



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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Legal form of entity</b>	A municipality, which is an organ of state within the local sphere of government exercising legislative and executive authority.
<b>Nature of business and principal activities</b>	A local authority providing municipal services and maintaining the best interest of the community in the Umsobomvu municipal area.
<b>Mayoral committee</b>	
Executive Mayor	MS Toto
Councillors	SND Stafa JP Matthee GMH Douw T Matebese AP Poyo B Mangaliso W Minnie L Tyindyi VP Harmse N Sarah SA Yabo L Zakhe
<b>Grading of local authority</b>	Grade 2
<b>Chief Finance Officer (CFO)</b>	N Thiso (Acting Chief Financial Officer)
<b>Accounting Officer</b>	TW Msengana
<b>Business address</b>	21A Church Street Colesberg Nothorn Cape 9765
<b>Postal address</b>	Private Bag X6 Colesberg Nothorn Cape 9795
<b>Bankers</b>	Absa Bank Limited Standard Bank of South Africa Limited First National Bank Limited
<b>Auditors</b>	Auditor General of South Africa (AGSA) Registered Auditors

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Index

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

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	3
Accounting Officer's Report	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 12
Accounting Policies	13 - 36
Notes to the Annual Financial Statements	37 - 73

### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, 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 municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The annual financial statements set out on page 5 to 84, 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:

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**TW Msengana**  
**Accounting Officer**

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2024.

### 1. Review of activities

#### Main business and operations

Net deficit of the municipality was R 14,002,853 (2023: deficit R 8,751,191).

### 2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 468,500,098 and that the municipality's total assets exceed its liabilities by R 491,025,608.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note 51 of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

### 3. Subsequent events

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

### 4. Accounting Officers' interest in contracts

The accounting officer had no interest in any contracts.

### 5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

### 6. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

#### Internal audit

The municipality has outsourced its internal audit function to the Pixley-ka-Seme District Municipality. This is in compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

### 7. Auditors

Auditor General of South Africa (AGSA) will continue in office for the next financial period.

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**TW Msengana**  
Accounting Officer

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	3,167,533	23,466
Other Receivables from non-exchange transactions	4	5,393,396	7,232,711
Consumer debtors	5	100,039,366	82,706,121
Statutory receivables from non-exchange transactions	6	16,492,292	15,215,588
Receivables from availability charges	7	1,818,889	1,256,343
Cash and cash equivalents	8	2,420,922	-
		<b>129,332,398</b>	<b>106,434,229</b>
<b>Non-Current Assets</b>			
Investment property	9	41,537,199	44,699,199
Property, plant and equipment	10	467,706,974	489,769,972
Intangible assets	11	26,278	26,278
		<b>509,270,451</b>	<b>534,495,449</b>
<b>Total Assets</b>		<b>638,602,849</b>	<b>640,929,678</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	12	1,078,547	690,910
Payables from exchange transactions	13	77,994,646	80,316,461
Payables from non-exchange transactions	14	218,492	218,957
VAT payable	15	27,558,563	20,099,012
Consumer deposits	16	906,063	966,268
Trade and other payables from exchange transactions	17	2,034,649	-
Employee benefit obligation	18	1,860,000	889,000
Unspent conditional grants and receipts	19	6,877,649	6,599,871
Bank overdraft	8	-	1,310,696
		<b>118,528,609</b>	<b>111,091,175</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	12	263,580	1,329,087
Employee benefit obligation	18	10,758,460	10,495,460
Provisions	20	13,317,858	12,985,498
Trade and other payables from exchange transactions	17	4,708,734	-
		<b>29,048,632</b>	<b>24,810,045</b>
<b>Total Liabilities</b>		<b>147,577,241</b>	<b>135,901,220</b>
<b>Net Assets</b>		<b>491,025,608</b>	<b>505,028,458</b>
Reserves			
Revaluation reserve	54	22,525,510	22,525,510
Accumulated surplus		468,500,098	482,502,948
<b>Total Net Assets</b>		<b>491,025,608</b>	<b>505,028,458</b>

\* See Note 55

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	82,887,266	69,836,138
Rental of facilities and equipment	22	188,371	139,223
Agency services	23	1,045,471	830,146
Other income	24	2,810,999	1,924,972
Interest received	25	29,920,516	22,370,040
<b>Total revenue from exchange transactions</b>		<b>116,852,623</b>	<b>95,100,519</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	17,668,121	17,771,102
Availability charges	27	1,798,957	1,432,614
Eskom Debt Relief	28	1,764,461	-
<b>Transfer revenue</b>			
Government grants & subsidies	29	92,699,223	95,419,809
Fines, Penalties and Forfeits	30	17,436,205	15,595,217
<b>Total revenue from non-exchange transactions</b>		<b>131,366,967</b>	<b>130,218,742</b>
<b>Total revenue</b>		<b>248,219,590</b>	<b>225,319,261</b>
<b>Expenditure</b>			
Employee related costs	31	(57,373,849)	(51,609,538)
Remuneration of councillors	32	(5,762,276)	(5,341,459)
Repairs and maintenance	33	(5,253,602)	(3,306,094)
Depreciation and amortisation	34	(27,712,584)	(28,748,418)
Impairment of PPE	35	(933,840)	(2,439,475)
Finance costs	36	(4,755,920)	(5,040,562)
Debt impairment	37	(77,005,621)	(69,273,778)
Bulk purchases	38	(46,426,179)	(37,855,442)
Contracted services	39	(7,977,454)	(6,752,732)
Loss on disposal of assets and liabilities	10	(10,243,744)	(4,750,738)
General expenses	40	(13,107,770)	(13,310,901)
Auditors remuneration	49	(3,725,412)	(4,073,141)
Travel and subsistence		(1,944,192)	(1,568,174)
<b>Total expenditure</b>		<b>(262,222,443)</b>	<b>(234,070,452)</b>
<b>Deficit for the year</b>		<b>(14,002,853)</b>	<b>(8,751,191)</b>

\* See Note 55

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	22,525,510	529,443,297	551,968,807
Adjustments			
Prior year adjustments 55	-	(38,189,158)	(38,189,158)
<b>Balance at 01 July 2022 as restated*</b>	<b>22,525,510</b>	<b>491,254,139</b>	<b>513,779,649</b>
Changes in net assets			
Surplus /(Deficit) for the year	-	(8,751,191)	(8,751,191)
Total changes	-	(8,751,191)	(8,751,191)
<b>Restated* Balance at 01 July 2023</b>	<b>22,525,510</b>	<b>482,502,951</b>	<b>505,028,461</b>
Changes in net assets			
Surplus /(Deficit) for the year	-	(14,002,853)	(14,002,853)
Total changes	-	(14,002,853)	(14,002,853)
<b>Balance at 30 June 2024</b>	<b>22,525,510</b>	<b>468,500,098</b>	<b>491,025,608</b>
Note(s)	54		

\* See Note 55

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		39,734,378	34,444,363
Sale of goods and services		4,062,038	24,563,741
Grants		92,977,006	95,266,999
Interest income		22,769,152	-
		<u>159,542,574</u>	<u>154,275,103</u>
<b>Payments</b>			
Employee costs		(64,983,689)	(59,491,559)
Suppliers		(78,519,224)	(72,446,618)
Finance costs		(1,056,565)	(1,210,176)
		<u>(144,559,478)</u>	<u>(133,148,353)</u>
<b>Net cash flows from operating activities</b>	52	<b><u>14,983,096</u></b>	<b><u>21,126,750</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(17,316,991)	(23,879,182)
<b>Cash flows from financing activities</b>			
Outflow of other liability 1		6,743,383	-
Repayment of other financial liabilities		(1,065,508)	(499,286)
Repayment of finance lease liabilities		387,638	(25,257)
<b>Net cash flows from financing activities</b>		<b><u>6,065,513</u></b>	<b><u>(524,543)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>3,731,618</u></b>	<b><u>(3,276,975)</u></b>
Cash and cash equivalents at the beginning of the year		(1,310,696)	1,966,282
<b>Cash and cash equivalents at the end of the year</b>	8	<b><u>2,420,922</u></b>	<b><u>(1,310,693)</u></b>

The accounting policies on pages 13 to 36 and the notes on pages 37 to 73 form an integral part of the annual financial statements.

\* See Note 55

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	82,816,000	3,820,000	<b>86,636,000</b>	82,887,266	<b>(3,748,734)</b>	50
Rental of facilities and equipment	111,000	52,000	<b>163,000</b>	188,371	<b>25,371</b>	50
Licences and permits	383,000	473,000	<b>856,000</b>	1,045,471	<b>189,471</b>	50
Other income	3,642,000	2,698,000	<b>6,340,000</b>	2,810,999	<b>(3,529,001)</b>	50
Interest received - investment	17,132,000	4,729,000	<b>21,861,000</b>	29,920,516	<b>8,059,516</b>	50
<b>Total revenue from exchange transactions</b>	<b>104,084,000</b>	<b>11,772,000</b>	<b>115,856,000</b>	<b>116,852,623</b>	<b>996,623</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	18,702,000	401,000	<b>19,103,000</b>	17,668,121	<b>(1,434,879)</b>	50
Availability charges	-	-	-	1,798,957	<b>1,798,957</b>	50
Surcharges and Taxes	-	-	-	1,764,461	<b>1,764,461</b>	

##### Transfer revenue

Government grants & subsidies	74,744,000	(43,000)	<b>74,701,000</b>	92,699,223	<b>17,998,223</b>	50
Fines, Penalties and Forfeits	25,653,000	-	<b>25,653,000</b>	17,436,205	<b>(8,216,795)</b>	50

<b>Total revenue from non-exchange transactions</b>	<b>119,099,000</b>	<b>358,000</b>	<b>119,457,000</b>	<b>131,366,967</b>	<b>11,909,967</b>	
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<b>Total revenue</b>	<b>223,183,000</b>	<b>12,130,000</b>	<b>235,313,000</b>	<b>248,219,590</b>	<b>12,906,590</b>	
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#### Expenditure

Employee costs	(72,523,000)	(169,000)	<b>(72,692,000)</b>	(57,373,849)	<b>15,318,151</b>	50
Remuneration of councillors	(5,746,000)	(28,000)	<b>(5,774,000)</b>	(5,762,276)	<b>11,724</b>	50
Repairs and Maintenance	-	-	-	(5,253,602)	<b>(5,253,602)</b>	50
Depreciation and amortisation	(26,933,000)	-	<b>(26,933,000)</b>	(27,712,584)	<b>(779,584)</b>	50
Impairment loss/ Reversal of impairments	-	-	-	(933,840)	<b>(933,840)</b>	
Finance costs	(1,350,000)	-	<b>(1,350,000)</b>	(4,755,920)	<b>(3,405,920)</b>	50
Debt Impairment	(19,282,000)	-	<b>(19,282,000)</b>	(77,005,621)	<b>(57,723,621)</b>	50
Inventory consumed and bulk purchases	(53,474,000)	(1,850,000)	<b>(55,324,000)</b>	(46,426,179)	<b>8,897,821</b>	50
Contracted Services	(16,134,000)	245,000	<b>(15,889,000)</b>	(7,977,454)	<b>7,911,546</b>	50
General Expenses	(27,282,000)	(861,000)	<b>(28,143,000)</b>	(13,107,770)	<b>15,035,230</b>	50

