215 905
<b>Consultants and Professional Services</b>		
Business and Advisory	6 993 513	6 299 964
Infrastructure and Planning	16 729 788	17 690 240
Valuers and assessors	281 064	361 234
Legal Cost	2 926 755	3 112 391
<b>Contractors</b>		
Catering Services	400 085	686 153
Maintenance of Buildings and Facilities	13 152 093	9 946 292
Other contractors	2 206 316	1 184 510
	<b>82 240 472</b>	<b>65 600 937</b>

Contracted service increased significantly compared to the prior year as a result of huge volumes of timber that were harvested and hauled to the market as well as INEP expenditure.

The municipality harvested and hauled 43 520.62 tonnes of timber and related products from various farm sites incurring R30 201 771 in 2023 compared 34 251.3 which incurred R12 010 708 in 2022. The additional 9 269.32 harvested and transported in 2023 included 6 819.55 of Wattle all harvested in 2023 against nil in 2022. This, combined with higher average costs in 2023 resulted in the municipality recording a huge increase in contracted services in 2023 compared to 2022.

INEP expenditure which was previously accounted for under GRAP 109 was recognised in contracted services following the recommendations made by National Treasury.

### 37. Indigent support

Services and other	1 646 983	1 982 279
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The municipality provided indigent support to 1116 (1014:2022) indigent customers as at 30 June 2023.

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>38. General expenses</b>		
Advertising	603 792	318 233
Animal care and pound	895 302	942 910
Assets expensed	153 712	876 882
Auditors remuneration	2 216 795	2 246 716
Audit committee expenses	402 422	296 726
Bank charges	527 164	336 330
Community development	2 493 796	3 293 708
Commission paid - CONTOUR	1 102 484	1 019 258
Electricity	3 127 605	3 476 656
Entertainment	346 296	349 802
Hire charges	20 915 664	10 642 415
Insurance	3 198 760	2 377 599
IT expenses	17 346	56 095
Inventory consumed	11 229 441	11 529 010
Motor vehicle licensing	405 714	266 415
Municipal services	3 132 887	6 107 428
Other expenses	237	99
Postage and courier	84 061	-
Printing and stationery and publication	947 318	960 806
Protective clothing	221 757	1 428 077
Software expenses	746 310	249 039
Study assistance	528 927	661 212
Subscriptions and membership fees	1 705 623	1 390 546
Telephone and fax	2 568 391	2 984 344
Training	247 820	248 776
Travel - local	662 322	970 291
Ward committees, Amakhosi stipends	1 717 730	771 750
	<b>60 199 676</b>	<b>53 801 123</b>

The municipality incurred significantly more on hire charges in the current year compared to the prior year as a result of the need to repair roads which were destroyed by floods.

### 39. Fair value adjustments

Investment property - (Fair value model)	11 202 719	1 246 500
Biological assets - (Fair value model)	992 859	21 393 580
	<b>12 195 578</b>	<b>22 640 080</b>

Fair value changes emanate from investment property and biological assets which are valued by professional valuers on an annual basis.

### 40. Impairment of assets

#### Impairments

Property, plant and equipment	6 269 439	3 042 694
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The major contributor towards impairment losses was the physical state of the assets.  
The recoverable amount of the asset was based on its fair value less costs to sell.

The main classes of assets affected by impairment losses are infrastructure and community assets under property, plant and equipment.

