



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

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	Local Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	2
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act 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 no 6 of 2004) Division of Revenue Act (Act 1 of 2007)
Grading of local authority	3
Mayoral Committee	
Executive Mayor	Cllr JS Msiya
Deputy Mayor	Cllr B Lukakayi
Speaker	Cllr GS Mavuma
Chief Whip	Cllr X Tshazi
Member of Executive Committee	Cllr S Sofunani
Member of Executive Committee	Cllr M Didi
Member of Executive Committee	Cllr K Mafuleka
Member of Executive Committee	Cllr X Memela
Member of Executive Committee	Cllr T Mancu
Member of Executive Committee	Cllr M Dubazana
Accounting Officer	Dr C.A Ngqoyiya
Chief Financial Officer (CFO)	Mrs T Ngcemu
Registered office	169 Main Street Umzimkhulu 3297
Postal address	P O Box 53 Umzimkhulu 3297
Telephone number	039 259 5000
Fax number	039 259 0427
Email address	info@umzimkhululm.gov.za
Bankers	Standard Bank
Auditor	Auditor General of South Africa
Attorneys	Matthew Francis

Umzimkhulu Local Municipality

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
ASB	Accounting Standards Board
MSA	Municipal Systems Act
DoRA	Division of Revenue Act
FMG	Finance Management Grant
MIG	Municipal Infrastructure Grant
VAT	Value Added Tax

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Approval of the Annual Financial Statements

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

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

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

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

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

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

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditor is responsible for independently reviewing and reporting on the municipality's annual financial statements and was given unrestricted access to all financial records and related data..

The accounting officer confirms that salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution

The annual financial statements set out on page 4-75, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

Dr C.A Ngqoyiya
Accounting Officer

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand		2024	2023 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	106,017,205	183,976,092
Receivables from exchange transactions	3	19,035,598	16,733,800
Receivables from non-exchange transactions	4	2,213,665	2,489,586
		127,266,468	203,199,478
Non-Current Assets			
Investment property	5	30,987,808	31,018,063
Property, plant and equipment	6	709,891,707	601,595,843
Intangible assets	7	492,692	404,242
Heritage assets	8	432,000	432,000
Non-current investments	9	53,490,581	-
		795,294,788	633,450,148
Total Assets		922,561,256	836,649,626
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	29,753,223	34,054,835
Unspent conditional grants and receipts	11	11,083,656	1,465,270
Employee benefit obligation	12	780,520	464,636
Provisions	13	18,407,046	18,407,046
		60,024,445	54,391,787
Non-Current Liabilities			
Employee benefit obligation	12	5,667,381	5,196,194
Provisions	13	9,585,184	-
		15,252,565	5,196,194
Total Liabilities		75,277,010	59,587,981
Net Assets		847,284,246	777,061,645
Net assets presented by:			
Housing Development Fund	14	18,723,243	17,322,592
Accumulated surplus		828,561,003	759,739,053
Total Net Assets		847,284,246	777,061,645

* See Note 53

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	3,240,869	3,097,612
Rental of facilities and equipment	16	1,430,039	1,131,554
Agency services	17	1,508,967	1,179,258
Interest on receivables	18	397,933	429,198
Operational revenue	19	1,310,008	841,119
Impairment reversal - refuse	20	1,090,316	2,027,651
Licences and permits	21	70,982	54,219
Construction contracts revenue	22	4,545,920	7,170,989
Interest on bank and investments	23	17,080,395	13,384,575
Gain on disposals	24	16,936	1,081,485
Total revenue from exchange transactions		30,692,365	30,397,660
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	9,597,321	9,406,082
Transfer revenue			
Government grants & subsidies	26	290,861,614	287,947,901
Public contributions and donations	27	63,750,726	2,986,000
Fines, penalties and forfeits	28	524,924	510,668
Impairment reversal - assets	29	2,264,572	11,364,487
Impairment reversal - property rates	20	525,310	-
Total revenue from non-exchange transactions		367,524,467	312,215,138
Total revenue		398,216,832	342,612,798
Expenditure			
Employee related costs	30	(131,488,258)	(122,001,153)
Remuneration of councillors	31	(18,539,691)	(17,436,047)
Depreciation and amortisation	32	(48,410,221)	(44,661,966)
Bad debts written off	33	(5,664,928)	(2,011,077)
Debt impairment	34	(331,951)	(437,633)
Lease rentals on operating lease	35	(464,386)	(383,918)
Finance costs	36	(1,103,886)	(13,846,733)
Construction contracts expenditure		(4,545,920)	(7,170,989)
Contracted services	38	(51,507,207)	(53,657,802)
Transfers and Subsidies	39	(415,000)	(330,000)
General Expenses	40	(66,923,434)	(61,432,813)
Total expenditure		(329,394,882)	(323,370,131)
Surplus for the year		68,821,950	19,242,667

* See Note 53

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Housing development fund	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2022	20,994,189	735,878,877	756,873,066
Changes in net assets			
Surplus for the year	-	19,242,667	19,242,667
Interest on housing dev fund	945,912	-	945,912
Housing dev fund payments	(4,617,509)	4,617,509	-
Total changes	(3,671,597)	23,860,176	20,188,579
Restated* Balance at 01 July 2023	17,322,592	759,739,053	777,061,645
Changes in net assets			
Surplus for the year	-	68,821,950	68,821,950
Interest on housing dev fund	1,400,651	-	1,400,651
Total changes	1,400,651	68,821,950	70,222,601
Balance at 30 June 2024	18,723,243	828,561,003	847,284,246
Note(s)	14		

* See Note 53

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Taxation revenue		8,663,612	8,705,065
Receipts from rates payers and other services		5,639,728	7,025,703
Government grants and subsidies		300,480,000	255,240,815
Interest income		13,589,814	9,814,728
		<u>328,373,154</u>	<u>280,786,311</u>
Payments			
Employee costs		(149,499,174)	(139,827,929)
Suppliers and other payments		(128,845,080)	(125,998,948)
		<u>(278,344,254)</u>	<u>(265,826,877)</u>
Net cash flows from operating activities	41	<u>50,028,900</u>	<u>14,959,434</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(78,602,547)	(93,048,921)
Proceeds from sale of property, plant and equipment	6	186,617	1,161,794
Purchase of other intangible assets	7	(972,508)	(195,005)
Net movement in non-current investments	10	(50,000,000)	77,427,116
Interest - reserves		1,400,651	945,912
		<u>(127,987,787)</u>	<u>(13,709,104)</u>
Net increase/(decrease) in cash and cash equivalents		(77,958,887)	1,250,330
Cash and cash equivalents at the beginning of the year		183,976,092	182,725,762
Cash and cash equivalents at the end of the year	2	<u>106,017,205</u>	<u>183,976,092</u>

* See Note 53

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2024											
Financial Performance											
Property rates	9,634,195	-	9,634,195	-	-	9,634,195	9,597,321	-	(36,874)	100 %	100 %
Service charges	3,333,071	6,681	3,339,752	-	-	3,339,752	3,240,869	-	(98,883)	97 %	97 %
Rental of facilities and equipment	1,233,675	-	1,233,675	-	-	1,233,675	1,430,039	-	196,364	116 %	116 %
Interest on bank and investments	8,382,101	5,890,351	14,272,452	-	-	14,272,452	17,080,395	-	2,807,943	120 %	204 %
Interest on receivables	498,200	(131,166)	367,034	-	-	367,034	397,933	-	30,899	108 %	80 %
Fines, penalties and forfeits	450,250	88,383	538,633	-	-	538,633	524,924	-	(13,709)	97 %	117 %
Licences and permits	50,000	-	50,000	-	-	50,000	70,982	-	20,982	142 %	142 %
Agency services	1,300,000	-	1,300,000	-	-	1,300,000	1,508,967	-	208,967	116 %	116 %
Government grants and subsidies	252,676,000	1,311,270	253,987,270	-	-	253,987,270	252,522,000	-	(1,465,270)	99 %	100 %
Operational revenue	667,254	4,745,325	5,412,579	-	-	5,412,579	5,855,928	-	443,349	108 %	878 %
Gain on non- current assets disposed	-	1,000	1,000	-	-	1,000	19,088	-	18,088	1,909 %	DIV/0 %
Impairment reversal	-	-	-	-	-	-	3,895,962	-	3,895,962	DIV/0 %	DIV/0 %
Total revenue (excluding capital transfers and contributions)	278,224,746	11,911,844	290,136,590	-	-	290,136,590	296,144,408	-	6,007,818	102 %	106 %
Employee related costs	(134,262,885)	(1,948,190)	(136,211,075)	-	-	(136,211,075)	(131,488,258)	-	4,722,817	97 %	98 %
Remuneration of councillors	(18,980,272)	-	(18,980,272)	-	-	(18,980,272)	(18,539,691)	-	440,581	98 %	98 %
Debt Impairment	(1,350,000)	-	(1,350,000)	-	-	(1,350,000)	(331,951)	-	1,018,049	25 %	25 %
Depreciation and asset impairment	(50,511,120)	3,098,000	(47,413,120)	-	-	(47,413,120)	(48,532,843)	-	(1,119,723)	102 %	96 %
Finance charges	-	-	-	-	-	-	(1,103,886)	-	(1,103,886)	DIV/0 %	DIV/0 %
Other material	(7,855,500)	971,956	(6,883,544)	-	217,994	(6,665,550)	(4,852,352)	-	1,813,198	73 %	62 %

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Contracted services	(71,617,000)	(613,471)	(72,230,471)	-	314,490	(71,915,981)	(55,532,661)	-	16,383,320	77 %	78 %
Loss on disposal of assets	-	-	-	-	-	-	(17,916)	-	(17,916)	DIV/0 %	DIV/0 %
Bad debts written-off	(1,000,000)	(4,737,480)	(5,737,480)	-	-	(5,737,480)	(5,664,928)	-	72,552	99 %	566 %
General expenses	(61,530,450)	(6,982,047)	(68,512,497)	-	(532,484)	(69,044,981)	(62,663,428)	-	6,381,553	91 %	102 %
Total expenditure	(347,107,227)	(10,211,232)	(357,318,459)	-	-	(357,318,459)	(328,727,914)	-	28,590,545	92 %	95 %
Surplus/(Deficit)	(68,882,481)	1,700,612	(67,181,869)	-		(67,181,869)	(32,583,506)		34,598,363	49 %	47 %
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	61,492,000	(13,534,000)	47,958,000	-		47,958,000	38,339,614		(9,618,386)	80 %	62 %
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-		-	63,750,726		63,750,726	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	(7,390,481)	(11,833,388)	(19,223,869)	-		(19,223,869)	69,506,834		88,730,703	(362)%	(940)%
Surplus/(Deficit) for the year	(7,390,481)	(11,833,388)	(19,223,869)	-		(19,223,869)	69,506,834		88,730,703	(362)%	(940)%