<b>Total expenditure</b>	<b>(222,724,000)</b>	<b>(2,663,000)</b>	<b>(225,387,000)</b>	<b>(246,309,095)</b>	<b>(20,922,095)</b>	
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<b>Operating surplus</b>	<b>459,000</b>	<b>9,467,000</b>	<b>9,926,000</b>	<b>1,910,495</b>	<b>(8,015,505)</b>	
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Loss on disposal of assets and liabilities	-	-	-	(10,243,744)	<b>(10,243,744)</b>	
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Travel and subsistence	-	-	-	(1,944,192)	<b>(1,944,192)</b>	50
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Auditors remuneration	-	-	-	(3,725,412)	<b>(3,725,412)</b>	50
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	-	-	-	<b>(15,913,348)</b>	<b>(15,913,348)</b>	
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<b>Deficit before taxation</b>	<b>459,000</b>	<b>9,467,000</b>	<b>9,926,000</b>	<b>(14,002,853)</b>	<b>(23,928,853)</b>	
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# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	421,000	(1,321,000)	(900,000)	3,167,533	4,067,533	50
Other Receivables from non-exchange transactions	-	-	-	5,393,396	5,393,396	50
VAT receivable	-	30,994,000	30,994,000	-	(30,994,000)	50
Consumer debtors	41,868,000	49,171,000	91,039,000	100,039,366	9,000,366	50
Statutory receivables from non-exchange transactions	19,292,000	530,000	19,822,000	16,492,292	(3,329,708)	50
Receivables from availability charges	6,152,000	(1,713,000)	4,439,000	1,818,889	(2,620,111)	50
Cash and cash equivalents	36,980,000	(10,289,000)	26,691,000	2,420,922	(24,270,078)	
	<b>104,713,000</b>	<b>67,372,000</b>	<b>172,085,000</b>	<b>129,332,398</b>	<b>(42,752,602)</b>	

##### Non-Current Assets

Investment property	16,699,000	26,882,000	43,581,000	41,537,199	(2,043,801)	
Property, plant and equipment	498,488,000	(24,322,000)	474,166,000	467,706,974	(6,459,026)	50
Intangible assets	(75,000)	81,000	6,000	26,278	20,278	50
Investments	1,558,000	(1,558,000)	-	-	-	50
	<b>516,670,000</b>	<b>1,083,000</b>	<b>517,753,000</b>	<b>509,270,451</b>	<b>(8,482,549)</b>	

#### Total Assets

	<b>621,383,000</b>	<b>68,455,000</b>	<b>689,838,000</b>	<b>638,602,849</b>	<b>(51,235,151)</b>	
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#### Liabilities

##### Current Liabilities

Borrowings	2,526,000	(500,000)	2,026,000	-	(2,026,000)	
Finance lease obligation	-	-	-	1,078,547	1,078,547	50
Payables from exchange transactions	42,296,000	(57,688,000)	(15,392,000)	77,994,643	93,386,643	50
Taxes and transfers payable (non-exchange)	-	6,469,000	6,469,000	218,492	(6,250,508)	50
VAT payable	8,372,000	43,557,000	51,929,000	27,558,563	(24,370,437)	
Consumer deposits	733,000	(28,000)	705,000	906,063	201,063	50
Employee benefit obligation	-	-	-	1,860,000	1,860,000	50
Unspent conditional grants and receipts	-	-	-	6,877,649	6,877,649	50
Provisions	5,134,000	(3,477,000)	1,657,000	-	(1,657,000)	50
Trade and other payables from exchange transactions	-	-	-	2,034,649	2,034,649	
	<b>59,061,000</b>	<b>(11,667,000)</b>	<b>47,394,000</b>	<b>118,528,606</b>	<b>71,134,606</b>	

##### Non-Current Liabilities

Borrowings	14,371,000	(5,855,000)	8,516,000	-	(8,516,000)	50
Finance lease obligation	-	-	-	263,580	263,580	50
Employee benefit obligation	-	-	-	10,758,460	10,758,460	50
Provisions	4,672,000	8,314,000	12,986,000	13,317,858	331,858	50
Trade and other payables from exchange transactions	1,241,000	(1,241,000)	-	4,708,734	4,708,734	
	<b>20,284,000</b>	<b>1,218,000</b>	<b>21,502,000</b>	<b>29,048,632</b>	<b>7,546,632</b>	

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Total Liabilities</b>	<b>79,345,000</b>	<b>(10,449,000)</b>	<b>68,896,000</b>	<b>147,577,238</b>	<b>78,681,238</b>	
<b>Net Assets</b>	<b>542,038,000</b>	<b>78,904,000</b>	<b>620,942,000</b>	<b>491,025,611</b>	<b>(129,916,389)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Revaluation reserve	(4,051,000)	27,178,000	<b>23,127,000</b>	22,525,510	<b>(601,490)</b>	50
Accumulated surplus	546,089,000	51,726,000	<b>597,815,000</b>	468,500,098	<b>(129,314,902)</b>	50
<b>Total Net Assets</b>	<b>542,038,000</b>	<b>78,904,000</b>	<b>620,942,000</b>	<b>491,025,608</b>	<b>(129,916,392)</b>	

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Property rates	15,577,000	-	<b>15,577,000</b>	39,734,378	<b>24,157,378</b>	48
Sale of goods and services	63,631,000	-	<b>63,631,000</b>	26,831,190	<b>(36,799,810)</b>	48
Government grants & subsidies	102,352,000	-	<b>102,352,000</b>	92,977,002	<b>(9,374,998)</b>	48
Interest received	146,000	-	<b>146,000</b>	-	<b>(146,000)</b>	48
Other income	27,514,000	-	<b>27,514,000</b>	-	<b>(27,514,000)</b>	48
	<b>209,220,000</b>	-	<b>209,220,000</b>	<b>159,542,570</b>	<b>(49,677,430)</b>	

##### Payments

Suppliers and employee costs	(167,595,000)	-	<b>(167,595,000)</b>	(73,542,961)	<b>94,052,039</b>	48
Interest	(1,350,000)	-	<b>(1,350,000)</b>	-	<b>1,350,000</b>	48
Finance costs	-	-	-	(681,772)	<b>(681,772)</b>	48
Employee cost	-	-	-	(64,983,689)	<b>(64,983,689)</b>	
	<b>(168,945,000)</b>	-	<b>(168,945,000)</b>	<b>(139,208,422)</b>	<b>29,736,578</b>	

<b>Net cash flows from operating activities</b>	<b>40,275,000</b>	-	<b>40,275,000</b>	<b>20,334,148</b>	<b>(19,940,852)</b>	
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#### Cash flows from investing and financing activities

Payments capital assets	(30,579,000)	-	<b>(30,579,000)</b>	(15,924,660)	<b>14,654,340</b>	50
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#### Cash flows from financing activities

Repayment of other financial liabilities	-	-	-	(1,065,507)	<b>(1,065,507)</b>	50
Repayment of finance lease liabilities	-	-	-	387,637	<b>387,637</b>	50

<b>Net cash flows from financing activities</b>	-	-	-	<b>(677,870)</b>	<b>(677,870)</b>	
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Net increase/(decrease) in cash and cash equivalents	9,696,000	-	<b>9,696,000</b>	3,731,618	<b>(5,964,382)</b>	5048
Cash and cash equivalents at the beginning of the year	17,063,000	-	<b>17,063,000</b>	(1,310,696)	<b>(18,373,696)</b>	50
<b>Cash and cash equivalents at the end of the year</b>	<b>26,759,000</b>	-	<b>26,759,000</b>	<b>2,420,922</b>	<b>(24,338,078)</b>	

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

Figures in Rand	Note(s)	2024	2023
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### 1. Significant account policies

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

#### 1.1 Basis of preparations

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

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

#### 1.2 Presentation currency

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

#### 1.3 Going concern assumption

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

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

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

##### Trade receivables and loans and receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. 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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

##### 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 20 - Provisions.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### 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 18.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

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

### 1.5 Investment property

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

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

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

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

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.5 Investment property (continued)

#### Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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.

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

### 1.6 Property, plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the 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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

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

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

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

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

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

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Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	20 - 25 years
Roads and paving	Straight-line	10 - 15 years
Electricity	Straight-line	5 - 50 years
Water	Straight-line	15 - 100 years
Sewerage	Straight-line	15 - 60 years
Landfill sites	Straight-line	23 - 25 years
Recreational facilities	Straight-line	20 - 25 years
Security measures	Straight-line	20 - 25 years
Specialist vehicles	Straight-line	1 - 5 years
Other vehicles	Straight-line	1 - 5 years
Office equipment	Straight-line	3 - 7 years
Furniture and fixtures	Straight-line	7 - 10 years
Plant and machinery	Straight-line	2 - 10 years

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

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

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

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

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

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

### 1.7 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

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Item	Depreciation method	Average useful life
Computer software	Straight-line	3 - Indefinite
Website	Straight-line	5 years

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### 1.8 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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.8 Statutory receivables (continued)

Carrying amount is the amount at which an asset is recognised in the inventories.

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

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

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

#### Recognition

The municipality 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.

#### Impairment losses

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

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

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

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

In estimating the future cash flows, 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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.8 Statutory receivables (continued)

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.

### 1.9 Leases

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

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

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the inventories. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

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

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

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

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

### 1.10 Inventories

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

Subsequently inventories are measured at the lower of cost and net realisable value.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.10 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;

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

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### Identification

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

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

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

#### Value in use

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

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

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

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

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

Carrying amount is the amount at which an asset is recognised in the inventories 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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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

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

Useful life is either:

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

#### Identification

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

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

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

#### Value in use

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

#### 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.

### 1.13 Employee benefits

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

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

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

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

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

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

## Accounting Policies

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### 1.13 Employee benefits (continued)

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

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

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Post-employment benefits

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

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

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

## Accounting Policies

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### 1.13 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.13 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.13 Employee benefits (continued)

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

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

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

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

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

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

### Other post retirement obligations

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

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.13 Employee benefits (continued)

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

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

### Termination benefits

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

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

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

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

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

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

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

### 1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is 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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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

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

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

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

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

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

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

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly 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; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- 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;
- 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 reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.16 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### 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.

#### 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 .

#### Interest, royalties and dividends

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

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.16 Revenue from exchange transactions (continued)

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

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

### 1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

### Recognition

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

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

### Measurement

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

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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### Transfers

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

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

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

#### Fines

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

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

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

#### 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.

### 1.18 Investment income

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

### 1.19 Borrowing costs

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

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

### 1.20 Accounting by principals and agents

#### Identification

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

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

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

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### Binding arrangement

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

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

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

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

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

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

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

#### Recognition

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

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

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

### 1.21 Comparative figures

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

### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.23 Fruitless and wasteful expenditure

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

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

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008): Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements. Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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

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

### 1.25 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.26 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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.27 Budget information

Municipalities 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 is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2010/04/01 to 2011/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

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.

### 1.28 Related parties

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

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

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

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

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

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

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

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

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

### 1.29 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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.29 Events after reporting date (continued)

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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 2. New standards and interpretations

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	To be determined	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	To be determined	Unlikely there will be a material impact

### 3. Inventories

Water	30,533	23,466
Property stock	3,137,000	-
	<b>3,167,533</b>	<b>23,466</b>

Inventories are held for own use and measured at the lower of cost or current replacement value.