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>41. Cash generated from operations</b>		
Surplus	8 284 665	17 927 065
<b>Adjustments for:</b>		
Depreciation and amortisation	34 719 669	31 566 747
(Profit)/Loss on sale of assets	(126 598)	55 000
Fair value adjustments	(12 195 578)	(22 640 080)
Impairment provision	6 269 439	3 042 694
Debt impairment	11 013 388	9 697 228
Movements in retirement benefit assets and liabilities	(3 588 848)	958 502
Movements in provisions	599 497	834 559
Post employment employee benefits interest/ actuarial gains	1 061 696	(2 662 983)
<b>Changes in working capital:</b>		
Inventories	(105 507)	(1 331 397)
Other receivables	(54 642)	(293 837)
Receivable from exchange transaction	(4 929 564)	(10 032 095)
Other receivables from non-exchange transactions	(1 179 098)	6 928 835
Payables from exchange transactions	(15 862 753)	3 666 889
VAT	6 894 134	221 838
Unspent conditional grants and receipts	(135 652)	(5 136 995)
Consumer deposits	55 877	21 561
	<b>30 720 125</b>	<b>32 823 531</b>
<b>42. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	33 900 083	21 594 818
<b>Total capital commitments</b>	33 900 083	21 594 818
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Operational	5 233 164	12 230 062
<b>Total operational commitments</b>	5 233 164	12 230 062
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	33 900 083	21 594 818
Authorised operational expenditure	5 233 164	12 230 062
	<b>39 133 247</b>	<b>33 824 880</b>
<b>43. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	100 384	2 037 484
<b>Opening balance as restated</b>	<b>100 384</b>	<b>2 037 484</b>
Add: Expenditure identified - current	12 075	113 245
Less: Amount written off - current	-	(12 861)
Less: Amount written off - prior period	-	(2 037 484)
<b>Closing balance</b>	<b>112 459</b>	<b>100 384</b>

The municipality incurred fruitless and wasteful expenditure in the form of interest on overdue balances on Eskom and interest on court order not attended to by the municipality timeously.



# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>44. Irregular expenditure</b>		
Opening balance as previously reported	-	32 666 794
<b>Opening balance as restated</b>	-	<b>32 666 794</b>
Add: Irregular Expenditure - current	-	9 097 953
Less: Amount written off - current	-	(9 097 953)
Less: Amount written off - prior period	-	(32 666 794)
	-	-

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 45. Deviation from supply chain management regulations

Deviations from the SCM policy are approved by the Accounting Officer.

The accounting officer may dispense with the official procurement process in certain circumstances, provided that she records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

Deviations current period	3 782 306	5 033 622
Considered by council	-	(5 033 622)
	<b>3 782 306</b>	<b>-</b>

2023	Supplier	Amount
Sole supplier	Frama	96 000
Exceptional circumstances	Mas Corporation	2 866 156
Strip and quote	Mas Corporation	161 385
Sole supplier	Truvelo Africa Electronics	6 802
Strip and quote	Zaygo Auto repairs	421 931
Only one responsive	Aheer's Building Suppliers	28 699
Strip and quote	Bell Equipment	201 333
	<b>3 782 306</b>	

2022	Supplier	Total
Strip and quote	ABS Panelshop	311 662
Strip and quote	ACE GTNB Auto Repair	174 637
Building material - sole supplier	Aheer Building suppliers	7 738
Plant service	Bell Equipment	236 059
Timber	Bracken timber	387 794
Strip and quote	CNH	45 263
Recording system	DVP Distribution	339 575
Strip and quote	German Engineering	4 485
Strip and quote	Jay C Auto	136 700
Sole supplier - Renew License	Liquid Automation Systems	167 544
Strip and quote	Man Automotive	757 973
Strip and quote	Mas corporation	831 238
Private Investigator	Nondaba Business Consulting	350 000
Sole supplier	Novetho Solution pty ltd	40 939
Strip and quote	SMG Mhlanga	85 430
Strip and quote	Zaygo Auto Repairs	1 156 585
	<b>-</b>	<b>5 033 622</b>

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>46. Unauthorised expenditure</b>		
Opening balance as previously reported	-	28 097 929
<b>Opening balance as restated</b>	-	<b>28 097 929</b>
Add: Expenditure identified - current	36 876 928	9 860 450
Less: Approved/condoned/authorised by council	-	(37 958 379)
<b>Closing balance</b>	<b>36 876 928</b>	<b>-</b>

Unauthorised expenditure in the current year was mainly due to a surge in activity for forestry. The other expenditure items include inventory consumed, hire charges, security, Workman's compensation and repairs and maintenance.