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	108,906,083	(16,111,387)	92,794,696	-		92,794,696	71,838,165		(20,956,531)	77 %	66 %
Sources of capital funds											
Transfers recognised - capital	53,470,783	(11,768,174)	41,702,609	-		41,702,609	34,742,170		(6,960,439)	83 %	65 %
Internally generated funds	55,435,300	(4,343,213)	51,092,087	-		51,092,087	37,095,995		(13,996,092)	73 %	67 %
Total sources of capital funds	108,906,083	(16,111,387)	92,794,696	-		92,794,696	71,838,165		(20,956,531)	77 %	66 %
Financial position											
Total current assets	275,593,578	(5,885,497)	269,708,081	-		269,708,081	127,266,468		(142,441,613)	47 %	46 %
Total non current assets	740,707,465	(13,013,380)	727,694,085	-		727,694,085	795,293,321		67,599,236	109 %	107 %
Total current liabilities	(67,598,585)	7,065,490	(60,533,095)	-		(60,533,095)	(60,024,445)		508,650	99 %	89 %
Total non current liabilities	(4,969,075)	-	(4,969,075)	-		(4,969,075)	(15,252,565)		(10,283,490)	307 %	307 %
Community wealth/Equity	943,733,383	(11,833,387)	931,899,996	-		931,899,996	847,282,779		(84,617,217)	91 %	90 %

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	59,815,597	(15,282,918)	44,532,679	-		44,532,679	50,028,900		5,496,221	112 %	84 %
Net cash from (used) investing	(108,906,089)	16,112,380	(92,793,709)	-		(92,793,709)	(127,987,787)		(35,194,078)	138 %	118 %
Net increase/(decrease) in cash and cash equivalents	(49,090,492)	829,462	(48,261,030)	-		(48,261,030)	(77,958,887)		(29,697,857)	162 %	159 %
Cash and cash equivalents at the beginning of the year	300,333,931	-	300,333,931	-		300,333,931	183,976,092		(116,357,839)	61 %	61 %
Cash and cash equivalents at year end	251,243,439	829,462	252,072,901	-		252,072,901	106,017,205		146,055,696	42 %	42 %

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Presentation of Annual Financial Statements

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

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

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

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

- GRAP 1 Presentation of Financial Statement
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Error
- GRAP 5 Borrowing Costs
- GRAP 9 Revenue from Exchange Transactions
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events after the Reporting Date
- GRAP 16 Investment property
- GRAP 17 Property, Plant and Equipment
- GRAP 18 Segment Reporting
- GRAP 19 Provisions, Contingent Liabilities and Contingent Asset
- GRAP 20 Related Party
- GRAP 21 Impairment of non-cash generating asset
- GRAP 23 Revenue from Non-exchange transactions
- GRAP 24 Presentation of budget information
- GRAP 25 Employee benefits
- GRAP 26 Impairment of cash generating assets
- GRAP 31 Intangible Assets
- GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 106 Transfer of Functions between entities not under common Control
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents
- IGRAP 21 The effect of past decisions on materiality

The following GRAP standard has been issued but is not yet effective and has not been adopted early by the Municipality:

- IGRAP 32 The limit on a defined benefit asset, minimum funding requirements and their interaction - no effective date yet)

The following GRAP standards have been issued and effective but are not applicable to the Municipality:

- GRAP 4 The effects of changes in foreign exchange rates
- GRAP 6 Consolidated and separate financial statements
- GRAP 7 Investments in associate
- GRAP 8 Interest in joint ventures
- GRAP 10 Financial reporting in hyperinflationary economics
- GRAP 27 Agriculture
- GRAP 32 Standard of GRAP on Service Concession Arrangements: Grantor

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.1.1 Materiality

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

Materiality has been considered in determining whether information is required to be recognised, measured, presented and disclosed in accordance with the requirements in the Standards of GRAP as well as assessing the effect of omissions, misstatements and errors on the financial statements.

The Annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations of 2009. A comparative of actual to budget amounts are reported in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period 1 July 2023 to 30 June 2024.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decision or assessments of the users of the financial statements in determining whether a difference between the budget and actual amounts is material.

Variances between budget and actual amounts are regarded as material when there is a variance of: - 10% or greater in the statement of financial position, the statement of financial performance and the cash flow statement.

1.1.2 Changes in accounting policies, estimates and errors

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or cumulative effect of the change in policy. In such cases the municipality shall 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.

Change in an accounting estimate is recognised prospectively in terms of GRAP 3 by including it in surplus or deficit in:

- (a) The period of the change, if the change affects that period only; or
- (b) The period of the change and future periods, if the change affects both.

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 shall 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 in the following instances:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the annual financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Presentation currency

These annual financial statements are presented in South African Rand. The figures are rounded off to the nearest rand.

1.3 Going concern assumption

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

1.4 Comparative figures

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

Umzimkhulu Local Municipality

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Significant Accounting Policies

Comparative figures (continued)

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Critical judgements, estimation and assumptions

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

Significant judgements include:

1.5.1 Revenue recognition

Accounting policy 1.18 on Revenue from exchange Transactions and accounting policy 1.19 of Revenue from non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgements, the management considered the detailed criteria for the recognition of revenue as set out in GRAP9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.5.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgements by management. Accounting Policy 1.12.1 on Financial Assets Classification and on Financial Liabilities Classification describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgements, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

1.5.3 Impairment of financial assets

Accounting Policy 1.24 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial instruments and used its judgement to select a variety of methods and made assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment value of financial assets recorded during the year is appropriate.

1.5.4 Useful lives of property, plant and equipment, intangible assets and investment property

As described in Accounting Policies 1.7, 1.8 and 1.9 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the underlying assets. The estimated useful lives of property, plant, and equipment, investment property and intangible assets are assessed annually and this is dependent on the condition of the assets. The residual values are estimated to be zero as the municipality will be utilising these assets of their entire economic life.

Umzimkhulu Local Municipality

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Significant Accounting Policies

Critical judgements, estimation and assumptions (continued)

1.5.5 Impairment of property, plant and equipment and intangible assets

Accounting Policy 1.8.3 on property, plant, and equipment - Impairment of assets and Accounting Policy 1.9.3 on Intangible assets- Amortisation and impairment. Subsequent measurement describes the conditions under which non- financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing and intangible assets impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [Heavy rains, storms, etc].

1.5.6 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

1.5.7 Post Retirement Benefits

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

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

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

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Significant Accounting Policies

Critical judgements, estimation and assumptions (continued)

1.5.8 Construction contracts

.Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.6 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously

1.7 Investment property

1.7.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under an operating lease held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

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Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

Investment property (continued)

1.7.2 Subsequent measurement

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property	30-50 years
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1.7.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

1.8 Property, plant and equipment

1.8.1 Initial recognition

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Umzimkhulu Local Municipality

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Significant Accounting Policies

Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

1.8.2 Subsequent measurement

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

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.

1.8.3 Depreciation and impairment

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	30-50 years
Other property, plant and equipment		
- Plant and machinery	Straight-line	2-15 years
- Furniture and fixtures	Straight-line	7-10 years
- Motor vehicles	Straight-line	3-30 years
- Office equipment	Straight-line	3-7 years
- IT equipment	Straight-line	5 years
- Emergency equipment	Straight-line	5-15 years
- Bins and containers	Straight-line	5-10 years
Infrastructure		
- Electricity	Straight-line	20-30 years
- Roads and stormwater	Straight-line	10-50 years
- Gas	Straight-line	15-30 years
- Pedestrian malls	Straight-line	20 years
- Airports	Straight-line	20 years
- Security measures	Straight-line	3-15 years
Community		
- Buildings and other assets	Straight-line	10-50 years
- Recreation facilities	Straight-line	20 years

The useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

1.8.4 Derecognition

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

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

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

Property, plant and equipment (continued)

1.8.5 Work in progress

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.8.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

1.8.7 Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 6).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

1.9 Intangible assets

1.9.1 Initial recognition

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.

1.9.2 Subsequent measurement

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

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

1.9.3 Amortisation and impairment

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	Depreciation method	Average useful life
Computer software, other	Straight-line	3-5 years

1.9.4 Derecognition

Intangible assets are derecognised:

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

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

Intangible assets (continued)

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.10 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.11 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.

1.11.1 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.

1.11.2 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.

Umzimkhulu Local Municipality

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Significant Accounting Policies

. Heritage assets (continued)

1.11.3 Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Heritage assets are not depreciated.

1.11.4 Impairment

The municipality assess its Heritage asset 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.

1.11.5 Transfers

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

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

1.11.6 Derecognition

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

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

1.12 Financial instruments

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

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

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

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

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

Financial instruments (continued)

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

1.12.1 Classification

In accordance with GRAP 104 financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost and financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

The municipality's statement of financial position shows the following categories of financial assets: which consist of cash and cash equivalents, deposits, receivables and investments.

Financial liabilities of the municipality consist of payables and therefore correct reference must be made to financial assets and financial liabilities rather than making generic references.

1.12.2 Initial recognition

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

The entity recognises financial assets using trade date accounting.

1.12.3 Initial measurement of financial assets and financial liabilities

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

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

1.12.4 Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following:

- Financial instruments at amortised cost.

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

1.12.5 Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is/are 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 directly OR 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 directly OR 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.

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

Financial instruments (continued)

1.12.6 Derecognition

1.12.6.1 Financial assets

The entity derecognises a financial asset only when:

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

1.12.6.2 Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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

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Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.12.7 Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

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

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

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

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

1.13 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, 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). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance, and also disclosed in the notes to the financial statements.