The cost of water production for the year amounted to R2.82 (2023: R2.44) per kilolitre.

#### Inventory pledged as security

No inventory was pledged as security for overdraft facilities of the municipality.

### 4. Other Receivables from non-exchange transactions

Eskom security held	1,789,829	1,690,573
Under(over) banking	1,379,365	2,363,163
Sundry debtors	1,859,449	2,814,222
Recoverable amount from employee pension	364,753	364,753
	<b>5,393,396</b>	<b>7,232,711</b>

None of the other receivables from exchange transactions have been pledged as security for the municipality's financial liabilities.

Electricity deposits relate to the deposits held for the bulk Eskom accounts. Sundry debtors relate to Conlog sales transactions.

### 5. Consumer debtors

#### Gross balances

Electricity	28,289,784	19,258,525
Water	119,450,879	107,477,474
Sewerage	66,601,280	58,366,545
Refuse	67,635,811	60,447,402
Housing rental	4,112,691	4,099,644
Interest	79,120,987	52,317,526
	<b>365,211,432</b>	<b>301,967,116</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>5. Consumer debtors (continued)</b>		
<b>Less: Allowance for impairment</b>		
Electricity	(15,095,793)	(9,804,956)
Water	(89,581,589)	(80,356,329)
Sewerage	(48,441,042)	(42,231,909)
Refuse	(50,527,473)	(45,004,142)
Housing rental	(3,108,126)	(3,097,713)
Interest	(58,418,043)	(38,765,946)
	<b>(265,172,066)</b>	<b>(219,260,995)</b>
<b>Net balance</b>		
Electricity	13,193,991	9,453,569
Water	29,869,290	27,121,145
Sewerage	18,160,238	16,134,636
Refuse	17,108,338	15,443,260
Housing rental	1,004,565	1,001,931
Interest	20,702,944	13,551,580
	<b>100,039,366</b>	<b>82,706,121</b>
<b>Electricity</b>		
31 - 60 days	2,462,030	1,454,695
61 - 90 days	1,232,444	833,505
91 - 120 days	849,976	355,702
121 - 365 days	2,479,302	3,576,683
> 365 days	6,170,239	3,232,984
	<b>13,193,991</b>	<b>9,453,569</b>
<b>Water</b>		
31 - 60 days	622,895	578,072
61 - 90 days	448,890	490,771
91 - 120 days	445,240	337,559
121 - 365 days	2,780,591	2,607,390
> 365 days	25,571,674	23,107,353
	<b>29,869,290</b>	<b>27,121,145</b>
<b>Sewerage</b>		
31 - 60 days	590,177	522,490
61 - 90 days	453,318	386,711
91 - 120 days	378,663	306,895
121 - 365 days	2,293,289	2,018,889
> 365 days	14,444,791	12,899,651
	<b>18,160,238</b>	<b>16,134,636</b>
<b>Refuse</b>		
31 - 60 days	286,063	248,695
61 - 90 days	219,028	206,365
91 - 120 days	193,826	183,418
121 - 365 days	1,459,287	1,336,290
> 365 days	14,950,134	13,468,492
	<b>17,108,338</b>	<b>15,443,260</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>5. Consumer debtors (continued)</b>		
<b>Housing rental</b>		
31 - 60 days	11,637	13,999
61 - 90 days	6,914	4,031
91 - 120 days	2,717	6,487
121 - 365 days	12,017	6,850
> 365 days	971,280	970,564
	<b>1,004,565</b>	<b>1,001,931</b>
<b>Interest</b>		
31 - 60 days	708,624	549,673
61 - 90 days	686,150	497,906
91 - 120 days	683,077	491,695
121 - 365 days	5,075,434	3,458,660
> 365 days	13,549,659	8,553,646
	<b>20,702,944</b>	<b>13,551,580</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(245,647,748)	(211,088,626)
Contributions to allowance	(19,524,318)	(8,172,369)
	<b>(265,172,066)</b>	<b>(219,260,995)</b>
<b>Consumer debtors pledged as security</b>		
None of the consumer debtors have been pledged as security for the municipality's financial liabilities.		
<b>Credit quality of consumer debtors</b>		
The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
In determining the recoverability of Consumer debtors, the municipality has pledged strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the consumer debtors have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.		
<b>6. Statutory receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Rates	45,763,986	39,789,308
Traffic fines	5,248,306	15,416,508
	<b>51,012,292</b>	<b>55,205,816</b>
<b>Less: Allowance for impairment</b>		
Rates	(30,064,169)	(26,386,753)
Traffic fines	(4,455,831)	(13,603,475)
	<b>(34,520,000)</b>	<b>(39,990,228)</b>
<b>Net balance</b>		
Rates	15,699,817	13,402,555
Traffic fines	792,475	1,813,034
	<b>16,492,292</b>	<b>15,215,589</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>6. Statutory receivables from non-exchange transactions (continued)</b>		
<b>Rates</b>		
Current (0-30 days)	527,815	425,051
31-60 days	323,458	332,378
61-90 days	284,939	291,192
91-120 days	2,529,049	1,964,614
>120 days	12,034,556	10,389,320
	<b>15,699,817</b>	<b>13,402,555</b>
<b>Traffic fines</b>		
Current (0-30 days)	12,598	50,262
31-60 days	3,004	77,908
61-90 days	24,940	78,190
91-120 days	12,664	37,978
>120 days	739,270	1,568,696
	<b>792,476</b>	<b>1,813,034</b>
<b>Reconciliation of allowance for traffic fines impairment</b>		
Balance at beginning of the year	43,667,643	54,324,232
Unused amounts reversed	(9,147,643)	(14,334,004)
	<b>34,520,000</b>	<b>39,990,228</b>
<b>7. Receivables from availability charges</b>		
<b>Gross balances</b>		
Availability charges	6,569,070	4,435,008
<b>Less: Allowance for impairment</b>		
Availability charges	(4,750,181)	(3,174,664)
<b>Net balance</b>		
Availability charges	1,818,889	1,256,343
<b>Availability charges</b>		
Current (0-30 days)	-	-
31-60 days	82,486	380,532
61-90 days	69,976	62,612
91-120 days	68,628	20,971
>120 days	1,597,799	792,229
	<b>1,818,889</b>	<b>1,256,344</b>
<b>Reconciliation of allowance for debtors from availability charges impairment</b>		
Balance at beginning of the year	(3,178,664)	(2,070,700)
Unused amounts reversed	(1,571,516)	(1,107,964)
	<b>(4,750,180)</b>	<b>(3,178,664)</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3,750	3,750
Bank balances	1,108,409	(2,048,114)
Short-term deposits	1,308,763	733,668
	<b>2,420,922</b>	<b>(1,310,696)</b>

The municipality held a fleet card facility at year-end.

The total amount of undrawn facilities available for future operating activities and commitments	200,000	200,000
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### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral	6,000	6,000
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In addition to the above, the municipality has issued a bank guarantee in favour of Eskom for an increased electricity demand to 40 MVA required to meet the consumers' increasing electricity demand.

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA - Current account - 2440000005	498,456	410,348	389,719	496,280	(2,271,444)	361,015
ABSA - Current account - 4052875289	419,039	30,554	545,522	419,039	30,554	545,405
Standard Bank- Current account - 280412835	137,382	134,064	314,244	137,382	134,064	314,244
ABSA - Current account - 4061642031	55,707	58,710	135,071	55,707	58,710	135,071
Standard Bank- Notice Deposit - 288901606	83,637	83,637	83,637	83,637	83,637	83,637
Standard Bank- Notice Deposit - 28890541001	151,485	151,485	151,485	151,485	151,485	151,485
First National Bank - Notice Deposit - 74107295062	23,760	23,761	23,965	24,356	24,355	24,355
ABSA - Deposit Plus - 9355227534	1,049,881	474,190	347,320	1,050,092	474,190	347,320
<b>Total</b>	<b>2,419,347</b>	<b>1,366,749</b>	<b>1,990,963</b>	<b>2,417,978</b>	<b>(1,314,449)</b>	<b>1,962,532</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	41,603,199	(66,000)	41,537,199	44,739,199	(40,000)	44,699,199

#### Reconciliation of investment property - 2024

	Opening balance	Transfers	Impairments	Total
Investment property	44,699,199	(3,136,000)	(26,000)	41,537,199

#### Reconciliation of investment property - 2023

	Opening balance	Transfers	Impairments	Total
Investment property	43,621,199	1,118,000	(40,000)	44,699,199

#### Pledged as security

All of the municipality's investment property is held under freehold interests and investment property had been pledged as security for any liabilities for the municipality.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

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

The following criteria was used to determine whether a property should be classified as an investment property:

A building owned by the municipality and leased out to third parties under one or more operating leases.

Land held for a current undeterminable future use.

Property being constructed or developed for future use as investment property.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 9. Investment property (continued)

#### Amounts recognised in surplus or deficit

No repairs and maintenance was incurred in the running of these property for the financial year.

Maintenance by condition, nature and type of expenditure - corrective maintenance is in place. Maintenance is done as reported on.

### 10. 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	29,753,564	(12,842,006)	16,911,558	29,754,564	(12,842,006)	16,912,558
Buildings	8,841,310	(7,339,844)	1,501,466	8,594,192	(7,015,545)	1,578,647
Community Infrastructure	37,301,848	(13,204,799)	24,097,049	32,257,004	(12,400,344)	19,856,660
Other property, plant and equipment	1,025,742,306	(608,714,358)	417,027,948	1,030,128,530	(588,202,786)	441,925,744
	27,607,114	(19,438,161)	8,168,953	27,539,080	(18,042,717)	9,496,363
<b>Total</b>	<b>1,129,246,142</b>	<b>(661,539,168)</b>	<b>467,706,974</b>	<b>1,128,273,370</b>	<b>(638,503,398)</b>	<b>489,769,972</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Additions - WIP	Disposals/Der ecognition	Transferred To Completed Assets - WIP	Completed Projects Transferred From WIP	Other changes, movements	Depreciation	Impairment	Total
Land	16,912,558	-	-	(1,000)	-	-	-	-	-	16,911,558
Buildings	1,578,647	-	-	-	-	-	-	(84,665)	7,484	1,501,466
Community Infrastructure	19,856,660 441,925,744	- -	5,291,963 12,596,554	(184,559) (10,023,680)	- (852,489)	- 852,489	- (1,189,887)	(864,920) (25,666,503)	(2,095) (614,280)	24,097,049 417,027,948
Other property, plant and equipment	9,496,363	103,540	-	(35,505)	-	-	-	(1,096,497)	(298,948)	8,168,953
	<b>489,769,972</b>	<b>103,540</b>	<b>17,888,517</b>	<b>(10,244,744)</b>	<b>(852,489)</b>	<b>852,489</b>	<b>(1,189,887)</b>	<b>(27,712,585)</b>	<b>(907,839)</b>	<b>467,706,974</b>

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

	Opening balance	Additions	WIP	Disposals/Der ecognition	Completed Projects Transferred From WIP	Depreciation	Impairment loss	Total
Land	18,357,158	-	-	-	-	-	(1,444,600)	16,912,558
Buildings	1,738,848	-	-	-	-	(128,581)	(31,620)	1,578,647
Community Infrastructure	19,923,059 450,608,324	255,694 25,862,795	938,838 (3,249,474)	(29,254) (4,364,440)	(255,695) -	(948,173) (26,167,016)	(27,809) (764,445)	19,856,660 441,925,744
Other property, plant and equipment	11,420,176	71,329	-	(357,043)	-	(1,486,442)	(151,657)	9,496,363
	<b>502,047,565</b>	<b>26,189,818</b>	<b>(2,310,636)</b>	<b>(4,750,737)</b>	<b>(255,695)</b>	<b>(28,730,212)</b>	<b>(2,420,131)</b>	<b>489,769,972</b>

#### Pledged as security

None of the tangible assets were pledged as security during the current and previous financial years.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 10. Property, plant and equipment (continued)

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

##### Cumulative expenditure recognised in the carrying value of property, plant and equipment

Buildings	6,230,800	938,838
Infrastructure	39,188,947	27,724,714
	<b>45,419,747</b>	<b>28,663,552</b>

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

Noupoort electrification project	5,205,133	5,205,133
Project development costs were incurred, but due to funding problems, the project was stopped. Project commenced in the current year and project no longer slow moving.		
Upgrading of VIP's and bucket system to sewer network	-	6,600,324
Project development costs were incurred, but due to funding problems, the projects was stopped. Project commenced in the current year and project no longer slow moving		
Van der Waltsfontein pipeline	-	334,991
Project completion was delayed by Covid-19 pandemic.		
Upgrading of Madikane and Nqandu Streets	-	20,567,560
	<b>5,205,133</b>	<b>32,708,008</b>

\*Projects listed above include projects that were not completed at the contract completion date.

#### Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	27,724,714	938,838	28,663,552
Additions/capital expenditure	12,431,746	5,291,963	17,723,709
Transferred to completed items	(967,513)	-	(967,513)
	<b>39,188,947</b>	<b>6,230,801</b>	<b>45,419,748</b>

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

	Included within Infrastructure	Included within Community	Total
Opening balance	30,974,188	276,355	31,250,543
Additions/capital expenditure	21,580,289	938,838	22,519,127
Other movements [specify]	-	(20,660)	(20,660)
Transferred to completed items	(24,829,763)	(255,695)	(25,085,458)
	<b>27,724,714</b>	<b>938,838</b>	<b>28,663,552</b>

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

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

Buildings	367,551	1,761,988
Contracted services	4,868,919	2,342,841
	<b>5,236,470</b>	<b>4,104,829</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 11. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,042,345	(2,016,067)	26,278	2,042,345	(2,016,067)	26,278

#### Reconciliation of intangible assets - 2024

	Opening balance	Total
Computer software	26,278	26,278

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	44,484	(18,206)	26,278

#### Pledged as security

All of the municipality's intangible assets are held under freehold interests and no intangible assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the intangible assets of the municipality.

#### Other information

The municipality amortises all its intangible assets and no intangible assets are regarded as having indefinite useful lives. The amortisation expense has been included in the line item depreciation and amortisation in the Statement of financial performance. Amortisation is charged on a straight-line basis over the intangible assets' useful lives.

No impairment losses have been recognised on intangible assets at the reporting date.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>12. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1,722,588	1,486,468
- in second to fifth year inclusive	289,290	1,911,827
	2,011,878	3,398,295
less: future finance charges	(669,751)	(1,378,299)
<b>Present value of minimum lease payments</b>	<b>1,342,127</b>	<b>2,019,996</b>
<b>Present value of minimum lease payments due</b>		
- within one year	1,078,547	690,910
- in second to fifth year inclusive	263,580	1,329,087
	<b>1,342,127</b>	<b>2,019,997</b>
Non-current liabilities	263,580	1,329,087
Current liabilities	1,078,547	690,910
	<b>1,342,127</b>	<b>2,019,997</b>

The average lease term was 5 years (2023: 5 years) and the average effective borrowing rate was between 9% and 16% (2023: 9% and 16%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

### 13. Payables from exchange transactions

Trade payables	23,734,065	26,753,085
Unallocated deposits	43,668,859	42,873,301
Accrued leave pay	4,187,640	3,854,987
Accrued bonus	1,114,188	1,045,264
Retentions	988,095	1,261,989
Performance bonus provision	559,588	382,918
Debtors with credit balances	3,581,690	3,995,626
Wellness programme	136,520	116,740
Sports programme	24,001	32,551
	<b>77,994,646</b>	<b>80,316,461</b>

Included in Trade payables are balances owed to ESKOM. During the financial year the municipality entered into a debt write-off agreement with ESKOM. ESKOM undertakes to assess (for the next 12 months) if the municipality meets stipulated conditions relating to this agreement in order to consider if the municipality qualifies for debt write-off. No debt has been written-off during the financial year.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter the interest is charged in accordance with the credit of the various individual creditors that the municipality deals with.

The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe. received in advance is due to payments received for hall hire and prepaid electricity. Payments in advance are consumer debtors' accounts paid in advance.

Accrued leave and bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions.

### 14. Payables from non-exchange transactions

Salary control accounts	(1,249,702)	(1,278,016)
Consumer debtors with credit balances (non-exchange)	1,468,194	1,496,973
	<b>218,492</b>	<b>218,957</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>15. VAT payable</b>		
VAT payable	27,558,563	20,099,012
<b>16. Consumer deposits</b>		
Electricity	582,906	582,906
Water	323,157	383,362
	<b>906,063</b>	<b>966,268</b>

Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit for the outstanding account. No interest is paid on consumer deposits held.

### 17. Trade and other payables from exchange transactions

Municipal Debt Relief from Eskom	8,133,030	-
Less: Current portion transferred to current Trade and Other payables	(2,034,649)	-
<b>Closing balance</b>	<b>6,098,381</b>	<b>-</b>

Umsobomvu Local Municipality was approved for debt relief during 2023/2024 financial year. The outstanding debt will be subject to write-off over 3 year.

### 18. Employee benefit obligations

#### Defined benefit plan

#### Post retirement benefit plan

#### Post retirement medical aid plan

The municipality provides for certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to those employees.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 30 June 2022 by Me C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service and past service costs, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for medical aid to the following medical aid schemes:

- Bonitas
- Hosmed
- LA Health
- Samwumed

#### The members of the post-employment medical aid benefit obligation are made up as follows:

In-service members (eligible employees on medical aid)	18	21
In-service non-members (eligible employees w/o medical aid)	145	140
Continuation members (retirees and surviving dependants)	7	6
	<b>170</b>	<b>167</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 18. Employee benefit obligations (continued)

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

In-service members (employees)	3,113,000	3,220,000
Continuation (retiree and widow) members	6,738,000	5,711,000
	<b>9,851,000</b>	<b>8,931,000</b>

Movements in the present value of the defined benefit obligation were as follows:

Balance at the beginning of the year	8,931,000	9,993,000
Current service cost	277,000	307,000
Interest cost	1,040,000	1,124,000
Benefits paid	(527,000)	(447,000)
Actuarial gains / (losses)	130,000	(2,046,000)
	<b>9,851,000</b>	<b>8,931,000</b>

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

Current service cost	277,000	307,000
Interest cost	1,040,000	1,124,000
Benefits paid	(527,000)	(447,000)
Actuarial gains / (losses)	130,000	(2,046,000)
	<b>920,000</b>	<b>(1,062,000)</b>

The current service cost of the year ending 30 June 2024 is estimated to be R (277,000), whereas the cost for the ensuing year is estimated to be R (207,000).

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 18. Employee benefit obligations (continued)

#### Long service award

The municipality operates an continuous defined benefit plan for all of its employees. Thereafter, a long service award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter. The provision is an estimate of the long service award based on the historical staff turnover. No other long service benefits are provided to employees.

#### Movement in the long service award provision was as follows:

Opening accrued liability	2,454,000	2,591,000
Current-service cost	240,000	262,000
Interest cost	254,000	260,000
Actuarial loss / (gain)	182,000	(257,000)
Expected benefits vesting	(362,000)	(402,000)
	<b>2,768,000</b>	<b>2,454,000</b>

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

Current-service cost	240,000	262,000
Interest cost	254,000	260,000
Expected benefits vesting	(362,000)	(402,000)
Actuarial (gain) / loss	182,000	(257,000)
	<b>314,000</b>	<b>(137,000)</b>

The current service cost of the year ending 30 June 2024 is estimated to be R 240 000, whereas the cost for the ensuing year is estimated to be R 241,000.

#### Current liabilities

Post-employment medical aid benefit liability	(679,000)	(527,999)
Long service award	(510,000)	(362,000)
	<b>(1,189,000)</b>	<b>(889,999)</b>

#### The amounts recognised in the inventories are as follows:

##### Carrying value

Post-employment medical aid benefit liability	(9,851,000)	(8,931,000)
Long service award	(2,767,460)	(2,453,460)
	<b>(12,618,460)</b>	<b>(11,384,460)</b>

Non-current liabilities	(10,758,460)	(10,495,460)
Current liabilities	(1,860,000)	(889,000)
	<b>(12,618,460)</b>	<b>(11,384,460)</b>

#### Net expense recognised in the statement of financial performance

Current service cost	(517,000)	(569,000)
Interest cost	(1,294,000)	(1,384,000)
Actuarial (gains) losses	(312,000)	2,303,000
	<b>(2,123,000)</b>	<b>350,000</b>

#### Key assumptions used

Assumptions used at the reporting date:

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>18. Employee benefit obligations (continued)</b>		
Discount rates used: Post employment medical aid benefit liability	11.91 %	11.99 %
Discount rate used: long service award	10.83 %	11.15 %
Healthcare cost inflation rate	7.43 %	7.62 %
General salary inflation	6.50 %	6.50 %
Net discount rate: Post employment medical aid benefit liability	4.06 %	4.36 %
Net discount rate: long service award	4.17 %	4.06 %
Maximum subsidy inflation rate	6.50 %	7.62 %
Net discount rate: Maximum subsidy inflation rate	4.06 %	4.06 %
Expected retirement age (in years)	62	62
<b>19. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Expanded Public Works Programme (EPWP)	-	266,538
Integrated National Electrification Programme (INEP)	1,137,179	1,137,179
Department Water Affairs and Forestry	1,519,388	1,519,388
Electricity Efficiency Demand Side Management Grant (EEDSM)	1,258,581	1,258,581
Municipal Infrastructure Grant (MIG)	-	321,887
Department Water Affairs and Forestry (2)	942,072	942,072
Water Services Infrastructure Grant (WSIG)	1,251,351	385,148
National Lottery Development Trust Fund (NLDTF)	280,258	280,258
Department Housing	130,852	130,852
Department Safety	124,919	124,919
Development Bank of South Africa	6,337	6,337
Institutional Re-organisation Grant	226,712	226,712
	<b>6,877,649</b>	<b>6,599,871</b>

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 20. Provisions

#### Reconciliation of provisions - 2024

	Opening Balance	Additions /(Reductions)	Utilised during the year	Total
Environmental rehabilitation	12,985,498	(1,189,887)	1,522,247	13,317,858

#### Reconciliation of provisions - 2023

	Opening Balance	Additions /(Reductions)	Utilised during the year	Total
Environmental rehabilitation	10,614,822	1,033,032	1,337,644	12,985,498

The provision of landfill sites relates to the obligation, in terms of the National Environmental: Waste Management Act, 2008 (Act No. 59 of 2008), whereby the municipality is required to execute the environmental management program to restore the landfill sites at Colesberg, Norvalspont and Noupoot to comply with the permit requirements.