Non-cash items were depreciation and loss on valuation of forestry.

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

Non-cash	5 097 630	-
Cash	31 779 298	9 860 450
	<b>36 876 928</b>	<b>9 860 450</b>

### Analysed as follows: non-cash

Depreciation and amortisation	797 897	-
Fair value loss	4 299 733	-
	<b>5 097 630</b>	<b>-</b>

### Analysed as follows: cash

Bulk purchases and inventory	3 175 649	6 843 585
Contracted services	23 706 201	-
General expenditure	4 897 448	2 977 543
Social/ Indigent support	-	39 322
	<b>31 779 298</b>	<b>9 860 450</b>

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

Executive and council	1 621 951	2 141 889
Municipal manager	288 671	(45 635)
Corporate services	350 215	812 059
Finance	128 790	188 517
Planning and economic development	24 032 443	(149 502)
Community services	4 329 555	2 002 630
Technical services	6 125 303	4 910 492
	<b>36 876 928</b>	<b>9 860 450</b>

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>47. Electricity distribution losses</b>		
Units purchased (kwh)	42 015 808	51 272 009
Units sold (kwh)	(34 078 475)	(39 824 051)
Total cost of distribution losses (kwh)	7 937 333	11 447 958
<b>Total cost of Distribution losses in Rands</b>	<b>14 057 053</b>	<b>12 435 274</b>

The municipality incurred distribution losses during the period. These losses are calculated as the difference between power supplies invoiced by Eskom and amounts billed to consumers as above. The losses were due to ageing infrastructure and illegal connections.

The total distribution loss is 18.89 % at 30 June 2023 and 22 % (June: 2022).

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 48. Contingencies

#### Contingent liabilities

Estimated contingent liabilities are set out below

- The amount for contingent liabilities disclosed below exclude claimant legal costs which cannot be readily quantified.

**Simply IT Accounting Solutions CC** - The municipality is being sued for breach of contract. The matter has been proceeded with pretrial notices issued. At this stage it is difficult to assess with certainty whether the municipality will lose as the odds appear to be even.t

**Ndaba Pheneas Madondo and other** - action was instituted against the municipality for breach of contract. The matter was defended and is now pending at the High Court. At this stage the outcome is not clear and the estimates of the costs ,could not be made.

Simply IT Accounting Solutions CC	2 055 323	3 004 655
Ndaba Pheneas Madondo and other	961 000	800 000
	<b>3 016 323</b>	<b>3 804 655</b>

#### Contingent assets

The municipality instituted legal action against Mondi Limited for breach of contract and is claiming damages amounting to R11,758,844. The matter is being prepared for mediation but it is probable that the suit will lead to successful redress and settlement in full.

The Municipality instituted legal action against Mngoe Transport (Private) Limited to recover an amount of R 2 488 050 for an item of Plant the Municipality ordered and paid for in full but was not delivered. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount and this recovery is virtually certain.

The employee was found guilty on 16 charges and was dismissed in March 2022. His leave and pro-rata bonus was withheld. Thereafter an application was made with the pension fund to attach his pension for the purpose of recovery of the amount owed to the municipality, however the pension fund advised that the municipality has two options to deal recover the amount. The first one is to obtaining a Civil Judgement against the employee and the second option is for the Admission of Liability by the employee. The process is currently underway, but we had requested attorneys to determine the cost of Civil Judgement as option two will be the last resort since the employee has never co-operated in this matter.

### 49. Related parties

During the year, no transactions were conducted with councillors' or entities in which they held interests.

Particulars regarding remuneration to municipal manager and executive management are set out in note 30.