1.14 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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, and also disclosed in the notes to the financial statements.

Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write off processes in terms of the MFMA.

1.15 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. It 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, and also disclosed in the notes to the financial statements.

Where it is not possible to recover the revenue recognised from the irregular expenditure, the receivable is written-off following proper write off processes in terms of the MFMA.

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Significant Accounting Policies

1.16 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 will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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.

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

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

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

1.17 Leases

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

Umzimkhulu Local Municipality

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Significant Accounting Policies

Leases (continued)

1.17.1 Operating leases - lessor

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

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

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

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

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

1.17.2 Operating leases - lessee

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

1.18 Revenue from exchange transactions

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse containers per property.

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

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

Revenue arising out of situations where the municipality acts as an agent on behalf of another municipality (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services. Such transactions are accounted for in accordance with the standard on principals and agents.

1.18.1 Measurement

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

1.18.2 Sale of goods

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

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

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Significant Accounting Policies

. Revenue from exchange transactions (continued)

1.18.3 Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.18.4 Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

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Significant Accounting Policies

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

1.19.1 Recognition

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

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

1.19.2 Measurement

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

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

1.19.3 Taxes

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

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

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

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

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

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

Umzimkhulu Local Municipality

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Significant Accounting Policies

Revenue from non-exchange transactions (continued)

1.19.4 Transfers

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

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

1.19.5 Debt forgiveness and assumption of liabilities

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

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

1.19.6 Fines

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

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

1.19.7 Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

1.19.8 Gifts and donations, including goods in-kind

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

1.19.9 Services in-kind

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

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

Services in-kind are not recognised.

1.20 Conditional grants and receipts

Revenue 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.

1.21 Investment income

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

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

1.22 Borrowing costs

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

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

Umzimkhulu Local Municipality

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Significant Accounting Policies

1.23 Employee benefits

1.23.1 Short-term employee benefits

Recognition and measurement

All short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employee renders services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected costs of surplus sharing and bonus payments is recognised as expense when there is a legal or constructive obligation to make such payments as a result of past performance. The Municipality recognises the expected cost of bonus, incentive and performance related payments when and only when: (a) it has a present legal or constructive obligation to make such payments as a result of past events, (b) a reliable estimate of the obligation can be made.

1.23.2 Retirement benefits

Recognition and measurement

Whilst employees and councillors are employed by the municipality, the municipality contributes to their medical and pension funds. On termination, resignation or retirement of employees and councillors the municipality no longer contributes to the medical and pension funds on their behalf and thus there are no post-employment benefits

1.23.3 Long service awards

Recognition and measurement

Provision for long services awards represents the present value of the estimated future cash outflow to be made by the municipality resulting from employee services provided up to Statement of Financial Position date. The provision comprises of amounts that the Municipality has a present obligation to pay resulting from employee services provided up to Statement of Financial Position date. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities.

The leave may wholly or partially converted into cash and or sick leave on the date on which the employees qualifies therefore or at any stages. On termination of service of an employee with ten (10) or more years' service, for reason of retirement, death, medical incapacity or retrenchment, leave shall be paid out to an employee on a pro rata basis. Any special leave accrued in this manner will become payable upon termination for whatever reason and not form part of vacation leave credit

Defined contribution plans

A defined contribution plan is a post-employment pension plan under which the municipality pays fixed contributions into a separate entity (a fund). The municipality has no further payment obligations once the contributions have been paid.

Accordingly, the municipality recognises the contributions to the scheme as an expense when the employees have rendered a service. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Termination benefits

Termination benefits are recognised when they accrue to employees.

Umzimkhulu Local Municipality

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Significant Accounting Policies

Employee benefits (continued)

1.23.4 Actuarial assumptions

Recognition

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.24 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets. The municipality currently has only non-cash-generating assets as all of its assets are purely used for service delivery.

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

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

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

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

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

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

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

Useful life is either:

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

Umzimkhulu Local Municipality

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Significant Accounting Policies

Impairment of non-cash-generating assets (continued)

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the 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.

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

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

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

External sources of information:

Cessation or near cessation, of the demand or need for services provided by the asset,

Significant long-term changes with an adverse effect on the entity that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

Internal sources of information:

Evidence of physical damage of an asset,

Increased expenditure on repairs and maintenance on the asset.

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable service amount.

The recoverable service amount is the higher of the assets fair value less cost to sell, or its value in use.

The value in use 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.

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Significant Accounting Policies

1.25 Value added tax

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec 15(2)(a) of the Value-Added Tax Act No 89 of 1991

1.26 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The 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.

Other charges

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

Impairment losses

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

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

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

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Significant Accounting Policies

Statutory receivables (continued)

- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

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

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

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

1.27 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The municipality is in possession of the interest portion of the funds that were kept by the municipality for a long time, and this interest is recorded as a reserve in municipal books, and can only be utilized in line with the conditions of Housing development funds, and upon approval from housing development.

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.28 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.29 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.30 Segment information

A segment is an activity of an entity:

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

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

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

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

1.31 Budget information

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

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

. Budget information (continued)

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

1.32 Commitments

A commitment is a contract that is non-cancelable or only cancelable at significant cost, to the extent that the amount has not been recorded elsewhere in the financial statements.

Capital commitments are amounts committed to acquire goods and services which are of capital in nature, i.e.; upgrading and/or construction of assets.

These commitments are disclosed in the notes to the annual financial statements.

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.33 Events after reporting date

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

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

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

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

1.34 Payables from exchange transactions

The Municipality recognises payables from exchange transactions where liabilities result in counter performance by respective parties as a result of exchange transactions.

Payables from exchange transactions are initially measured at fair value. Where the outflow is expected to be cash or another financial asset, the payable is classified as financial liability.

The Municipality recognises in payables an amount for accruals where an estimate is made of the amounts due for goods or services that have been received or supplied, but an invoice or formal request for payment has not been received at the reporting date.

1.35 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term liquid investments that are convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as financial instruments (refer to note 2).

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.36 Non-current Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the entity.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

1.37 Accounting by principals and agents

Identification

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

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf. An entity is an agent when in relation to transactions with third parties all three of the following criteria are present: That the entity concerned does not have the power to determine the significant terms and conditions of the transaction;

That it does not have the ability to use all or substantially all of the resources resulting from the transactions for its own benefit; and that it is not exposed to variability in the results of the transaction.

An exception will apply where an entity has been granted specific powers in terms of legislation to direct terms and conditions of particular transactions, in such a situation it shall not consider the 'not having the power to determine significant terms and conditions of the transaction' criteria to conclude that it is an agent. In such situations, the entity shall apply its own judgement in determining whether such powers exist and whether they are relevant in assessing an entity as an agent.

The Municipality has an agent-principal relationship with KZN Department of Transport, and Eskom administered in conjunction with and partly through the National Department of Energy.

KZN Department of Transport as principal

The Department is responsible for registration, licensing and testing functions in terms of applicable national and provincial road traffic legislation.

The Department, to provide greater access to clients throughout the Province, transfers specified registration, licensing and testing functions to appropriately identified agents, which act as agents for the Department to process these functions.

The Department and the Umzimkhulu Municipality entered into an agreement for the transfer of registration and licensing of motor vehicle and learners license testing functions.

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,006	1,089
Bank balances	8,127,578	2,660,333
Short-term deposits	97,884,621	181,314,670
	106,017,205	183,976,092

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
STD- business current acc- 252801857	4,205,655	-	-	8,127,578	-	-
FNB- Cheque account- 52555730913	111,538	1,274,564	1,669,642	-	2,660,333	6,179,237
Electricity - STD - 248875078/007	2,569,399	4,151,723	11,408,003	1,311,082	4,151,723	8,337,107
Rietvlei/Cly Surv - STD - 248875078/006	1,208,481	1,122,689	1,067,726	1,208,481	-	-
32 Days Acc - STD - 248875078/009	63,717,968	156,132,690	139,311,696	55,828,533	150,544,944	137,039,663
Human Settlement Housing Oper Acc - STD - 248875078/005	17,593,712	16,349,107	21,070,360	17,593,711	17,471,795	20,994,190
Sports Grant - STD - 248875078/003	733,807	686,149	6,359,292	733,813	686,149	3,487,857
MIG -STD - 248875078/004	23,648,740	8,460,060	7,099,496	21,208,795	8,460,060	6,687,546
Total	113,789,300	188,176,982	187,986,215	106,011,993	183,975,004	182,725,600

3. Receivables from exchange transactions

Prepayments	1,052,227	2,968,718
Operating lease receivables	37,219	34,622
Consumer debtors - Rentals	261,625	247,084
Consumer debtors - Refuse	545,953	364,535
Dept. of transport revenue receivable	51,831	53,213
VAT receivable due from SARS	3,282,535	3,859,001
Input VAT Accrual	13,804,208	9,206,627
	19,035,598	16,733,800

Gross debtors

Refuse	6,470,956	8,222,203
Rent	303,691	247,084
	6,774,647	8,469,287

Impairment

Refuse	(5,925,003)	(7,857,667)
Rent	(42,066)	-
	(5,967,069)	(7,857,667)

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
3. Receivables from exchange transactions (continued)		
Net debtors		
Refuse	545,953	364,536
Rent	261,625	247,084
	807,578	611,620
Refuse residential		
Current (0-30 days)	386,071	367,006
31-60 days	173,932	165,674
61-90 days	168,145	162,965
91-120 days	164,910	159,782
121-365 days	5,234,957	7,144,006
	6,128,015	7,999,433
Less: Allowance for impairment	(5,911,121)	(7,836,892)
	216,894	162,541
Refuse commercial		
Current (0-30 days)	23,259	18,167
31-60 days	6,484	4,254
61-90 days	3,171	4,170
91-120 days	3,003	3,895
121-365 days	47,776	46,216
	83,693	76,702
Less: Allowance for impairment	(13,882)	(20,775)
	69,811	55,927
Refuse state owned		
121-365 days	-	11
Dumping refuse		
Current (0-30 days)	125,870	102,723
31-60 days	26,808	13,281
61-90 days	15,967	-
91-120 days	14,054	-
	182,699	116,004
Skip waste refuse		
Current (0-30 days)	28,136	18,514
31-60 days	4,689	1,537
61-90 days	5,565	1,529
91-120 days	3,024	1,521
121-365 days	35,135	6,951
	76,549	30,052
Rentals		
Current (0-30 days)	165,064	133,968
31-60 days	17,023	25,969
61-90 days	17,477	21,316
91-120 days	11,191	9,757
121-365 days	92,936	56,074
	303,691	247,084