The provision was determined by an independent expert as at 30 June 2024 and approximates the discounted expected future cash flows using reasonable estimation techniques. The discount rate used for the landfill sites is based on the bond rate that measures as close as possible to the future date of the rehabilitation. The final rehabilitation of the landfill sites are expected to at the end of the useful lives of the individual landfill sites. No uncertainties were listed in the engineer's report.

The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

The value of the provision is based on the expected future cost to rehabilitation the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

Key assumptions used:

Total area expected to be rehabilitated: 89 845 square meters.

Average rate per square metre: R 671 (excl. VAT)

The area to be rehabilitated can be reconciled to the different sites as follows:

Colesberg: 66 586 square metres

Norvalspont: 29 280 square metres

Noupoot: 27 182 square metres

The Norvalspont landfill site has adequate footprint and airspace available for the disposal of solid waste until the end of its useful life in 14 years (2038). Colesberg is estimated to reach capacity during the 17th year of operation (2041). Noupoot is estimated to reach capacity during the 10th year of operation (2034).

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>21. Service charges</b>		
Sale of conventional electricity	42,582,304	33,353,494
Sale of water	18,045,727	16,075,305
Sewerage and sanitation charges	13,352,695	12,170,775
Refuse removal	8,872,683	8,217,013
Other service charges	33,857	19,551
	<b>82,887,266</b>	<b>69,836,138</b>

The amounts disclosed above for revenue generated from service charges are in respect to services rendered and billed to the consumers on a monthly basis in accordance with the approved tariffs, except in the case of service rendered to consumers registered as indigent debtors. It is the municipality's practice not to bill indigent consumer debtors for services rendered.

### 22. Rental of facilities and equipment

#### Facilities and equipment

Halls	182,589	128,829
Machinery	5,782	10,394
	<b>188,371</b>	<b>139,223</b>

### 23. Agency services

Department of Transport, Safety and Liaison	1,045,471	830,146
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### 24. Other income

Building plan fees	23,045	9,893
Cemetery fees	21,573	26,784
Commission earned	253,915	202,298
Connection and re-connection fees	208,851	91,973
Sale of scrap material	-	97,175
Other income	803,654	1,484,255
Photocopies	2,708	2,855
Application for land use	1,497,253	-
Tender documents	-	9,739
	<b>2,810,999</b>	<b>1,924,972</b>

Revenue was received in respect of applications for land use during the financial year. On 8 November 2023, council resolved to dispose of a total of 265 sites to community members who do not qualify for Rural Development Programme (RDP) housing.

### 25. Investment revenue

#### Interest revenue

Bank	660,130	610,908
Interest charged on trade and other receivables	29,161,129	21,445,461
Eskom deposit	99,257	313,671
	<b>29,920,516</b>	<b>22,370,040</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 26. Property rates

#### Rates received

Rates	18,264,935	18,419,972
Less: Income forgone	(596,814)	(648,870)
	<b>17,668,121</b>	<b>17,771,102</b>

#### Valuations

Residential	717,627,300	717,347,300
Commercial	2,562,839,530	2,562,839,530
State	224,240,300	224,240,300
Municipal	12,792,000	12,792,000
	<b>3,517,499,130</b>	<b>3,517,219,130</b>

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

### 27. Availability charges

Water	690,131	588,291
Sewerage	485,919	403,709
Electricity	622,907	440,614
	<b>1,798,957</b>	<b>1,432,614</b>

### 28. Eskom Debt Relief

Revenue	1,764,461	-
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### 29. Government grants and subsidies received

#### Operating grants

Equitable share	69,562,538	64,181,959
Finance Management Grant (FMG)	1,920,000	1,920,000
Library Development Grant	1,669,000	1,600,000
Municipal Infrastructure Grant (MIG)	599,350	624,000
	<b>73,750,888</b>	<b>68,325,959</b>

#### Capital grants

Expanded Public Works Programme (EPWP)	787,000	806,461
Municipal Infrastructure Grant (MIG)	11,709,537	14,672,537
Water Services Infrastructure Grant (WSIG)	6,451,798	11,614,852
	<b>18,948,335</b>	<b>27,093,850</b>
	<b>92,699,223</b>	<b>95,419,809</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 661.44 (2023: R 593.26), which is funded from the grant. All registered indigent households receive 6kl water and 50kWh electricity free every month and to informal areas paraffin matches and candles are supplied. Unspent EPWP and MIG grants from the prior year was withheld from Equitable Share R 652,000 (2023: R 496,000), which is funded from the grant.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>29. Government grants and subsidies received (continued)</b>		
<b>National: Expanded Public Works Programme (EPWP)</b>		
Balance unspent at beginning of year	266,538	495,959
Current-year receipts	787,000	1,075,000
Conditions met - transferred to revenue	(787,000)	(808,462)
Repayments	(266,538)	(495,959)
	<b>-</b>	<b>266,538</b>

Conditions still to be met - remain liabilities (see note 19).

The Expanded Public Works Programme (EPWP) Grant is allocated to incentivise municipalities to expand work creation efforts through the use of labour incentive delivery methods in the identified focus areas on compliance with the EPWP guidelines.

The original amount allocated as per the Division of Revenue Act, 2018 (Act No. 2 of 2018) (DoRA) amounted to R 69 563 000. R 266 538 (2023: R 496 000) was withheld from the Equitable share due to grant conditions not being met in the previous period

### National: Finance Management Grant (FMG)

Current-year receipts	1,920,000	1,920,000
Conditions met - transferred to revenue	(1,920,000)	(1,920,000)
	<b>-</b>	<b>-</b>

All conditions attached to the grant were met.

The Finance Management Grant (FMG) is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). The FMG also pays for the cost of the Financial Management Internship Programme (e.g. salary costs).

### National: Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	1,137,179	1,137,179
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Conditions still to be met - remain liabilities (see note 19).

The grant is paid by National Treasury in order to implement the Integrated National Electrification Programme by addressing the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

### National: Department of Water Affairs and Forestry

Balance unspent at beginning of year	1,519,388	1,519,388
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Conditions still to be met - remain liabilities (see note 19).

### National: Energy Efficiency and Demand Side Management Grant (EEDSM)

Balance unspent at beginning of year	1,258,581	1,258,581
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Conditions still to be met - remain liabilities (see note 19).

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 29. Government grants and subsidies received (continued)

#### Provincial: Library Development Grant

Current-year receipts	1,669,000	1,600,000
Conditions met - transferred to revenue	(1,669,000)	(1,600,000)
	-	-

#### National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	321,887	630,424
Current-year receipts	11,987,000	14,988,000
Conditions met - transferred to revenue	(12,308,887)	(15,296,537)
	-	321,887

Conditions still to be met - remain liabilities (see note 19).

The Municipal Infrastructure Grant (MIG) was allocated by National Treasury for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

During the 2022/23 financial year National Treasury invoked section 18 of the 2022 DORA and subsequently stopped an amount of R 7 000 000 from the MIG allocation.

R0 (2023: R496 000) was withheld from the Equitable share due to grant conditions not being met in the previous period.

#### National: Department of Water Affairs and Forestry (2)

Balance unspent at beginning of year	942,072	942,072
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Conditions still to be met - remain liabilities (see note 19).

#### Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	385,148	-
Current-year receipts	7,703,000	12,000,000
Conditions met - transferred to revenue	(6,451,797)	(11,614,852)
Other	(385,000)	-
	1,251,351	385,148

Conditions still to be met - remain liabilities (see note 19).

To facilitate the planning and implementation of various water projects water and on-site sanitation projects to accelerate backlog reduction and enhance the sustainability of services, especially in rural areas.

During the 2022/23 financial year National Treasury invoked section 18 of the 2022 DORA and subsequently stopped an amount of R 3 000 000 from the WSIG allocation.

R 385 000 (2023: R 0) was withheld from the Equitable share due to grant conditions not being met in the previous period

#### Other: National Lottery Development Trust Fund

Balance unspent at beginning of year	280,258	280,258
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Conditions still to be met - remain liabilities (see note 19).

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>29. Government grants and subsidies received (continued)</b>		
<b>Provincial: Department of Housing</b>		
Balance unspent at beginning of year	130,852	130,852
Conditions still to be met - remain liabilities (see note 19).		
<b>Provincial: Department of Safety</b>		
Balance unspent at beginning of year	124,919	124,919
Conditions still to be met - remain liabilities (see note 19).		
<b>Other: Development Bank of Southern Africa</b>		
Balance unspent at beginning of year	6,337	6,337
Conditions still to be met - remain liabilities (see note 19).		
<b>Other: Institutional Re-organisational Grant</b>		
Balance unspent at beginning of year	226,712	226,712
Conditions still to be met - remain liabilities (see note 19).		
<b>30. Fines, penalties and forfeits</b>		
Law enforcement fines	17,392,118	15,519,365
Other	44,087	75,852
	<b>17,436,205</b>	<b>15,595,217</b>

The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue in accordance with iGRAP 1.

The fines issued, but not yet collected at 30 June 2024 amounted to R 19 883 800 (2023: R 17 699 900). Based on past experience,

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>31. Employee related costs</b>		
Basic	40,774,098	38,211,970
Performance bonus	198,611	592,749
Bonus	2,800,329	2,346,747
Medical aid - company contributions	806,509	890,779
UIF	310,365	345,887
Pension fund - company contributions	6,761,290	6,444,673
Industrial council	25,596	23,944
Leave pay provision charge	470,132	615,896
Group schemes	-	1,170
Housing benefits	365,933	374,608
Retirement benefit liabilities	-	(2,583,000)
Expenses	2,913	(124,559)
Overtime payments	3,078,082	2,907,078
Long-service awards	255,639	195,109
Allowances	1,524,352	1,366,487
	<b>57,373,849</b>	<b>51,609,538</b>

### Remuneration of Municipal Manager

Annual Remuneration	851,585	726,505
Car Allowance	186,237	106,559
Performance Bonuses	70,965	173,419
Contributions to UIF, Medical and Pension Funds	266,205	2,754
Other	148,930	187,081
	<b>1,523,922</b>	<b>1,196,318</b>

The Municipal Manager position was occupied by Mr. AC Mpela in the prior financial year. He received a performance bonus of R 62 426.10 during the year.

### Remuneration of Acting Chief Finance Officer

Annual Remuneration	627,672	581,556
Acting allowance	59,648	-
Performance Bonuses	52,306	-
Contributions to UIF, Medical and Pension Funds	194,400	180,925
Other Allowances	78,459	72,695
Other	135,002	48,463
	<b>1,147,487</b>	<b>883,639</b>

The post was vacant for the period 01 July 2023 to 30 June 2024, during which time Mr. N Thiso acted as the Chief financial manager. He received an acting allowance totalling R59 647.56 during this period.