#### Key management information

Class	Description	Number
Mayor	Mayor	1
Execuitve Committee	Councillors	5
Councillors	Councillors	20
Municipal Managers	Senior Managers	1
Executive Management	Senior Managers	5

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Related parties (continued)

#### Remuneration of management

#### Management class: Councillors

#### 2023

Name	Basic salary	Travel Allowance	Cellphone Allowance	Back Pay	Total
PG Mavundla (Mayor-21/06/2023)	89 027	-	2 745	20 985	112 757
RN Ngubane (Deputy Mayor-21/06/2023)	370 098	-	41 100	20 903	432 101
MM Masondo (Speaker-21/06/2023)	679 371	-	41 100	32 627	753 098
Ald R Maharaj (Exco Member)	277 574	92 525	41 100	20 902	432 101
TC Ngubane (Exco Member)	277 574	92 525	41 100	20 902	432 101
GZ Malembe (Exco Member)-(Mayor 11/2021-21/06/2023)	663 400	221 133	41 100	41 810	967 443
ZN Ndlovu (Council Whip-21/06/2023)	209 941	69 981	41 100	17 248	338 270
MA Makhaye	279 922	-	41 100	17 248	338 270
MJ Ngcobo (Deceased 02/2023)	163 004	-	24 100	10 220	197 324
TS Zuma	233 155	46 767	41 100	17 248	338 270
Ald SV Zondi	209 941	69 981	41 100	17 248	338 270
LN Zondi	233 836	-	37 072	36 456	307 364
ZP Dlomo (Resigned)	139 620	-	20 700	8 815	169 135
SK Ndlovu	279 922	-	41 100	17 248	338 270
LE Zondi	387 489	-	41 100	22 416	451 005
PS Myaka	279 922	-	41 100	17 248	338 270
TA Edwards	279 922	-	41 100	17 186	338 208
VB Gwala	279 922	-	41 100	17 248	338 270
SS Ndlovu	279 922	-	41 100	17 249	338 271
MR Dlamini	277 574	92 525	41 100	20 902	432 101
PMS Ngubane	209 941	69 981	41 100	17 248	338 270
J Jacquire (Resigned)	186 388	-	27 500	11 626	225 514
VB Njoko-Sibisi	257 219	-	37 400	15 461	310 080
MN Majozi	279 922	-	41 100	17 248	338 270
XP Dladla	279 922	-	41 100	17 248	338 270
NG Masikane	279 922	-	41 100	17 248	338 270
RS Maharaj	209 941	69 981	41 100	17 248	338 270
ZW Zakwe (Resigned)	22 703	-	3 700	1 787	28 190
NP Dlamini (Speaker 11/2021-21/06/2023)	530 720	176 907	41 100	34 581	783 308
SJ Makhaye	67 897	-	10 200	6 471	84 568
	<b>8 215 711</b>	<b>1 002 306</b>	<b>1 067 617</b>	<b>568 275</b>	<b>10 853 909</b>

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 49. Related parties (continued)