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Receivables from non-exchange transactions		
Gross debtors		
Fines	910,269	1,015,059
Consumer debtors - Rates	4,762,674	5,577,715
	5,672,943	6,592,774
Impairment		
Fines impairment	(606,609)	(725,209)
Property rates impairment	(2,852,669)	(3,377,979)
	(3,459,278)	(4,103,188)
Net debtors		
Fines	303,660	289,850
Property rates	1,910,005	2,199,736
	2,213,665	2,489,586
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	910,269	1,015,059
Property rates- Business and commercial	971,869	794,692
Property rates- Residential	2,667,896	2,558,276
Property rates- Municipal	-	582,001
Property rates- Public service purpose	814,349	1,350,226
Property rates- industrial	60,189	57,088
Property rates- vacant land	248,372	235,432
	5,672,944	6,592,774

Traffic fines are issued to offenders in terms of section 334 of Criminal Procedures Act 51, of 1997, road traffic fines is section 56 and parking fines is section 341, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest directly, and is therefore not considered to be revenue for the municipality.

Property rates are levied in terms of section 7 to section 15 of the Municipal Property Rates Act no 6 of 2004. Property rates are levied as per the tariffs approved by the municipal council using the gazetted General Valuation Roll and levied on a monthly basis for consumers except for government properties that are levied annually. Interest on overdue accounts are not charged in terms of Property Rates Policy. The amount levied is determined by applying the market value by approved tariffs in different categories and less rebates offered by the municipality. The basis used to assess and test whether a statutory receivable is impaired, the municipality considers (Residential) debtors owing more than 90 days with no payment, the whole debt will be provided for and debtors with few payments only debt over 90 days will be provided for. We do not provide for businesses that have made payments during the financial year and also for businesses that are owing more than 90 days, only amounts more than 90 days are provided for. Government properties and lease agreements are not provided for. Receivables are grouped and assessed for collective impairment as per mSCOA segments. The discount rate varies as per consumer categories and ranges from 25% to 40%. The determination arises on the debt analysis of the consumers due number of days outstanding on the age analysis.

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Receivables from non-exchange transactions (continued)		
Statutory receivables that are past due and impaired included in receivables from non-exchange transactions are as follows:		
Fines	(606,609)	(725,209)
Property rates- Business and commercial	(133,128)	(325,657)
Property rates- Residential	(2,453,973)	(2,390,010)
Property rates- Municipal	-	(424,104)
Property rates- industrial	(59,155)	(16,836)
Property rates- vacant land	(206,413)	(221,372)
	(3,459,278)	(4,103,188)

The basis for impairment takes into account the following:

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

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

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

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

Fines	319,200	289,849
Property rates- Business and commercial	838,741	469,035
Property rates- Residential	213,922	168,265
Property rates- Municipal	-	157,896
Public Service Purpose	814,349	1,350,226
Property rates- industrial	1,034	40,252
Property rates- vacant land	41,959	14,063
	2,229,205	2,489,586

Statutory receivables that are past due but not impaired and included in receivables from non-exchange transactions:

As of 30 June 2024, statutory receivables that were considered to be past due and not impaired. This was determined by taking into account the debt that was outstanding for a period of more than 30-120 days which have not been subjected to impairment, this is done in line with our impairment methodology:

Fines	303,660	289,850
Property rates	1,910,005	2,199,736
	2,213,665	2,489,586

Summary of aging of debtors

Traffic fines

Current (0-30 days)	10,200	23,850
31-60 days	18,800	13,450
61-90 days	24,100	31,450
91-120 days	29,850	23,450
121 days and over	827,319	922,859
	910,269	1,015,059

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Receivables from non-exchange transactions (continued)		
Property rates		
Current (0-30 days)	615,326	489,127
31-60 days	146,833	124,884
61-90 days	112,392	122,437
91-120 days	108,832	111,993
121 days and over	3,779,292	4,729,274
	4,762,675	5,577,715

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

5. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	31,802,115	(814,307)	30,987,808	31,802,115	(784,052)	31,018,063

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	31,018,063	(30,255)	30,987,808

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	31,048,236	(30,173)	31,018,063

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Investment property (continued)		
6.1 Rental income from investment property		
Direct income from rentals	1,430,039	1,131,554
6.2 Details of property		
Land - Shopping Complex		
Erven 229, 735 and 736		
Duration: 50 years		
Termination date: 18 June 2046		
The Rhino centre has 10% of the net rental and 2% is payable to the municipality, which is calculated on the turnover		
Purchase price: 1 July 1996	5,300,000	5,300,000
Building - Hotel and Housing		
Erven 231 and 232		
Duration: 50 years		
Termination date: 30 November 2061		
Rental income is R154 680 per annum. The rental shall escalate by an amount equivalent to the CPI index every year.		
-Purchase price: 1 December 2011	904,992	904,992
-Accumulated depreciation	(814,307)	(784,052)
	90,685	120,940
Municipal Vacant Properties		
Municipal vacant land		
Erven 152		
-Purchase price: 1 December 1997	13,136,123	13,136,123
-Additions since purchase or valuation	2,461,000	2,461,000
	15,597,123	15,597,123
Land - Umzimkhulu Mall		
Erven 155		
Duration: 50 years		
Termination: 31 December 2062		
Rental income R332 722 per annum. The rental shall escalate by an amount equivalent to CPI index every year, but this escalation shall never be less than 4% nor be greater than 8% per annum.		
-Purchase price: 1 January 2013	10,000,000	10,000,000
Total investments value		
Land - shopping complex	5,300,000	5,300,000
Building - hotel and housing	90,685	120,940
Municipal vacant properties	15,597,123	15,597,123
Land - umzimkhulu mall	10,000,000	10,000,000
	30,987,808	31,018,063

There were no repairs and maintenance on the investment property in this financial year.

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

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	9,409,000	-	9,409,000	9,409,000	-	9,409,000
Buildings	52,779,194	(20,836,981)	31,942,213	51,407,939	(19,563,773)	31,844,166
Solid waste	31,272,834	(2,203,656)	29,069,178	13,604,947	(1,489,145)	12,115,802
Stormwater and roads infrastructure	584,558,202	(389,733,705)	194,824,497	573,530,780	(358,595,797)	214,934,983
Electrical Infrastructure	11,380,608	(759,917)	10,620,691	5,981,043	(460,252)	5,520,791
Community	445,614,125	(61,392,289)	384,221,836	337,080,702	(56,660,095)	280,420,607
Motor vehicles	16,159,537	(10,675,322)	5,484,215	12,796,102	(9,847,654)	2,948,448
IT equipment	5,569,437	(2,843,443)	2,725,994	4,596,167	(3,135,186)	1,460,981
Furniture and fixtures	4,262,436	(3,577,724)	684,712	4,547,435	(3,665,275)	882,160
Machinery and equipment	61,696,766	(27,041,982)	34,654,784	61,373,367	(22,426,933)	38,946,434
Water irrigation and dams	6,255,853	(1,266)	6,254,587	3,112,471	-	3,112,471
Total	1,228,957,992	(519,066,285)	709,891,707	1,077,439,953	(475,844,110)	601,595,843

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Impairment (loss)/reversal	Total
Land	9,409,000	-	-	-	-	9,409,000
Buildings	31,844,166	1,371,255	-	(1,262,559)	(10,649)	31,942,213
Solid waste	12,115,802	17,667,887	-	(714,511)	-	29,069,178
Stormwater and roads Infrastructure	214,934,983	11,027,422	-	(31,160,682)	22,774	194,824,497
Electrical Infrastructure	5,520,791	5,399,565	-	(299,665)	-	10,620,691
Community	280,420,607	108,533,422	-	(6,989,755)	2,257,562	384,221,836
Motor vehicles	2,948,448	4,186,144	(101,356)	(1,549,021)	-	5,484,215
IT equipment	1,460,981	2,002,939	(68,059)	(669,867)	-	2,725,994
Furniture and fixtures	882,160	41,463	(264)	(238,647)	-	684,712
Machinery and equipment	38,946,434	323,400	-	(4,609,935)	(5,115)	34,654,784
Water irrigation	3,112,471	3,143,382	-	(1,266)	-	6,254,587
	601,595,843	153,696,879	(169,679)	(47,495,908)	2,264,572	709,891,707

WIP reconciliation

	Included in Buildings	Included in Infrastructure	Included in Community	Solid waste infrastructure	Total
Opening balance	1,320,000	27,496,723	120,024,378	2,137,051	150,978,152
Additions	1,371,255	19,085,717	43,714,363	8,583,481	72,754,816
Capitalised	-	(31,059,829)	(3,960,605)	-	(35,020,434)
	2,691,255	15,522,611	159,778,136	10,720,532	188,712,534

Repairs and Maintenance

Stormwater and roads infrastructure	6,534,348	13,032,405
Community assets	1,195,175	1,799,522
Buildings	1,900,484	-
Machinery and equipment	12,022	3,125,702
Furniture and fixtures	56,151	76,254
Motor vehicles and plant machinery	4,193,357	1,038,809
Electricity	576,379	-
	14,467,916	19,072,692

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

There are no assets pledged as security.