### Remuneration of the Manager: Corporate Services

Annual Remuneration	255,045	311,902
Car Allowance	100,000	-
Contributions to UIF, Medical and Pension Funds	93,934	66,203
Acting allowance	-	41,630
Bonus	-	38,230
Other	732	-
	<b>449,711</b>	<b>457,965</b>

The post was vacant for the period July 2023 to 31 January 2024, during which time Mr. A Khalankomo acted as the Corporate Manager. He received an acting allowance totalling R23 350.46 during this period.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>31. Employee related costs (continued)</b>		
<b>Remuneration of the Manager: Technical Services</b>		
Annual Remuneration	612,108	790,990
Car Allowance	240,000	120,000
Performance Bonuses	127,646	122,096
Contributions to UIF, Medical and Pension Funds	169,417	2,255
Other	-	169,184
Backpay	286,165	-
Other	62,587	-
	<b>1,497,923</b>	<b>1,204,525</b>
<b>32. Remuneration of councillors</b>		
Executive Major	1,275,050	1,145,233
Mayoral Committee Members	1,630,102	1,881,710
Speaker	774,277	719,677
Councillors	2,082,847	1,594,839
	<b>5,762,276</b>	<b>5,341,459</b>
<b>33. Repairs and maintenance</b>		
Other	5,253,602	3,306,094
<b>34. Depreciation and amortisation</b>		
Property, plant and equipment	27,712,584	28,730,212
Intangible assets	-	18,206
	<b>27,712,584</b>	<b>28,748,418</b>
<b>35. Impairment of PPE</b>		
<b>Impairments</b>		
Property, plant and equipment	933,840	2,439,475
Property, plant and equipment (buildings, infrastructure - and movable assets) have been impaired due to condition assessments that indicated a decrease in the value in use since the last assessment.		
<b>36. Finance costs</b>		
Non-current borrowings	3,699,355	3,830,386
Trade and other payables	1,056,565	1,210,176
	<b>4,755,920</b>	<b>5,040,562</b>
<b>37. Debt impairment</b>		
Debt impairment	53,081,314	53,597,568
Bad debts written off - Traffic fines	23,924,307	15,676,210
	<b>77,005,621</b>	<b>69,273,778</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>38. Bulk purchases</b>		
Electricity	46,433,246	37,845,043
Water	(7,067)	10,399
	<b>46,426,179</b>	<b>37,855,442</b>
<b>39. Contracted services</b>		
<b>Contractors</b>		
Contracted services	7,977,454	6,752,732
<b>40. General expenses</b>		
Advertising	167,470	199,446
Analysis of water samples	283,001	76,235
Bank charges	349,914	312,959
Cleaning	35,484	45,345
Consumables	620,045	517,916
Electricity	1,781,447	2,815,852
Employee wellness	15,180	15,644
Entertainment	303,356	251,994
Fuel and oil	1,920,716	1,853,066
Insurance	938,393	609,594
Library expenditure	4,015	769
Licence fees	949,437	526,563
Management fees	1,002,764	940,757
Materials and supplies	167,939	182,497
Postage and courier	2,668	3,420
Printing and stationery	284,542	237,383
Refuse removal	99,999	70,000
Registration fees	87,700	93,824
Remuneration of ward committees	358,300	363,000
Rental	194,506	207,668
Special programme - community participation	1,165,934	1,318,665
Subscriptions and membership fees	943,390	1,551,934
Telephone and fax	844,719	793,216
Title deed search fees	3,614	656
Training	31,315	3,809
Uniforms	236,860	46,833
Workmens compensation	315,062	271,856
	<b>13,107,770</b>	<b>13,310,901</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 41. Financial instruments disclosure

#### Categories of financial instruments

##### 2024

#### Financial assets

	At cost	Total
Other Receivables from non-exchange transactions	5,393,396	5,393,396
Consumer debtors	100,039,366	100,039,366
Statutory receivables from non-exchange transactions	16,492,292	16,492,292
Receivables from availability charges	1,818,889	1,818,889
Cash and cash equivalents	2,420,922	2,420,922
	<b>126,164,865</b>	<b>126,164,865</b>

#### Financial liabilities

	At cost	Total
Finance lease obligation	1,342,127	1,342,127
Payables from exchange transactions	33,871,111	33,871,111
Provisions	13,317,858	13,317,858
	<b>48,531,096</b>	<b>48,531,096</b>

##### 2023

#### Financial assets

	At cost	Total
Other Receivables from non-exchange transactions	7,232,711	7,232,711
Consumer debtors	82,706,121	82,706,121
Statutory receivables from non-exchange transactions	15,215,588	15,215,588
Receivables from availability charges	1,256,343	1,256,343
	<b>106,410,763</b>	<b>106,410,763</b>

#### Financial liabilities

	At cost	Total
Finance lease obligation	2,019,997	2,019,997
Payables from exchange transactions	28,931,906	28,931,906
Bank overdraft	1,310,696	1,310,696
Provisions	12,985,498	12,985,498
	<b>45,248,097</b>	<b>45,248,097</b>

### 42. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	27,471,558	12,223,615
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##### Total capital commitments

Already contracted for but not provided for	27,471,558	12,223,615
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This committed expenditure relates to plant and equipment and will be financed by government grants. The commitment amounts disclosed are inclusive of VAT

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 43. Contingencies

#### Contingent liabilities

Komanisi //Umsobomvu Local Municipality: Litigation is in the process against the municipality relating to a dispute with a supplier who alleges that it suffered financial loss and stock on a housing project. Due to the fact that there had been no developments in the case since 2013, management is of the opinion that there will be no financial impact as at 30 June 2023. Should there be any developments management will reassess and disclose appropriately.

Umsobomvu Local Municipality// NE Lufele & NM Mxhosana & NE Takayi: The insurance claim is still pending at year end: Three children swam in the municipal quarry and drowned. Damages of R1 286 100 (2023: R1 286 100 ) is claimed by the family and still in progress.

Dept of Environmental Affairs//Umsobomvu Local Municipality: Legal Rep. S. Foster Attorneys (Criminal case - spillage of sewerage in Noupoot). The amount will be based on the outcome of the court case and cannot be estimated yet

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 44. Related parties

Name	Designation	Enterprise
W Minnie	Councillor	Jashwill contractors
JP Mathee	Councillor	JM Compsol
JP Mathee	Councillor	CBG Consultants
GMH Douw	Councillor	Enkosi Marli Bongs Consulting
B Mangaliso	Councillor	K2013186624(South Africa)
B Mangaliso	Councillor	Silubonono
L Tyindy	Councillor	Wavefront Trading
L Tyindy	Councillor	Umsobomvu Residence Association
NS Mlungwana	Councillor	Sisokola Sonke Colesberg Primary Cooperative Limited
S Yabo	Councillor	Yabocon Construction
L Zakhe	Councillor	Lindi Rose Trading Enterprise
T Matebese	Councillor	Umsobomvu Residence Association
MS Toto	Councillor	None
ND Stafa	Councillor	None
AP Poyo	Councillor	None
VP Harmse	Councillor	None
TW Msengana	TW Msengana	Bakhangele Kuwe Enterprise
S Nkcithiso	Technical Manager	Uhamboluhle Construction CC
S Nkcithiso	Technical Manager	Sida Engineering Solutions (Pty) Ltd
N Thiso	Acting Chief Financial Officer	None
S.T. Felix	Corporate Services Manager	None
T Mthimkulu	PMU Manager	Colesburg Cosmos Sports Academy
T Mthimkulu	PMU Manager	We Even Logistics

### Related party transactions

<b>Property rates levied against related parties</b>		
Councillors	13,279	4,256
<b>Service charges levied against related parties</b>		
Councillors	57,370	25,433
<b>Other charges levied against related parties</b>		
Councillors	13,786	1,696

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 44. Related parties (continued)

#### Remuneration of councillors

##### Related parties

#### 2024

Name	Basic salary	Cellphone and data allowances	Travel and subsistence	Total
MS Toto	698,368	45,970	208,922	953,260
ND Stafta	721,215	45,970	7,092	774,277
B Mangaliso	380,317	45,970	1,449	427,736
W Minnie	382,813	45,970	3,220	432,003
L Tyindyi	380,317	45,970	2,262	428,549
L Zakhe	380,317	45,970	1,127	427,414
JP Mathee	274,743	45,970	169	320,882
VP Harmse	289,250	45,970	483	335,703
GMH Douw	289,250	45,970	-	335,220
NS Mlungwana	289,250	45,970	-	335,220
SA Yabo	289,250	45,970	2,415	337,635
T Matabese	289,250	45,970	-	335,220
AP Poyo	289,250	45,970	1,328	336,548
	<b>4,953,590</b>	<b>597,610</b>	<b>228,467</b>	<b>5,779,667</b>

#### 2023

Name	Basic salary	Cellphone and data allowances	Travel and subsistence	Total
MS Toto	648,097	41,400	207,337	896,834
ND Stafta	674,745	41,400	3,532	719,677
B Mangaliso	350,936	41,400	3,818	396,154
W Minnie	328,995	41,400	4,131	374,526
L Tyindyi	350,936	41,400	1,851	394,187
L Zakhe	350,936	41,400	2,584	394,920
JP Mathee	279,914	41,400	608	321,922
VP Harmse	266,958	41,400	456	308,814
GMH Douw	264,812	41,400	304	306,516
NS Mlungwana	264,802	41,400	-	306,202
SA Yabo	264,802	41,400	2,164	308,366
T Matabese	264,802	41,400	-	306,202
AP Poyo	264,802	41,400	948	307,150
	<b>4,575,537</b>	<b>538,200</b>	<b>227,733</b>	<b>5,341,470</b>

#### Remuneration of key management personnel

\*Refer to note "Employee related costs"

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 45. Risk management

#### Financial risk management

The Accounting Officer has 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 risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes. Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these annual financial statements. It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date. The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial environment.

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

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.

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

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 45. Risk management (continued)

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

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

Cash and cash equivalents:

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank.

Receivables from exchange and non-exchange transactions:

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

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

The application of section 118(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.

A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.

The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.

The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.

Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

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

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

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at reporting date for impairment or discounting.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment /discounting, where applicable.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 45. Risk management (continued)

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

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

#### Market risk

##### Interest rate risk

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

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

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

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer debtors (included in Receivables from exchange and non-exchange transactions) comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial assets and Financial liabilities are detailed in the Credit Risk Management section of this note.

#### Price risk

The municipality does not hold any shares.