#### 2022

Name	Basic salary	Other short-term employee benefits	Back pay	Other benefits received	Total
GZ Malembe (Mayor-10 November 2021)	470 179	156 726	24 411	40 500	691 816
LE Zondi (Deputy Mayor)	424 719	-	14 464	25 753	464 936
NP Dlamini (Speaker)	392 391	130 797	17 418	40 500	581 106
TC Ngubane (Exco Member)	403 488	134 496	16 314	40 500	594 798
RN Ngubane (Exco Member)	226 831	-	7 706	25 753	260 290
Ald R Maharaj (Exco Member)	267 766	89 255	11 611	40 500	409 132
MM Masondo - MPAC Chairperson	212 555	-	13 876	25 753	252 184
ZP Buthelezi	134 027	-	4 021	20 072	158 120
MD Khanyile	73 852	24 617	2 954	14 747	116 170
MR Dlamini	242 719	80 906	12 334	31 060	367 019
MS Zondi	96 554	1 915	2 954	14 747	116 170
MS Yengwa (Deceased)	170 269	56 756	6 811	34 000	267 836
NJ Nzame	98 469	-	2 954	14 747	116 170
PS Hlophe	73 852	24 617	2 954	14 747	116 170
SS Xulu	73 852	24 617	2 954	14 747	116 170
SK Ndlovu	272 430	-	8 854	40 500	321 784
Z Zakwe	98 469	-	2 954	14 747	116 170
ZN Ndlovu	204 323	68 108	8 854	40 500	321 785
CN Mkhize	73 852	24 617	2 954	14 746	116 169
F Mayat	73 852	24 617	2 954	14 747	116 170
W Khoza	186 693	62 231	7 467	14 747	271 138
PMS Ngubane	204 323	68 108	8 854	40 500	321 785
BD Madonsela	94 776	31 592	3 791	14 747	144 906
PT Zuma	73 852	24 617	2 954	14 747	116 170
RS Maharaj	204 323	68 108	8 854	40 500	321 785
SE Lembethe	73 852	24 617	2 954	14 747	116 170
XF Ngubane	98 469	-	2 954	14 747	116 170
LT Gwala	97 643	41 984	3 906	14 747	158 280
NG Masikane	422 885	-	13 368	40 500	476 753
XP Dladla	173 961	-	5 900	25 753	205 614
ZP Dlomo	173 961	-	5 900	25 753	205 614
TA Edwards	173 961	-	5 900	25 753	205 614
VB Gwala	173 961	-	5 900	25 753	205 614
J Jacquire	173 961	-	5 900	25 753	205 614
T Lombo (Deceased)	83 151	-	2 495	12 453	98 099
MA Makhaye	173 961	-	5 900	25 753	205 614
PS Myaka	173 961	-	5 900	25 753	205 614
MJ Ngcobo	173 961	-	5 900	25 753	205 614
Ald SV Zondi	228 114	76 038	9 805	40 500	354 457
ZW Zakwe	173 961	-	5 900	25 753	205 614
TS Zuma	173 961	-	5 900	25 753	205 614
MN Majozi	22 703	-	3 100	1 363	27 166
SS Ndlovu	22 703	-	1 362	3 100	27 165
ZC Ngema	73 852	24 617	2 954	14 747	116 170
	<b>7 711 398</b>	<b>1 263 956</b>	<b>304 124</b>	<b>1 063 041</b>	<b>10 342 519</b>

#### Management class: Executive management

\*Refer to note 30 "Employee related costs"

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 50. Prior period errors

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

The municipality omitted in error the escalation service charges of the forestry service provider dating back to 2020/2021. The error resulted in overstatement of accumulated surplus and understatement of trade and other payables as at 30 June 2021 by R523 235 and the understatement of contracted services and payables from exchange transactions for the year to 30 June 2022 by R526 041.

The municipality reclassified general expenditure items mapped as employee related cost in the previous financial year.

Transactions relating to Integrated National Electrification Programme and the Department of Economic Development, Tourism and Environmental Affairs were previously classified as Agency-Principal transactions under GRAP 109. This has been changed following the guidance issued by National Treasury which now requires these to be accounted for under GRAP11. The impact of the change on the statement of financial position is a decrease in Agency/ principal transactions by R2 118 716 and an increase in trade and other payables from exchange transaction by the same amount. The impact of the changes on the statement of financial performance is an increase in revenue and expenditure by R15 621 757.

### Statement of financial position

#### 2021

	As previously reported	Correction of error	Restated
Liabilities	87 769 791	523 235	88 293 026
Accumulated Surplus	640 739 679	(523 235)	640 216 444
	<b>728 509 470</b>	<b>-</b>	<b>728 509 470</b>

#### 2022

	As previously reported	Correction of error	Re-classification	Restated
Advances - Agency/Principal transactions	2 978 679	-	(2 118 716)	859 963
Payables from exchange transactions	66 819 812	1 049 276	2 118 716	69 987 804
Accumulated Surplus	659 192 785	(1 049 276)	-	658 143 509

### Statement of financial performance

#### 2022

	As previously reported	Correction of error	Restated
Revenue from exchange transactions	128 028 599	15 621 757	143 650 356
Employee related cost	141 635 522	(932 244)	140 703 278
General expenditure	52 868 879	932 244	53 801 123
Contracted services	49 453 139	16 147 798	65 600 937