Contracted commitments for property, plant and equipment are shown in note 44. Carrying amounts for property, plant and equipment items approximate fair values

The total for this note showing Repairs and Maintenance will not be the same as the amount in the face of the statement of performance since the expenditure is classified according to their nature, but since we have our own plant machinery this note allows us to actually show other expenses incurred in repairing and maintaining our assets

Depreciation method

Item

Buildings
Plant and machinery
Furniture and Fixtures
Motor Vehicles
Office Equipment
IT equipment
Computer software
Infrastructure
Community assets
Other fixed assets

Depreciation method

Straight line
Straight line
Straight line
Straight line
Straight line
Straight line
Straight line
Straight line
Straight line
Straight line

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	9,409,000	-	-	-	-	9,409,000
Buildings	32,994,927	112,280	-	(1,263,040)	-	31,844,166
Solid waste	11,209,942	1,508,119	-	(602,259)	-	12,115,802
Stormwater and roads Infrastructure	205,575,850	38,361,192	-	(29,002,060)	-	214,934,983
Electrical Infrastructure	5,819,637	-	-	(298,846)	-	5,520,791
Community	231,461,372	44,430,428	-	(6,835,679)	11,364,487	280,420,607
Motor vehicles	3,478,211	602,041	-	(1,131,803)	-	2,948,448
IT equipment	1,922,970	179,111	(70,151)	(570,950)	-	1,460,981
Furniture and fixtures	1,050,638	86,537	(10,160)	(244,855)	-	882,160
Machinery and equipment	31,476,212	11,871,571	-	(4,401,351)	-	38,946,434
Water irrigation	-	3,112,471	-	-	-	3,112,471
	534,398,759	100,263,750	(80,311)	(44,350,843)	11,364,487	601,595,843

WIP reconciliation

	Included in buildings	Included in infrastructure	Included in community	Solid waste infrastructure	Restated opening balance
Opening balance	1,320,000	31,690,690	81,348,811	628,932	114,988,433
Additions	-	41,473,663	44,430,428	1,508,119	87,412,210
Capitalised	-	(45,667,630)	(5,670,359)	-	(51,337,989)
	1,320,000	27,496,723	120,108,880	2,137,051	151,062,654

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.

Umzimkhulu Local Municipality

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7. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3,280,788	(2,788,096)	492,692	2,308,280	(1,904,038)	404,242

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	404,242	972,508	(884,058)	492,692

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	490,186	195,006	(280,950)	404,242

Umzimkhulu Local Municipality

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8. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	432,000	-	432,000	432,000	-	432,000

Reconciliation of heritage assets 2024

	Opening balance	Additions	Total
Historical buildings	432,000	-	432,000

Reconciliation of heritage assets 2023

	Opening balance	Additions	Total
Historical buildings	432,000	-	432,000

Included in heritage assets are assets that have been identified as taking significantly longer period of time to complete than expected, due to the followings:

Heritage Hall	-	255,000
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The renovations of the Memorial hall were delayed due to the non approval of the go ahead by Ezamafa.

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
9. Non-current investments		
STD BANK- 248875078002		
Opening balance	-	32,153,344
Interest accrued	-	1,395,056
Matured investments (Returned)	-	(33,548,400)
	-	-
Nedbank - 037165022759/08		
Opening balance	-	41,703,925
Capital amount invested	50,000,000	-
Interest accrued	3,490,581	2,174,791
Matured investment (Returned)	-	(43,878,716)
	53,490,581	-
10. Payables from exchange transactions		
Payments received in advanced	566,323	560,137
Consumer deposits	22,830	22,830
Accrued leave pay	6,440,917	6,096,105
Unallocated deposits	267,469	268,351
Retentions	15,576,566	13,317,366
Payments received in advance - construction contracts	-	4,024,181
Trade payables and accruals	4,491,894	8,293,319
Output Tax accrual	4,163,600	4,086,058
Output VAT accrual- provision for doubtful debt impairment	(1,776,376)	(2,613,512)
	29,753,223	34,054,835
Construction contract - Electrification disclosure		
Amounts of contract revenue	4,545,920	7,170,989
Construction contract expenditure	(4,545,920)	(7,170,989)
	-	-
<p>At the reporting date 30 June 2024, the contract revenue was recognised when the INEP grant was transferred into the municipality and the municipality incurred expenditure on work done and professional fees. The municipality used an accrual basis and the amounts are inclusive of the retention accrued.</p> <p>The Municipality has fully utilized the funds, and there is no outstanding balance as at 30 June 2024.</p> <p>The stage of completion of contracts in progress was determined on the average of work done versus the average billed quantities per line item.</p>		
11. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	9,618,386	-
Development Planning Title Deeds	1,465,270	1,465,270
	11,083,656	1,465,270

See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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2023

12. Employee benefit obligations

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

Long service awards

Opening accrued liability	5,660,831	5,691,604
Past service cost	538,512	591,444
Interest cost	603,108	596,998
Actuarial (gains)/losses	382,651	(743,481)
Expected return on plan assets	(737,201)	(475,734)
	6,447,901	5,660,831
Non-current liabilities	5,667,381	5,196,194
Current liabilities	780,520	464,636
	6,447,901	5,660,830

Employees who achieve 5 years of service are granted 5 days paid leave, whilst employees who achieve 10 years of service are granted 10 days paid leave. Employees who achieve 15 years of service are granted 20 days paid leave. Employees who achieve 20 years of service are granted 30 days paid leave. Employees who achieve 20/25/30/35/40 and 45 years of service are granted 30 days paid leave. The abovementioned leave is only applicable to those employees who achieve the stated years of services after the effective date of these conditions. The provision is an estimate of the long service award based on the months salaries rate at 30 June 2024. It has been assumed that the staff turnover will be insignificant based on historical data. A discount rate of 10.78%(2023: 11.11%) was used on internal rate of return.

In determining the provision for long service awards the municipality utilized the services of independent actuaries.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.78 %	11.11 %
Expected rate of return on reimbursement rights	5.57 %	6.08 %
Expected increase in salaries	6.57 %	7.08 %
Proportion of employees opting for early retirement	3.95 %	3.76 %

The mortality rate of an individual is assumed to be 85-90.

The normal retirement age is assumed to be 65 years.

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023	
13. Provisions			
Reconciliation of provisions - 2024			
	Opening Balance	Additions	Total
Landfill site provision- Clydesdale	-	9,585,184	9,585,184
Landfill site provision- Mankofu	18,407,046	-	18,407,046
	18,407,046	9,585,184	27,992,230
Reconciliation of provisions - 2023			
	Opening Balance	Additions	Total
Landfill site provision	5,748,756	12,658,290	18,407,046
Non-current liabilities		9,585,184	-
Current liabilities		18,407,046	18,407,046
		27,992,230	18,407,046
Landfill site			
The Mankofu dump site has reached its useful life, and the provisional estimate for the rehabilitation and closure of Mankofu disposal site as prepared by Mntomnyama Consulting Engineers.			
The following must be noted:			
The capping design requires commercially sourced materials i.e. liners that meet the specifications as per the approved licence (WML) to be approved by DWS.			
The shortage of the required cohesive layer from Mikhail local borrow pits result in the material being sourced from a commercial source i.e the area is surrounded by black shale and has limited dense clay required etc. Some of the works consist of specialist lining installers.			
14. Housing Development Fund			
Opening balance	17,322,592	20,994,189	
Payments	-	(4,617,509)	
Interest recognised	1,400,651	945,912	
	18,723,243	17,322,592	
15. Service charges			
Solid waste	237,891	176,394	
Waste disposal	927,851	869,683	
Refuse removal	2,075,127	2,051,535	
	3,240,869	3,097,612	
16. Rental of facilities and equipment			
Facilities and buildings	1,430,039	1,131,554	

Umzimkhulu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
17. Agency services		
Driver's Licenses	684,490	570,126
Vehicle Registration	824,477	609,132
	1,508,967	1,179,258
18. Interest on receivables		
Refuse	383,411	418,030
Rentals	14,522	11,168
	397,933	429,198
19. Operational revenue		
Tender income	45,099	126,566
Clearance certificates	4,821	2,826
Pound auction	300,141	-
Refund income	18,696	-
Cemetery fees	5,236	10,050
Hall fees	34,516	40,160
Copyrights/Royalties	75,409	28,499
Seta fund	100,114	-
Other income 11	353,431	406,864
Insurance refund	234,939	49,036
PDA applications for land usage	31,418	24,535
Advertising income	45,739	43,050
Building plans and servitudes	52,497	68,499
Staff recoveries	-	38,005
Handling fees	-	1,480
PDA applications for maps	7,087	574
Over banking	865	975
	1,310,008	841,119
20. Debt impairment reversal		
Refuse		
Impairment reversal	1,090,316	2,027,651
Property rates		
Impairment reversal	525,310	-
21. Licences and permits		
Trading	70,982	54,219
22. Construction contracts		
Goods and services	4,545,920	7,170,989
23. Interest on bank and investments		
Bank	1,379,660	281,586
Short-term investments	15,700,735	13,102,989
	17,080,395	13,384,575

Umzimkhulu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
24. Gain on disposals		
Gain on disposals	19,088	1,161,797
Loss on disposals	(2,152)	(80,312)
	16,936	1,081,485

The municipality held an auction to dispose redundant movable assets in the prior year.

Laptops with carrying value of less than R500 were sold to municipal employees and councillors as per the approved fixed asset policy.

25. Property rates

Rates raised

Residential	2,226,767	1,836,269
Commercial	4,314,862	4,082,865
State	5,557,815	5,515,433
Municipal	-	392,869
Industrial	3,101	3,100
Vacant	89,290	89,233
Less: Rebates	(2,594,514)	(2,513,687)
	9,597,321	9,406,082

Valuations

Residential	0.008801	338,309,000	335,679,000
Commercial	0.013501	308,036,000	289,436,000
Public service purposes	0.008801	624,079,000	614,156,000
Municipal	0.008801	152,725,000	152,871,000
Industrial	0.002201	3,179,000	3,179,000
Place of worship	0.008801	12,854,000	12,854,000
Agriculture	0.002201	827,983,000	827,983,000
Public service infrastructure	0.002101	13,410,000	13,410,000
Communal property	0.002101	2,066,000	2,066,000
Public benefit organisation	0.002201	179,000	179,000
State owned	0.008801	11,880,000	-
Vacant land	0.017001, 0.022001	26,481,000	26,776,000

Tariffs

Residential	0.008801	338,309,000	335,679,000
Commercial	0.013501	308,036,000	289,436,000
Public service purposes	0.008801	624,079,000	614,156,000
Municipal	0.008801	152,725,000	152,871,000
Industrial	0.002201	3,179,000	3,179,000
Place of worship	0.008801	12,854,000	12,854,000
Agriculture	0.002201	827,983,000	827,983,000
Public service infrastructure	0.002101	13,410,000	13,410,000
Communal property	0.002101	2,066,000	2,066,000
Public benefit organisation	0.002201	179,000	179,000
State owned	0.008801	11,880,000	-
Vacant land	0.017001, 0.022001	26,481,000	26,776,000

2,321,181,000 2,278,589,000

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Basis on which property rates are measured

The municipality uses the values of each property as they appear in the valuation roll, and multiply by the tariff per category, and less any rebates if applicable.