### 46. Unauthorised expenditure

Opening balance as previously reported	56,787,904	56,787,904
Less: amount written-off	(56,787,904)	-
<b>Closing balance</b>	<b>-</b>	<b>56,787,904</b>

### 47. Fruitless and wasteful expenditure

Opening balance as previously reported	2,470,071	933,594
Add: Fruitless and wasteful expenditure identified - current	681,771	1,536,477
Less: Amount written off - current	(186,541)	-
<b>Closing balance</b>	<b>2,965,301</b>	<b>2,470,071</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>48. Irregular expenditure</b>		
Opening balance as previously reported	32,163,806	29,936,183
Add: Irregular expenditure - current	1,137,653	2,227,623
Less: Amount written off - current	(964,105)	-
Less: Amount written off - prior period	(20,354,675)	-
<b>Closing balance</b>	<b>11,982,679</b>	<b>32,163,806</b>

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

### Contributions to organised local government

Current year subscription / fee	747,324	677,661
Amount paid - current year	(747,324)	(677,661)
	-	-

### Distribution losses

Electricity	13,366,309	11,350,746
Water	2,435,591	1,793,693
	<b>15,801,900</b>	<b>13,144,439</b>

#### Electricity losses

The municipality purchased 24 193 204 (2023: 22 411 050) units during the financial year. It sold / billed 17 228 931 (2023: 15 685 1301) units during the year and has calculated its distribution losses to be an estimated 28.79% (2023: 30.01%) at an average cost of R1.9193 (2023: R1.6874) per unit. The main reasons for incurring electricity losses relates to the dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

#### Water losses

The municipality pumped 1 795 807 (2023: 1 597 641) units during the financial year. It sold / billed 932 122 (2023: 862 215) units during the year and has calculated its distribution losses to be an estimated 48.09% (2023: 46.03%) at an average cost of R 2.4390 (2023: R2.4390) per unit. These losses occur due to inter alia, leakages, the tampering of meters, incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

### Audit fees

Opening balance	3,075,431	1,953,663
Current year subscription / fee	3,725,412	4,073,158
Amount paid - current	(5,232,798)	(3,842,648)
Value added tax	558,812	610,974
Interest charged	224,460	280,284
	<b>2,351,317</b>	<b>3,075,431</b>

### PAYE and UIF

Current year subscription / fee	9,546,029	8,714,425
Amount paid - current year	(9,546,029)	(8,714,425)
	-	-

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 49. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Pension and medical aid deductions

Current year subscription / fee	11,893,653	10,604,680
Amount paid - current year	(11,893,653)	(10,604,680)
	-	-

#### VAT

VAT payable	(27,558,563)	(20,099,012)
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All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
M Toto	2,234	1,103	3,337
W Minnie	1,832	1,683	3,515
VP Harmse	2,604	(2,237)	367
G Mangaliso	2,468	(1,232)	1,236
VB Stafa	750	1,303	2,053
Tyindyi	1,237	(566)	671
Yabo	2,059	1,419	3,478
NW Zakhe	1,556	2,290	3,846
AP Poyo	1,401	877	2,278
	<b>16,141</b>	<b>4,640</b>	<b>20,781</b>

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MS Toto	2,109	1,796	3,905
MR Kafi	1,582	5,938	7,520
VP Harmse	1,582	5,938	7,520
AP Poyo	901	3,846	4,747
	<b>6,174</b>	<b>17,518</b>	<b>23,692</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2024	Highest outstanding amount	Aging (in days)
NW Zakhe	2,290	90
W Minnie	1,683	90
NJ Yabo	1,419	90
VB Stafa	1,303	90
M Toto	1,103	90
AP Poyo	877	90
	<b>8,675</b>	<b>540</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

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

30 June 2023	Highest outstanding amount	Aging (in days)
W Minnie	5,938	90
VP Harmse	5,938	90
AP Poyo	3,846	90
M Toto	1,796	90
	<b>17,518</b>	<b>360</b>

### 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.

#### Incident

Acquisition of special works of art or historical objects where specifications are difficult to compile. 36 (1) (a) (iii)	113,561	139,249
Exceptional case and it is impractical or impossible to follow the official procurement processes. 36 (1) (a) (v)	978,457	104,087
Sole Supplier 36 (1) (a) (ii)	607,960	1,006,024
Emergency 36 (1) (a) (i)	909,953	172,871
Written Quotations awarded without obtaining three quotations (SCM Regulations 16 (c)) & 17 (c)	278,410	-
	<b>2,888,341</b>	<b>1,422,231</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

### 50. Budget differences

#### Material differences between budget and actual amounts

Material differences are deemed material where the differences differ with 10% or more of the final budget.

#### Statement of financial performance

**Rental Facilities and equipment** The municipality was able to increase their income from the rental of halls to the community due to tariff increases and well-maintained buildings that make it appealing to the community to rent.

**Agency Services** This is attributable to the increase in collection of license fees. Licences and permits were budgeted as a separate line item, but the actual amount was included in Agency services on the financial statements.

**Other Income** The municipality based their budget on the prior year other income figures, however the municipality was unable to obtain the budgeted figure due to not receiving income on some line items classified under other income, such as tender documents income.

**Interest received- investment** The municipality budget amount did not consider the Eskom deposit and market related fluctuations of interest rates that affects the interest earned through investments.

**Availability Charges** Management did not budget separately for the debtors and revenue between service charges & availability charges.

**Government Grants & Subsidies**, The variance is a result of the municipality receiving higher allocation of grants than anticipated for projects.

**Fines, Penalties** This is attributable to the increase in collection of license fees. Licences and permits were budgeted as a separate line item, but the actual amount was included in Agency services on the financial statements

**Employee Cost** The variance is a result of some positions that were not filled as expected or remained unfilled for part of the financial year, lower obligations to third parties relating to employee cost.

**Repairs & Maintenance** Management have not determined an official repairs and maintenance plan therefore did not budget for repairs & maintenance for the financial year.

**Finance Cost** Due to cashflow constraints experienced during the period the municipality incurred interest on outstanding creditor balances.

**Debt Impairment** Increase in impairment of debtors is due to the increase in aging of customer debtor accounts that are not being settled by customers. Management also ensured that all fines issued have been accounted for in terms of GRAP 1 and have provided for the portion deemed irrecoverable, which was not budgeted for.

**Inventory Consumed and bulk purchases** The budget overestimated the quantity or cost of inventory and bulk purchases needed, resulting in lower actual expenditures when more accurate needs were realised.

**Travel and subsistence** Management did not budgeted for expenses relating to travel and subsistence.

**Auditors Remuneration** Management did not budgeted for expenses relating to auditors remuneration.

**Contracted services** Management successfully maintained expenditures for general expenses below budget by exercising prudent spending controls.

**General expenses** Management successfully maintained expenditures for contracteed services below budget by exercising prudent spending controls.

#### Statement of Financial Position

**Vat Receivables** The significant variance between the budgeted amount and actual amount is due to the fact that the municipality had to impair a significant amount of long outstanding debtors.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 50. Budget differences (continued)

**Consumer debtors** The municipality anticipated a higher recovery rate of debtors, however due to a significant number of debtors being long outstanding the municipality had to impair debtors consequently reducing the recoverable amounts significantly.

**Receivables from availability charges** Management did not budget separately for the debtors and revenue between service charges & availability charges.

**Cash and cash equivalents.** The municipality anticipated that there will be a significant amount of bad debts recovered in the financial year, which will increase the cash generated. However, due to low recovery rate the municipality was unable to meet their budgeted figures.

**Consumer deposits** The variance is due to an increase in the number of new debtor accounts being opened than was anticipated in the budget.

**Unspent conditional grants & receipts** Management anticipated that all grants received will be utilised , therefore did not budget for the provision of unspent grants.

**Borrowings** The municipality had anticipated entering into new lease agreements as part of the current year's budget; however, no new lease agreements were executed during this period

**Finance lease** The municipality had anticipated entering into new lease agreements as part of the current year's budget; however, no new lease agreements were executed during this period

**Payables from exchange transactions** Timing differences in settling invoices, resulting in higher outstanding balances at the reporting date.

**Taxes and transfers payable** The municipality budget overestimated the expected obligations for taxes or transfers.

**VAT payable** The significant variance between the budgeted amount and actual amount is due to the fact that the municipality had to impair a significant amount of long outstanding debtors & its input VAT far out weighed its output VAT as actual expenditure far exceeds the actual revenue received.

**Consumer deposits** The Municipality received an increase in a number of consumers that required connections for water/ electricity than anticipated.

**Employee benefit obligations** The average defined benefit obligation has increased, the increase was partially due to the increase in the net discount rate & an increase in the number of eligible employees

**Unspent conditional grants** Management anticipated that all grants received will be utilised , therefore did not budget for the provision of unspent grants.

**Provisions** The average defined benefit obligation has increased, the increase was partially due to the increase in the net discount rate & an increase in the number of eligible employees

### Cashflow statement:

**Taxation:** Management recovered more outstanding debt from property rates than expected.

**Sale of goods and services:** Due the financial difficulty within the community, outstanding debt is not recovered as quickly as expected.

**Interest income and other revenue:** Management over budgeted for the receipts from interest and other revenue. Interest and other revenue is included in the actual amount under sale of goods and services.

**Finance costs:** Management under-budgeted for finance costs due to the fact that they have payment arrangements with suppliers to limited the levy of finance charges on outstanding accounts, Management however did not budget for defaulting on supplier payment arrangements due to financial difficulty.

**Receipts Decrease in non- current investments:** The municipality over budgeted for receipts from non-current investments.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 50. Budget differences (continued)

**Payment for capital assets:** The municipality over-budgeted for payments to capital assets as they expected to purchase/replace more capital assets.

**Employee related cost:** Increased costs for goods and services due to inflation not accounted for in the budget and settlement of obligations from prior years, increasing current cash outflows. Some vacant posts have been filled which therefore increases the employee costs significantly.

**Payment to suppliers:** Increased costs for goods and services due to inflation not accounted for in the budget and settlement of obligations from prior years, increasing current cash outflows. Some vacant posts have been filled which therefore increases the employee costs significantly.

**Repayment of financial liabilities:** The municipality did not budget for cashflow from repayment of liabilities

**Repayment of finance lease liabilities:** The municipality did not budget for cashflow from repayment of liabilities

**Cash and Cash Equivalents at the beginning of the year:** Due to cashflow constraints experienced during the period, management had to utilize most of their cash reserve in their investment account. The reason behind this is due to the recovery of debtors did not occur as planned.

**Cash and Cash Equivalents at the end of the year:** Due to cashflow constraints experienced during the period, management had to utilize most of their cash reserve in their investment account. The reason behind this is due to the recovery of debtors did not occur as planned.

### 51. Principal-Agent arrangements

The municipality is the Principal in the Principal-Agent arrangement with Conlog. Conlog undertakes pre-paid electricity sales through the use of third-party vendors on behalf of Umsobomvu Local Municipality. No significant judgements were applied in determining if the municipality was the principal. No changes have been made to the terms and conditions for the arrangement during the reporting period. No significant risks and benefits associated with the arrangement have been identified.

#### Incident

Commission income paid	433,119	295,541
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#### Incident

Conlog debtor included in trade and other receivables	1,859,197	1,683,136
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Umsobomvu Local Municipality paid 4.2% commission and other administrative cost to Conlog for acting as the agent on its behalf during the financial year.

Resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 51. Principal-Agent arrangements (continued)

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

The Umsobomvu Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deduct specified amounts from salaries of municipal employees on behalf of the principals in exchange for commission of 2.50%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There have been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no significant risks and benefits associated with the principal-agent arrangements.

The Umsobomvu Local Municipality is the Agent in the Principal-Agent arrangement with Department of Transport, Safety and Liaison. The municipality is responsible for the issuing of vehicle and drivers licences on behalf of the Department of Transport, Safety and Liaison in exchange for commission of 12%. No significant judgements are applied in determining that the municipality was the agent in the arrangement

#### Compensation received for agency activities

##### Statement of Financial Performance

Conlog - Commission	433,119	295,541
Department of Transport, Safety and Liaison - Commission	78,512	58,490
	<b>511,631</b>	<b>354,031</b>

Umsobomvu Local Municipality paid 4.2% commission and other administrative cost to Conlog for acting as the agent on its behalf during the financial year.

Resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points

Umsobomvu Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deduct specified amounts from salaries of municipal employees on behalf of the principals in exchange for commission of 2.50%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There have been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no significant risks and benefits associated with the principal-agent arrangements.