### Cash flow statement

#### 2022

	As previously reported	Correction of error	Restated
Cash flow from operating activities			
Receipts from ratepayers, consumer debtors and others	175 588 418	17 237 000	192 825 418
Suppliers	(184 652 118)	(18 066 650)	(202 718 772)
	<b>(9 063 700)</b>	<b>(829 650)</b>	<b>(9 893 354)</b>
Cash flow from financing activities			
Receipts from principals in agency/ principal arrangements - note 13	78 016 875	(17 236 999)	60 779 876
Payments made on behalf of principals in agency/ principal arrangements - note 13	(78 846 525)	18 066 649	(60 779 876)
	<b>(829 650)</b>	<b>829 650</b>	<b>-</b>



# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Risk management

#### Maximum risk exposure

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

Consumer receivables comprise a widespread customer base. Management evaluated credit risk relating to consumers on an ongoing basis. If consumers 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 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.

These balances represent the maximum exposure to credit risk:

Cash and cash equivalents	32 888 692	44 118 201
Receivables from exchange transactions	16 498 973	22 582 797
	<b>49 387 665</b>	<b>66 700 998</b>

#### Liquidity risk

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

The table below analyses the municipality's financial liabilities into amounts due within 12 months after year end:

Advance -Agency/Principal relationship transactions	17 982	2 978 679
Payables from exchange transactions	52 338 196	66 819 812
Unspent conditional grants	3 971 999	1 210 426
Finance Leases	-	147 210
	<b>56 328 177</b>	<b>71 156 127</b>

#### 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.

At 30 June 2023, financial instruments exposed to interest rate risk were call deposits and deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates. With all other variables held constant, the municipality's surplus for the year is affected through the impact on variable rate investments as follows:

#### 1% increase 2023

Cash and cash equivalents	328 962	441 182
Receivables from exchange transactions	164 989	225 828
	<b>493 951</b>	<b>667 010</b>

### 52. 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 settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business. However, economic factors, electricity losses, high employee related costs and substantial increases in operational costs contributed to the diminished liquidity position. Accruals relating to items such as leave pay accrual have added to current liabilities which weighed down on the municipality's liquidity. The Eskom tariff setting structure which is not cost reflective also contributed to the liquidity problems. The floods experienced in some parts of Greytown further put a strain on the municipality's financial affairs including the ability to generate own revenue within the area of its jurisdiction.

Numerous initiatives seeking to improve the financial health of the municipality and cash coverage are being undertaken such as, revenue enhancement programme, application for funding at DBSA, conversion of meters to prepaid smart meters and engaging with KZN Provincial Treasury to fast-track the process to secure a suitable partner to take over the ownership and risks associated with the forestry. In addition, cost containment initiatives have been implemented there is a continuous review of policies as part of cost containment initiatives.

The ability of the municipality to continue as a going concern is dependent on the success of the abovementioned initiatives and that the accounting officer continues to procure funding for the ongoing operations of the municipality.

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand

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### 53. Events after the reporting date

No reportable events occurred after the reporting date.

### 54. Segment information

#### General information

#### Identification of segments

The municipality reports to council on the basis of functions as defined in mSCOA regulations. The segments were organised around the type of service delivered and the target beneficiary.

#### Aggregated segments

The municipality operates throughout Umvoti area in fourteen wards. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Umvoti were sufficiently similar to warrant aggregation.

#### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

#### Reportable segment

Community and public safety  
Economic and environmental services  
Trading Services  
Other

#### Goods and/or services

Provides municipal services and protection services  
Provides planning and environmental management services  
Electricity and support services  
Support to other segments and other adhoc services to the members of the public

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 54. Segment information (continued)