Indigents and rebates

Old age pensioners were granted 100% subsidy as categorised as indigents and pensioners over 65 years were granted 25% rebate as per Council's approved rates policy. State properties were granted a 10% rebate and Public Service Infrastructures were granted 30% rebate as per Council's approved policy. Rates are levied monthly in 12 equal instalments payable on a monthly basis. Interest is charged at 15.5% on the outstanding balance of service charges, 60% rebate granted for commercial properties as per Council approval.

The new general valuation will be implemented on 01 July 2024.

Umzimkhulu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
26. Government grants & subsidies		
Operating grants		
Equitable Share	246,074,000	230,672,974
Finance Management Grant (FMG)	1,850,000	1,850,000
Arts and Culture	2,004,000	2,004,000
Expanded Public Works Programme (EPWP)	2,594,000	3,573,000
Cleaning Competition Municipal Award	-	434,783
Municipal Employment Initiative	-	132,144
	252,522,000	238,666,901
Capital grants		
Municipal Infrastructure Grant (MIG)	38,339,614	49,281,000
	290,861,614	287,947,901
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Finance Management Grant (FMG)		
Current-year receipts	1,850,000	1,850,000
Conditions met - transferred to revenue	(1,850,000)	(1,850,000)
	-	-
The purpose of this grant is to promote sound financial management Withheld/delayed grant: None.		
Arts and Culture Grant		
Current-year receipts	2,004,000	2,004,000
Conditions met - transferred to revenue	(2,004,000)	(2,004,000)
	-	-
The purpose of this grant is to fund salaries of the Librarians. Withheld/delayed grant: None.		
Expanded Public Works Programme (EPWP)		
Current-year receipts	2,594,000	3,573,000
Conditions met - transferred to revenue	(2,594,000)	(3,573,000)
	-	-
The purpose of this grant is to reduce poverty and unemployment Withheld/delayed grant: None.		
Cleaning Competition Municipal Award		
Current-year receipts	-	434,783
Conditions met - transferred to revenue	-	(434,783)
	-	-
The purpose of this grant is to encourage cleanliness in municipalities. Withheld/ delayed grant: None.		

Umzimkhulu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
26. Government grants & subsidies (continued)		
Municipal Employment Initiative		
Balance unspent at beginning of year	-	132,144
Conditions met - transferred to revenue	-	(132,144)
	<u>-</u>	<u>-</u>
The purpose of this grant is to support informal and micro business enterprises in order to stimulate local economic development and to create job opportunities. Withheld/ delayed grant: None.		
Municipal Infrastructure Grant (MIG)		
Current-year receipts	47,958,000	49,281,000
Conditions met - transferred to revenue	(38,339,614)	(49,281,000)
	<u>9,618,386</u>	<u>-</u>
The purpose of this grant is for the infrastructure development. Conditions still to be met - remain liabilities (see note 12).		
Development Planning Title Deeds		
Balance unspent at beginning of year	1,465,270	1,465,270
The purpose of this grant is for the development planning of the title deeds. Conditions still to be met - remain liabilities (see note 11).		
27. Public contributions and donations		
Truck donation	-	2,250,000
Tractor donation	-	736,000
Public contributions and donations 4	63,750,726	-
	<u>63,750,726</u>	<u>2,986,000</u>
28. Fines, penalties and forfeits		
Overdue Books Fines	754	223
Pound Fees Fines	195,110	195,995
Municipal Traffic Fines	329,060	314,450
	<u>524,924</u>	<u>510,668</u>
29. Impairment reversal - assets		
Impairment loss reversal -Community assets	2,257,562	11,364,487
Impairment loss reversal -Stormwater infrastructure	22,774	-
Impairment loss- Buildings	(10,649)	-
Impairment loss- Machinery and equipment	(5,115)	-
	<u>2,264,572</u>	<u>11,364,487</u>

Umzimkhulu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
30. Employee related costs		
Basic	84,446,043	78,605,470
Bonus	5,255,414	5,159,683
Medical aid - company contributions	6,970,369	6,310,848
UIF	653,353	630,913
Leave encashment	2,892,964	4,186,978
Shift and danger allowance	969,563	1,089,040
Bargaining council	29,787	28,031
Pension fund municipal contributions	11,391,952	10,649,787
Travel, motor car, accommodation, subsistence and other allowances	9,092,067	8,065,800
Overtime payments	5,218,417	4,480,439
Acting allowances	322,044	316,547
Housing benefits and allowances	1,766,047	1,776,918
Actuarial losses	921,163	(743,481)
Cellphone allowance	1,384,130	1,152,735
Standby allowance	174,945	263,445
Service related allowance (uniform)	-	28,000
	131,488,258	122,001,153
Remuneration of Municipal Manager		
Annual Remuneration	672,426	488,023
Travel allowance	280,178	203,343
Contributions to UIF, Medical and Pension Funds	168,107	114,994
Cellphone allowance	28,550	20,250
Leave encashment	41,215	-
Cash allowance	15,255	-
Backpay	24,482	2,680
	1,230,213	829,290
Remuneration of Chief Finance Officer		
Annual Remuneration	748,766	722,481
Bonus contract	112,315	84,812
Travel allowance	311,986	301,034
Contributions to UIF, Medical and Pension Funds	93,596	90,310
Cellphone allowance	30,720	30,720
Housing allowance	93,596	90,310
Leave encashment	45,894	45,216
Cash allowance	20,340	-
Backpay	36,348	45,706
	1,493,561	1,410,589
Remuneration of Infrastructure and Engineering Manager		
Annual Remuneration	548,421	601,574
Bonus contract	-	77,082
Travel allowance	165,850	250,655
Contributions to UIF, Medical and Pension Funds	172,530	99,722
Cellphone allowance	25,600	28,160
Housing allowance	-	49,861
Leave encashment	-	87,675
Cash allowance	18,645	-
Backpay	30,282	43,394
	961,328	1,238,123

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Figures in Rand	2024	2023
30. Employee related costs (continued)		
Remuneration of Corporate Services Manager		
Annual Remuneration	666,860	643,450
Bonus contract	100,029	75,534
Travel allowance	277,858	268,104
Contributions to UIF, Medical and Pension Funds	166,715	160,863
Cellphone allowance	30,720	30,720
Acting allowance	-	48,395
Leave encashment	40,874	40,270
Cash allowance	20,340	-
Backpay	32,372	42,931
	1,335,768	1,310,267
Remuneration of Community and Social Services Manager		
Annual Remuneration	594,756	573,879
Performance Bonuses	89,214	-
Travel allowance	247,815	239,116
Contributions to UIF, Medical and Pension Funds	148,689	143,470
Cellphone allowance	30,720	30,720
Leave encashment	36,454	-
Cash allowance	20,340	-
Backpay	28,872	31,848
	1,196,860	1,019,033
Remuneration of Strategic Planning and Development Manager		
Annual Remuneration	552,097	400,692
Travel allowance	230,040	166,955
Contributions to UIF, Medical and Pension Funds	138,024	100,173
Cellphone allowance	30,720	23,040
Leave encashment	88,807	57,540
Cash allowance	15,255	-
Backpay	20,101	2,200
	1,075,044	750,600
31. Remuneration of councillors		
Executive Major	922,032	898,395
Deputy Executive Mayor	726,420	688,322
Mayoral Committee Members	3,182,836	2,932,868
Speaker	726,419	688,588
Chief Whip	681,019	624,229
Councillors	7,562,541	7,244,063
Councillors' travel allowance	1,510,856	1,601,228
Councillors' pension fund contribution	1,382,081	1,125,227
Councillors' medical aid contribution	86,287	67,956
Councillors' cellphone allowance	1,759,200	1,565,171
	18,539,691	17,436,047

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
31. Remuneration of councillors (continued)		
Additional information		
The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
Ward Committee details:		
-The municipality has 220 ward committees		
-The ward committee stipend is disclosed in note 35 under general expenses		
in-kind benefits:		
The Mayor has a fixed contract secretary and a driver.		
The Deputy Mayor is sharing the same secretary with the Mayor.		
The Speaker's office has a fixed contract secretary.		
Number of Employees:		
The number of councillors is 43 and the number of employees as at 30 June 2024 was 274 (June 2023 : 274).		
32. Depreciation and amortisation		
Property, plant and equipment	47,495,907	44,350,843
Investment property	30,256	30,173
Intangible assets	884,058	280,950
	48,410,221	44,661,966
33. Bad debts written off		
Property rates	1,964,764	844,143
Waste management	3,633,631	1,138,236
Rentals	66,533	28,698
	5,664,928	2,011,077
34. Debt impairment		
Debt impairment is broken down as follows:		
Fines	295,100	307,400
Rentals	36,851	-
Property rates	-	130,233
	331,951	437,633
35. Lease rentals on operating lease		
Equipment		
Contractual amounts	464,386	383,918
36. Finance costs		
Actuarial interest	603,108	1,188,442
Landfill site provision	500,778	12,658,291
	1,103,886	13,846,733

Umzimkhulu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
37. Construction contract expenditure		
Goods and services	4,545,920	7,170,989
38. Contracted services		
Outsourced Services		
Administrative and Support Staff	-	119,500
Artists and performers	1,326,250	1,175,707
Animal Care	59,680	155,406
Burial Services	389,218	329,764
Catering Services	4,276,137	5,088,632
Cleaning Services	1,330,533	1,661,528
First Aid	12,512	9,639
Occupational Health and Safety	4,660	306,914
Audio and Visual Services	691,900	385,600
Personnel and Labour (Casuals)	1,559,067	1,263,576
Security Services	14,602,984	10,442,466
Transport Services	303,850	45,000
Consultants and Professional Services		
Business and Advisory	7,574,992	9,222,481
Legal Cost	4,038,082	3,694,717
Contractors		
Maintenance of Buildings and Facilities	15,337,342	19,756,872
	51,507,207	53,657,802
Contracted services have been broken down as per its service category.		
Prior year contracted services have been reclassified as follows:		
39. Transfer and subsidies		
Bursaries (non-employees)	415,000	330,000

Umzimkhulu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
40. General expenses		
Achievements and awards	683,450	485,700
Advertising	3,350,422	3,338,965
Archives	53,208	64,908
Assets expensed	29,602	507,110
Bank charges	98,794	54,722
Electricity	10,363,216	10,334,756
Equipment hire	835,702	716,541
External audit fees	3,365,895	3,252,286
Firearms handling fees	10,475	-
Fuel and oil	6,691,934	7,214,161
IT expenses	9,611,276	8,123,896
Insurance	1,290,598	2,899,972
Learnerships and internships	510,000	501,000
Material and supplies	5,139,392	3,616,736
Motor vehicle expenses	321,810	444,652
Office decorations	30,000	42,553
Postage and courier	19,000	16,522
Printing and stationery	1,989,666	1,389,374
Servitudes and land survey	5,579,987	1,658,713
Skills development levy	1,179,262	1,111,429
Subscriptions and membership fees	1,629,086	1,520,010
Telephone and fax	3,747,515	3,044,190
Transport and freight	1,184,560	690,130
Travel - local	3,524,685	3,853,852
Travel agency fees	173,226	275,877
Uniforms	1,207,478	1,908,512
Ward committee stipend	2,736,500	2,673,500
Water	181,152	197,505
Workman's compensation	673,655	531,981
Workshops and events	711,888	963,260
	66,923,434	61,432,813
41. Cash generated from operations		
Surplus	68,821,950	19,242,667
Adjustments for:		
Depreciation and amortisation	48,410,221	44,661,966
Gain on disposal of asset	(16,936)	(1,081,485)
Finance cost - actuarial interest	603,108	1,188,442
Finance cost - landfill site	500,778	12,658,291
Debt impairment	331,951	437,633
Impairment reversal - refuse	(1,090,316)	(2,027,651)
Bad debts written off	5,664,928	2,011,077
Impairment reversal - property rates	(525,310)	-
Impairment reversal - assets	(2,264,572)	(11,364,487)
Leave pay provision	344,812	828,486
Actuarial (gains)/losses	382,651	(743,481)
Straightlining- operating leases	37,219	21,445
Public contributions and donations	(63,750,726)	(2,986,000)
Interest accrued on investments	(3,490,581)	(3,569,847)
Changes in working capital:		
Receivables from exchange transactions	(6,902,209)	(6,899,691)
Receivables from non- exchange transactions	(1,458,633)	(1,211,685)
Payables from exchange transactions	(4,989,133)	(3,023,426)
Unspent conditional grants and receipts	9,618,386	(32,707,086)
Employee benefit obligation	(198,688)	(475,734)
	50,028,900	14,959,434

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42. Contingent liabilities

Various claims submitted to the municipality are in the process of being resolved.

Should the respective claimants be successful with their claims, the estimated municipal liability on such claims, is disclosed below.

Legal disputes relate to:

Invasion of municipal land and illegal structures	965,944	238,910
Municipal investigations and employee disputes	463,503	150,000
Contractual disputes	172,663	193,414
Review of building plan disapproved	130,208	130,208
PIE application	80,000	80,000
Action of damages	277,228	98,315
Eviction application	63,558	-
	2,153,104	890,847

43. Commitments

43.1 Authorised capital expenditure

Already contracted for but not provided for

• Buildings	2,290,851	207,000
• Community assets	96,352,513	106,835,040
• Infrastructure assets	17,370,338	33,111,379
	116,013,702	140,153,419

Total capital commitments

Already contracted for but not provided for	116,013,702	140,153,419
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Community assets: The increase on the commitments is due to the change of scope for Harry Gwala sports centre due to Department of sports changing the scope of the project. The amounts of commitments include VAT.

43.2 Operating leases - as lessor (income)

Minimum lease payments due

- within one year	2,024,677	2,198,659
- in second to fifth year inclusive	3,242,460	4,309,971
- later than five years	16,864,985	17,440,850
	22,132,122	23,949,480

The municipality leases vacant land to property developers whom has developed Umzimkhulu Mall, Rhino centre and Umzimkhulu Hotel, and Feza family trust. The lease agreement has a term of 50 years. The rental shall escalate by an amount equivalent to the CPI index, rounding of to the nearest rand, which the escalation will be effective on the commencement date every year. The Rhino centre has 10% of the net rentals plus 2% payable to the municipality, which is calculated on the turnover of each site. Rentals will be recognised when the lessee is invoiced and will not be smoothed over the period of the lease.

Umzimkhulu Mall and Hotel commitments have been calculated and will not perform the smoothing on a straight-line over the period of the lease.

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44. Risk management

44.1 Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Council and the Municipal Manager have overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risks limits and controls and to monitor risks and adherence to limits. Risks management policies and systems are reviewed regularly to reflect changes in the market conditions and the Municipality's activities.

The Municipality through its training and management standards and procedures, aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations. The Municipal Manager is of the opinion that the values reflected in the financial statements are a true reflection of fair values of both the financial assets and liabilities.

The fair values of consumer debtors is estimated to be the actual receipts expected, adjusted for possibility of doubtful debt. Payables are settled within 30 days of receipt of invoice and therefore are reflected at the settlement amount.

Financial assets

Petty cash	5,006	1,089
Bank balances	8,127,578	2,660,333
Short-term deposits	97,884,621	181,314,670
Receivables from exchange transactions	15,753,063	12,874,799
	121,770,268	196,850,891

Financial liabilities

Payables from exchange transactions	29,753,222	34,054,830
Unspent conditional grants and receipts	11,083,656	1,465,270
	40,836,878	35,520,100

44.2 Liquidity risk

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

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Payables from exchange transactions	29,753,222	34,054,830
-------------------------------------	------------	------------

44.3 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The Municipality's level of borrowing and consequently the debt servicing costs are closely monitored and controlled by the EXCO having regard to the prevailing and projected interest rates and the Municipality's capacity to service such debt from future earnings.

Financial assets exposed to interest rate risk at year end were as follows:

Bank balances	8,127,578	2,660,333
Short-term deposits	97,884,621	181,314,670
	106,012,199	183,975,003

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44. Risk management (continued)		
44.4 Credit risk		
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.		
Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.		
Financial assets exposed to credit risk at year end were as follows:		
Financial instruments		
Receivables from exchange transactions	15,753,063	12,874,799
Financial assets past due but not impaired		
Receivables from exchange past due not impaired	-	615,704
45. Fruitless and wasteful expenditure		
Opening balance as previously reported	-	246,769
Less: Amount written off - prior period	-	(246,769)
Closing balance	-	-
There was no fruitless and wasteful expenditure in the current financial year.		
46. Irregular expenditure		
Opening balance as previously reported	-	3,530,089
Add: Irregular expenditure - prior period	3,873,161	19,074,607
Less: Amount written off - prior period	(3,873,161)	(22,604,696)
Closing balance	-	-
47. Unauthorised expenditure		
There was no unauthorised expenditure in the current financial year, and there was nothing in the prior year as well.		
48. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	1,543,048	1,434,733
Amount paid - current year	(1,543,048)	(1,434,733)
	-	-
Audit fees		
Current year subscription / fee	3,365,895	3,252,286
Amount paid - current year	(3,365,895)	(3,252,286)
	-	-

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48. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Current year subscription / fee	20,085,659	18,539,863
Amount paid - current year	(20,085,659)	(18,539,863)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	18,362,321	16,960,635
Amount paid - current year	(18,362,321)	(16,960,635)
	-	-
49. Accounting by principals and agents		
The municipality is a party to a principal-agent arrangement(s).		
Details of the arrangement(s) is are as follows:		
49.1. Department of Transport		
The municipality acts on behalf of the Department of Transport to issue licences to, and collect money from motorists, i.e. there are three parties to the arrangement, Principal (Department of Transport), Agent (uMzimkhulu Municipality) and Third party (The Motorist)		
As the Department of Transport is responsible for issuing the licence, the transaction is however between the Department of Transport and the motorist, i.e. the municipality is not a party to the transaction with the third parties. The municipality facilitates the issuing of these licences and the collection of the prescribed fees.		
The municipality receives a fee of 8.55% of the transaction amount and there were no changes that occurred during the reporting period.		
Entity as agent		
Revenue recognised		
The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R1 508 967 (2023: 1 179 258)		
49.2. Human settlement		
The municipality construct houses on behalf of Human settlement, the municipality acts as an agent, while Human settlement acts as a principal.		
Current- year receipts	385,068	3,233,691
Conditions met - transferred to revenue	(385,068)	(3,233,691)
	-	-

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50. Related parties		
Related party balances and transactions		
The were no councillors with an outstanding balance for more than 90 days.		
Section 57 employees		
Remuneration paid	6,855,814	6,638,273
Refer to note 30 for further details.		
Councillors		
Remuneration paid	18,539,691	17,436,047
Refer to note 31 for further details.		
Employee lease rentals		
K Dweba	-	17,343
N. Luzulani	30,000	-
T. Sondzaba	3,239	9,717
S. Maphumulo	2,400	2,400
S. Sosibo	2,400	2,400
TM Sikhosana	2,400	2,400
I Jokweni	2,400	2,400

51. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

There were deviations amounting to **R3 271 391.79**

The Breakdown of these deviations is as follows:

There was a procurement of software licence from the service provider that is a sole service provider of this software(Microsoft) to the value of **R2 563 808.97**.

Procurement of security services which was an emergency to the value of **R698 383.97**

Road traffic safety summit, and the services are only available from this single service provider to the value of **R9 198.85**

Screening of educational qualifications which was an emergency, but we have not yet incurred any fees since its rate based.

52. Events after the reporting date

There was only one event after reporting date amounting to R711 053.73:

- The council set on the 28th of July for the resolution to write-off the irregular expenditure or R711 053.73.