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

2023

	Community and public safety	Economic and environmental services	Trading services	Other	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	5 551 446	-	-	162 970 066	168 521 512
Revenue from exchange transactions	3 315 612	-	97 818 426	-	101 134 038
<b>Total segment revenue</b>	<b>8 867 058</b>	<b>-</b>	<b>97 818 426</b>	<b>162 970 066</b>	<b>269 655 550</b>
<b>Municipal revenue</b>					<b>269 655 550</b>
<b>Expenditure</b>					
Salaries and wages	91 543 545	-	14 612 193	12 012 916	118 168 654
Other expenses	61 335 731	4 152	90 876 276	28 161 973	180 378 132
<b>Total segment expenditure</b>	<b>152 879 276</b>	<b>4 152</b>	<b>105 488 469</b>	<b>40 174 889</b>	<b>298 546 786</b>
<b>Total segmental shortfall</b>					<b>(28 891 236)</b>
<b>Assets</b>					
Segment assets	298 884 150	119 036 293	104 350 797	355 590	522 626 830
<b>Total assets</b>					<b>522 626 830</b>
<b>Liabilities</b>					
Segment liabilities	-	127	17 237 000	-	17 237 127
<b>Total liabilities</b>					<b>17 237 127</b>

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 54. Segment information (continued)

2022

	Community and public safety	Economic and environmental services	Trading Services	Other	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	5 531 567	-	-	170 857 961	176 389 528
Revenue from exchange transactions	3 267 570	9 111 597	82 856 520	-	95 235 687
<b>Total segment revenue</b>	<b>8 799 137</b>	<b>9 111 597</b>	<b>82 856 520</b>	<b>170 857 961</b>	<b>271 625 215</b>
<b>Municipal revenue</b>					<b>271 625 215</b>
<b>Expenditure</b>					
Salaries and wages	84 043 237	-	4 342 107	11 218 207	99 603 551
Other expenses	45 330 111	1 376 907	75 676 501	29 335 863	151 719 382
<b>Total segment expenditure</b>	<b>129 373 348</b>	<b>1 376 907</b>	<b>80 018 608</b>	<b>40 554 070</b>	<b>251 322 933</b>
<b>Total segmental surplus</b>					<b>20 302 282</b>
<b>Assets</b>					
Segment assets	269 799 165	99 375 589	83 030 324	21 012 801	473 217 879
<b>Total assets</b>					<b>473 217 879</b>
<b>Liabilities</b>					
Segment liabilities	-	-	-	3 065 379	3 065 379
<b>Total liabilities</b>					<b>3 065 379</b>

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 55. Budget differences

55.1 - Services Charges - current - Variance of 17% because volumes sold went down by 16% from the past year to the current financial year.

55.2 - Interest on current account shows a variance of 100% because it was budgeted for together with interest on investments since they both were all expected from Banks.

55.3 - Agency fees - Variance of 100% on Agency fees and -37% on Licences and permits is because the two were budgeted for together under licenses and permits and reported separately in the financial statements.

55.4 - Licences and permits - Variance of -37% on Licences and permits and 100% on agency fees is because the two were budgeted for together under licenses and permits and reported separately in the financial statement

55.5 - Other income - Variance of -44% on other income and 504% on timber sales is mainly attributable to the two budgeted for together under Other Income and reported separately in the financial statements.

55.6 - Sale of Timber - Variance of 504% on timber sales and 44% on other income is because the two were budgeted for together under Other Income and reported separately in the financial statements.

55.7 - Fines and penalties - This revenue stream was anticipated to bring in less revenue, negotiations with the magistrate court assisted with a higher income from this revenue stream

55.8 - Impairment loss - a variance of 100% and Debt Impairment negative variance because the two were budgeted for together under debt impairment and reported separately in the financial statements.

55.9 - Finance cost - A huge variance was caused by interest on post employment benefits budgeted for under employee cost.

55.10 - Debt impairment - the negative variance and Asset impairment 100% because the two were budgeted for together under debt impairment and reported separately in the financial statements.

55.11 - Contracted services - the over expenditure is attributable to the addition of the timber and recognition of expenditure previously accounted for under GRAP 109..

55.12 - Indigent relief - The demand for social support increased more than had been anticipated at the time of adjusting the budget.

55.13-General expenditure - The over expenditure resulted mainly from high electricity consumption, hire charges, telephone and protective clothing where the activity was higher than anticipated.

55.14 -Gain on disposal, Fair value adjustments, Actuarial gains - Gain on disposal was budgeted for under other income but is reported as a stand alone item. Fair value adjustments and actuarial gains and losses were difficult to estimate reliably and were thus not budgeted for to avoid over anticipation.

55.15 - Receivables - The anticipated closing balances were lower than budget as a result of the debt impairment and write off as well as collection efforts which bore fruit.

55.16 - Cash and cash equivalents - This was a result of full receipt of grant allocations as well as collection of own revenue from various revenue enhancement initiatives.

55.17 - Biological assets and investment properties - Fair value adjustments and actuarial gains and losses were difficult to estimate reliably and were thus not budgeted for to avoid over anticipation.

55.18 - Current liabilities (current excluding employee benefit obligations and current provisions which were budgeted for together as well and reported separately) - budgeted for in one line item but reported separately in financial statements.

55.19 - Non-current liabilities - not budgeted for owing to the complexities of estimating the post employment medical aid and long service awards.

55.20 - Cashflow statement - error in budgeting. The municipality is in the process of acquiring a system that will assist prevent such errors during budgeting.

Changes between the Original and the final budget were primarily driven by reallocations of funds between votes so that the municipality could respond to changing needs and resources for the year.

\* The final budget included in these financial statements covers the financial period from 1 July 2022 to 30 June 2023.

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>56. Additional disclosure in terms of S125 of the Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	1 496 398	1 305 433
Amount paid - current year	(1 496 398)	(1 305 433)
<b>Balance outstanding</b>	<b>-</b>	<b>-</b>
<b>Audit fees</b>		
Current year subscription / fee	2 216 795	2 246 716
Amount paid - current year	(2 216 795)	(2 246 716)
<b>Balance unpaid-included in accounts</b>	<b>-</b>	<b>-</b>
<b>PAYE and UIF and SDL</b>		
Current year subscription / fee	19 549 052	14 340 126
Amount paid - current year	(19 549 052)	(14 340 126)
<b>Balance unpaid</b>	<b>-</b>	<b>-</b>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	25 228 844	16 434 432
Amount paid - current year	(25 228 844)	(16 434 432)
<b>Balance outstanding</b>	<b>-</b>	<b>-</b>

# UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 56. Additional disclosure in terms of S125 of the Municipal Finance Management Act (continued)

#### Councillors and Staff arrear consumer accounts

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

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mavundla PG	31 420	43 636	75 056
Njoko VB	309 295	12 861	322 156
<b>Staff</b>			
Dlamini N	18 784	23 821	42 605
Dlamini SSG	1 457	-	1 457
Gwala BP	968	1 581	2 549
Khanyile MR	930	369	1 299
Mbatha N	2 209	34 903	37 112
Ngubane PM	698	3 954	4 652
Zondi L	750	12 544	13 294
	<b>366 511</b>	<b>133 669</b>	<b>500 180</b>
30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dlamini MR	-	207 241	207 241
Ngubane PMS	-	2 430	2 430
Zakwe ZW	-	1 255	1 255
<b>Staff</b>			
Baxter WF	-	2 302	2 302
Chamane VM	-	1 667	1 667
Gwala MB	-	2 135	2 135
Gwala MR	-	1 388	1 388
Makhathini SD	-	1 962	1 962
Malinga RS	-	964	964
Mchunu D	-	940	940
Mchunu NN	-	11 584	11 584
Mcunu N	-	1 139	1 139
Mtungwa FM	-	8 377	8 377
Ndawonde SV	-	10 102	10 102
Ndhlovu NC	-	14 820	14 820
Ngcobo VG	-	1 300	1 300
Ngubane CS	-	1 078	1 078
Ngubane PF	-	1 687	1 687
Ngubane TS	-	923	923
Mkhize JB	-	2 636	2 636
Spelman D	-	1 238	1 238
Ximba MLP	-	742	742
Ximba V	-	3 643	3 643
Zondi YE	-	796	796
	-	<b>282 349</b>	<b>282 349</b>