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53. Prior-year adjustments

The municipality has been recognising the provision for doubtful debt impairment without impairing the Output Vat. The municipality had to apply the restropective approach to account for it correctly. The gain/loss on impairment for waste management was overstated in the previous years, since it was recognised inclusive of Vat by an amount of the net effect of R 2 027 651 and the Output Vat for provision for doubtful debt impairment by an amount of R 2 613 511.98, and the debt impairment was overstated by R585 861

Statement of financial position

2023

	Note	As previously reported	Re-classification	Restated
Receivables from exchange transactions		3,668,171	13,065,629	16,733,800
VAT receivable		8,979,570	(8,979,570)	-
Payables from exchange transactions		32,582,290	1,472,544	34,054,834
		45,230,031	5,558,603	50,788,634

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Rental of facilities and equipment		1,538,418	-	(406,864)	1,131,554
Operational revenue		434,255	-	406,864	841,119
Contracted services		59,653,086	-	(5,995,282)	53,657,804
General expenditure		62,608,520	-	(1,175,707)	61,432,813
Impairment reversal- Refuse		-	2,027,651	-	2,027,651
Construction contract exp		-	-	7,170,989	7,170,989
Debt impairment		1,023,494	(585,861)	-	437,633
		125,257,773	1,441,790	-	126,699,563

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Figures in Rand	2024	2023		
53. Prior-year adjustments (continued)				
Cash flow statement				
2023				
	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Taxation revenue		9,916,750	(1,211,685)	8,705,065
Receipts from rates payers and other services		8,874,257	(1,848,554)	7,025,703
Interest income		13,813,773	(3,999,045)	9,814,728
Employee costs		(137,699,360)	(2,128,569)	(139,827,929)
Suppliers and other payments		(108,738,214)	(17,260,734)	(125,998,948)
Finance costs		(13,846,733)	13,846,733	-
		(227,679,527)	(12,601,854)	(240,281,381)
Cash flow from investing activities				
Investments		70,000,000	7,427,116	77,427,116
Property, plant and equipment		(97,277,750)	4,228,829	(93,048,921)
Interest from reserves		-	945,912	945,912
		(27,277,750)	12,601,857	(14,675,893)

Reclassifications

The following reclassifications adjustment occurred:

It should be noted that for the bellow reclassifications, there was no journal involved, but it was remapping incorrect / reclassifications.

There has been changes in the way VAT is disclosed on the AFS, thus resulting in receivables from exchange transaction that was previously reported to increase by R13 065 628, and the payables from exchange transactions to also increase by R1 472 544. The VAT receivable that was previously disclosed of R8 979 570 is now removed.

The Cash flow statement that was previously reported on the AFS has been corrected, and the cash flows from operating activities were overstated with an amount of of R12 601 854, and the net cash flows from investing activities were understated by R12 601 854.

The Rent on land of R 406 864 was previously included into rental of facilities and equipment, and its now reported on operational revenue.

Impairment reversal of R11 364 487 was previously reported under the surplus, however we have now reported it in revenue from non-exchange transactions.

The construction contract amount of R7 170 989 was previously reported under contacted services, has now been disclosed separately in the face of the statement of financial performance.

The Performers and Artists of R1 175 705 was previously reported under General expenses, but has now been reclassified to contracted services.

the proceed on disposals of R1 161 797 (as was previously named), has since been renamed as Gains on disposals, and is now reported under revenue from exchange transactions, and it no longer under revenue from non-exchange transactions.

The impairment reversal was previously bellow the surplus, and its now under revenue.

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54. Budget differences

Budget vs actual variance explanations 2023-2024

REVENUE

Rental of facilities and Equipment - Depends on profit made as per the contract terms of leasing land. The municipality receive 10%, meaning Shoprite has made more profit.

There were additional rental contracts submitted by LED during the financial year that were not budgeted for or included on adjustment budget.

Interest on Bank and Investment - This is a result of unspent on grants (MIG) and low expenditure on operational fund has an impact on the interest at the bank especially on money market call account.

Interest on Receivables – The municipality took a resolution in the middle of the financial year to increase interest from 7% to 11.75% and that was not considered during adjustment budget.

Licences and Permit - Due to law enforce by the municipality where it even invited department of Environmental Affairs and considered new applicants for licences.

Agency Services - Depends on volume of applications receive at that period for the past five months the municipality realise more applicant than anticipated in the adjustment budget.

Government Grants and Subsidies – The different on the grants is due to the unspent of Human Settlement (Expropriation of Tittle Deeds) grant which was not recognised during the financial year.

Operational Revenue – Due application of Grap 11 on INEP the grant is allocated under services rendered and the under collection is due to (this need to be corrected no construction contract on the performance budget) Library Copy Fees - Depends on usage by consumers, also demand cannot be measured as it depends on walks-in at period.

Seta - Skill development Levy Refund - Seta funds from Salga not anticipated to be received and only received in quarter three of the financial year. leakages

Gains on Non-Current Assets – More income realise as a result of the municipality disposal of the municipal assets (Laptop).

OPERATIONAL EXPENDITURE

Employee related cost – The savings realise on employee related cost is due to employee resignation as the result their positions (Asset management officer, expenditure principal clerk and demand) were filled very late.

Debt Impairment - The impairment decreased due to municipality that took a resolution to write off 50% on consumers outstanding balance from 2018 backwards during the first quarter of the financial year. Therefore, consumer debtors' debt decreases and that resulted to decrease on impairment.

Other Material – Agricultural Inputs Frimax Programme – This project was not spent due to the pending tender process for the appointment of a service provider.

- Disaster Relief Material – the municipality spent less than the budget on disaster relief due to few disasters reported by the community to the municipality.

- Lightning conductors – the contracted service provider invoiced the municipality as per the service provided during 2023-2024 financial year, therefore the municipality did not spend as budgeted.

Loss on disposal of assets - these were assets (laptops) that were damaged beyond repairs.

Contracted Services – Auditing and Accounting- There were two projects that were not finished in time, Audit of Assets and SCM, and assessment of internal audit activity, this project rollover to the new financial year. The municipality units especially on CSS department agreed to do related projects in one day such awareness campaign (HIV and AIDS,

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54. Budget differences (continued)

LGBTQI+ and Performing Arts. Review of Tourism Strategy and Agricultural Development plan these projects did not spend due to noncompliance of service providers, the project was re-advertised. Capacity building and mentorship LED funded projects has a savings due to LED relevant stakeholders, like EDTEA and SEDA offered to conduct trainings for SMME's from their budget. SPLUMA - MPT sitting is dependent on the availability of SPLUMA applications for consideration of which were less than expected. LED and Tourism Awareness Campaign - Gift and Promotional – the municipality reject this project due to poor quality of the materials supplied by service provider. Road Maintenance Internally - The service provider appointed for 12 months contract which is anticipated to expire end August 2024, the municipality experiencing difficulties with the service provider in terms of responding in our request to execute works during the past months leading to under expenditure.

General Expenses – The municipality realise saving Travel and Subsistence due to implementation of cost containment regulations. The municipality did not procure Loud Hailers due to there were no responses from service providers.

Advert for Tenders for infrastructure projects - Some Project have been delayed by the Environmental Impact Assessment process which is anticipated to wrap up next financial year.

Waste Removal to Dumpsite - The budget was allocated for waste disposal, which was outsourced to the Kokstad landfill site due to challenges faced with the Clydesdale community at that time. Then the authority department approved the interim utilisation of Mankofu disposal site.

CAPITAL EXPENDITURE

Municipal Infrastructure Grant – Development of Landfill Site Phase 2 - The Contractor has been out of site from 20 February 2024 to 08 May 2024 due to Community unrest, The project is expected to be completed on the 07 August 2024.

Mbumbane - Masamini Access Road Ward 12, Zindongeni Access Road Ward 7, Noziyingili Access Road Ward 3, St Pual Access Road Ward 6 and Construction of Ward 22 SportsField these projects are undergoing Environmental Impact Assessment process until the municipality get an authorisation from EIA for the construction of these projects.

Internal Generated Funds – Installation of Street Light (CBD) - The project experienced delays due to the challenges of getting the points of supplies to the newly installed streetlights along R56 road. Delays in the project ultimately resulted in the low expenditure.

Memorial Hall - Project in progress experienced delays in supply of glass façade.

Donation- The municipality received a donation of Bus rank and Taxi rank at a cost of R63 750 726 from department of transport. The donation was transferred on the 28 June 2024 to the municipality.

55. Segment information

General information

Identification of segments

The segments were organized around the type of service delivery by the municipality which are also the main revenue generating streams. These segments also represent the funding sources that fund the municipal operations as per mSCOA. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

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 environment affairs

Trading services

Other services

Goods and/or services

Community and social related services, sports and recreation

Roads, planning and development

Waste management services

Finance, administration, information technology

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55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community and public safety	Economic and environmental	Trading services	Other services	Total
Segment revenue					
External revenue from exchange transactions	1,924,269	4,753,643	3,624,279	20,390,174	30,692,365
External revenue from non-exchange transactions	108,320,953	133,675,488	-	125,528,026	367,524,467
Total segment revenue	110,245,222	138,429,131	3,624,279	145,918,200	398,216,832
					-
Segment expenditure					
Total segment expenses	43,719,860	70,520,186	17,886,013	148,508,733	280,634,792
Depreciation and armotisation	7,122,219	36,169,438	714,511	4,404,052	48,410,220
Expenses from transactions with other segments	295,100	5,115	-	49,655	349,870
	51,137,179	106,694,739	18,600,524	152,962,440	329,394,882
Total segmental surplus/(deficit)	59,108,043	31,734,392	(14,976,245)	(7,044,240)	68,821,950
Other information					
Segment assets	377,322,535	413,761,548	15,559,360	111,211,668	917,855,111
Additions to non-current assets	13,546,110	137,793,716	1,895,912	(221,336,199)	(68,100,461)
Non-cash expenses	44,084,466	19,621,399	8,583,481	-	72,289,346
	(7,122,219)	(36,292,060)	(4,348,142)	(6,445,351)	(54,207,772)
	-	-	-	-	-