### 52. Cash generated from operations

Deficit	(14,002,853)	(8,751,191)
<b>Adjustments for:</b>		
Depreciation and amortisation	27,712,584	28,748,418
Gain on sale of assets and liabilities	10,243,744	4,750,738
Impairment of assets	933,840	2,439,475
Debt impairment	77,005,621	69,273,778
Movements in retirement benefit assets and liabilities	1,234,000	(1,199,000)
Movements in provisions	332,360	2,370,676
<b>Changes in working capital:</b>		
Inventories	(3,144,067)	27,423
Consumer debtors	(95,455,269)	(80,456,892)
Other receivables from non-exchange transactions	1,839,315	(2,073,962)
Statutory receivables from non-exchange transactions	(722,846)	-
Payables from exchange transactions	1,330,008	(2,273,287)
VAT	7,459,551	9,465,148
Payables from non-exchange transactions	(465)	(1,014,664)
Unspent conditional grants and receipts	277,778	(152,810)
Consumer deposits	(60,205)	(27,100)
	<b>14,983,096</b>	<b>21,126,750</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 53. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 468,500,098 and that the municipality's total assets exceed its liabilities by R 491,025,608. The municipality had a revaluation reserve of R 22 525 510.

We further draw attention to the fact that at 30 June 2024 a material uncertainty exists regarding the ability of the municipality to continue as a going concern. These factors are listed below:

- The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
- The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.
- Receivables from exchange and non-exchange transactions are almost fully impaired.
- The municipality's current assets exceeds its current liabilities by R 10 375 101. In the prior financial year the municipality's current liabilities exceeds its current assets by R 4 656 946, this is an indication that the municipality's current ratio is below the required norm of 1.5 - 2.
- The municipality incurred a net deficit of R 14 431 541 (2023: R 8 751 191), the major contributors to this change is increases in impairments, finance costs, contracted services and a decrease in revenue from exchange transactions.

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Furthermore the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality will be implementing a system to enhance the revenue collection and cash flow by improving on the debt recoverability.

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the DoRA.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 54. Segment information

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

2024

	Executive and Council	Finance and Administration	Community, Sport and Housing	Waste Management	Road Transport	Energy Sources	Water Management	Waste Water Management	Total
<b>Revenue</b>									
Service charges	(2,202)	-	-	(8,872,682)	-	(42,613,959)	(18,045,727)	(13,352,695)	(82,887,265)
Rental and facilities and equipment	-	(182,589)	-	-	(5,782)	-	-	-	(188,371)
Other income	(219,878)	(2,008,059)	(36,271)	(14,979)	(334,865)	(191,550)	-	(5,397)	(2,810,999)
Interest received	-	(29,920,516)	-	-	-	-	-	-	(29,920,516)
Property rates	-	(17,668,121)	-	-	-	-	-	-	(17,668,121)
Availability charges	-	-	-	-	-	(622,907)	(690,131)	(485,919)	(1,798,957)
Government grants and subsidies	(69,884,426)	(1,920,000)	(1,669,000)	-	(12,174,650)	-	(6,451,797)	(599,350)	(92,699,223)
Agency services	-	-	-	-	(1,045,471)	-	-	-	(1,045,471)
Fines, Penalties and Forfeits	-	-	-	-	(17,436,205)	-	-	-	(17,436,205)
Eskom Debt Relief	-	-	-	-	(1,764,461)	-	-	-	(1,764,461)
<b>Total segment revenue</b>	<b>(70,106,506)</b>	<b>(51,699,285)</b>	<b>(1,705,271)</b>	<b>(8,887,661)</b>	<b>(32,761,434)</b>	<b>(43,428,416)</b>	<b>(25,187,655)</b>	<b>(14,443,361)</b>	<b>(248,219,589)</b>
<b>Entity's revenue</b>									<b>(248,219,589)</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

	Executive and Council	Finance and Administration	Community, Sport and Housing	Waste Management	Road Transport	Energy Sources	Water Management	Waste Water Management	Total
<b>Segment information (continued)</b>									
<b>Expenditure</b>									
Employee related costs	5,723,533	15,467,188	8,872,625	3,213,661	8,581,095	3,784,605	7,421,816	4,309,325	57,373,848
Remuneration of councillors	5,586,680	89,995	85,600	-	-	-	-	-	5,762,275
Depreciation and amortisation	-	27,712,584	-	-	-	-	-	-	27,712,584
Reversal of impairments	-	634,891	-	-	-	-	-	-	634,891
Finance costs	1,668,793	3,087,127	-	-	-	-	-	-	4,755,920
Debt impairment	-	52,748,075	-	38,667	23,924,307	213,701	47,752	33,118	77,005,620
Repairs and maintenance	-	418,372	48,866	82,543	1,455,488	1,854,849	795,870	597,610	5,253,598
Bulk purchases	-	-	-	-	-	46,426,179	-	-	46,426,179
Contracted services	424,380	7,553,074	-	-	-	-	-	-	7,977,454
General expenditure	4,839,765	1,586,391	320,118	446,945	1,926,996	1,295,036	1,945,275	747,244	13,107,770
Loss on disposal of assets and liabilities	-	10,542,692	-	-	-	-	-	-	10,542,692
Auditors remuneration	-	3,725,411	-	-	-	-	-	-	3,725,411
Travel and subsistence	1,239,719	389,741	15,825	-	138,181	33,214	112,521	15,000	1,944,201
<b>Total segment expenditure</b>	<b>19,482,870</b>	<b>123,955,541</b>	<b>9,343,034</b>	<b>3,781,816</b>	<b>36,026,067</b>	<b>53,607,584</b>	<b>10,323,234</b>	<b>5,702,297</b>	<b>262,222,443</b>
<b>Assets</b>									
Inventories	-	-	-	-	-	-	3,167,533	-	3,167,533
Other receivables from non-exchange transactions	-	5,294,270	(132)	-	-	99,257	-	-	5,393,395
Consumer debtors	1,006,492	99,044,352	(13,126)	-	-	1,648	-	-	100,039,366
Statutory receivables from non-exchange transactions	-	16,492,292	-	-	-	-	-	-	16,492,292
Receivables from availability charges	-	1,818,889	-	-	-	-	-	-	1,818,889
Cash and cash equivalents	-	2,420,922	-	-	-	-	-	-	2,420,922
Investment property	-	41,537,199	-	-	-	-	-	-	41,537,199
Property, plant and equipment	-	(93,459,049)	(49,770,141)	103,500	70,075,831	(7,733,371)	542,967,427	5,522,777	467,706,974
Intangible assets	-	26,278	-	-	-	-	-	-	26,278
<b>Total segment assets</b>	<b>1,006,492</b>	<b>73,175,153</b>	<b>(49,783,399)</b>	<b>103,500</b>	<b>70,075,831</b>	<b>(7,632,466)</b>	<b>546,134,960</b>	<b>5,522,777</b>	<b>638,602,848</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

	Executive and Council	Finance and Administration	Community, Sport and Housing	Waste Management	Road Transport	Energy Sources	Water Management	Waste Water Management	Total
<b>. Segment information (continued)</b>									
<b>Total assets as per Statement of financial Position</b>									<b>638,602,848</b>
<b>Liabilities</b>									
Finance lease obligations	-	(263,580)	(1,078,547)	-	-	-	-	-	(1,342,127)
Payables from exchange transactions	-	206,257,242	(16,146)	-	(284,223,175)	-	-	(12,567)	(77,994,646)
Payables from non-exchange transactions	-	(170,397)	(48,095)	-	-	-	-	-	(218,492)
VAT payable	(544,735)	(7,384,248)	-	-	-	-	(19,629,580)	-	(27,558,563)
Consumer deposits	-	(906,063)	-	-	-	-	-	-	(906,063)
Employee benefit obligation	-	(12,618,460)	-	-	-	-	-	-	(12,618,460)
Unspent conditional grants	-	(6,752,730)	(124,919)	-	-	-	-	-	(6,877,649)
Trade and other payables from exchange transactions	-	(6,743,383)	-	-	-	-	-	-	(6,743,383)
Provisions	-	-	-	-	-	-	-	(13,317,858)	(13,317,858)
<b>Total segment liabilities</b>	<b>(544,735)</b>	<b>171,418,381</b>	<b>(1,267,707)</b>	<b>-</b>	<b>(284,223,175)</b>	<b>-</b>	<b>(19,629,580)</b>	<b>(13,330,425)</b>	<b>(147,577,241)</b>
<b>Total liabilities as per Statement of financial Position</b>									<b>(147,577,241)</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### Segment information (continued)

2023

	Executive and Council	Finance and Administration	Community and Social Services	Waste Management	Road Transport	Energy Sources	Water Management	Waste Water Management	Total
<b>Revenue</b>									
Service charges	(19,551)	-	-	(8,217,014)	-	(33,353,494)	(16,075,305)	(12,170,775)	(69,836,139)
Rental and facilities and equipment	-	(128,829)	-	-	(10,394)	-	-	-	(139,223)
Interest received	-	(22,370,041)	-	-	-	-	-	-	(22,370,041)
Other income	(256,490)	(753,913)	(31,944)	-	(691,011)	(181,540)	(7,608)	(2,466)	(1,924,972)
Property rates	-	(17,771,102)	-	-	-	-	-	-	(17,771,102)
Availability charges	-	-	-	-	-	(440,614)	(588,291)	(403,709)	(1,432,614)
Government grants and subsidies	(64,181,959)	(1,920,000)	(1,600,000)	-	(15,478,998)	-	(624,000)	(11,614,852)	(95,419,809)
Agency services	-	-	-	-	(830,146)	-	-	-	(830,146)
Fines, Penalties and Forfeits	-	-	-	-	(15,589,085)	(6,132)	-	-	(15,595,217)
<b>Total segment revenue</b>	<b>(64,458,000)</b>	<b>(42,943,885)</b>	<b>(1,631,944)</b>	<b>(8,217,014)</b>	<b>(32,599,634)</b>	<b>(33,981,780)</b>	<b>(17,295,204)</b>	<b>(24,191,802)</b>	<b>(225,319,263)</b>
<b>Entity's revenue</b>									<b>(225,319,263)</b>
<b>Expenditure</b>									
Employee related costs	4,759,837	13,439,971	7,374,518	3,219,391	8,369,359	3,632,919	6,868,810	3,944,733	51,609,538
Remuneration of councillors	5,341,459	-	-	-	-	-	-	-	5,341,459
Depreciation and amortisation	-	28,748,418	-	-	-	-	-	-	28,748,418
Reversal of impairments	-	40,000	-	-	-	2,399,475	-	-	2,439,475
Finance costs	1,384,000	3,656,561	-	-	-	-	-	-	5,040,561
Debt impairment	-	53,254,224	-	70,375	15,676,210	200,352	36,473	36,142	69,273,776
Repairs and maintenance	-	195,567	40,366	173,334	1,516,650	589,885	551,009	239,282	3,306,093
Bulk purchases	-	-	-	-	-	37,845,043	10,399	-	37,855,442
Contracted services	391,961	6,360,871	-	-	-	-	-	-	6,752,832
General expenditure	5,140,689	1,515,290	256,573	391,672	1,424,137	1,197,649	2,688,894	695,996	13,310,900
Loss on disposal of assets and liabilities	-	4,750,728	-	-	-	-	-	-	4,750,728
Auditors remuneration	-	4,073,141	-	-	-	-	-	-	4,073,141
Travel and subsistence	1,103,326	213,654	5,513	-	94,102	70,182	63,417	17,981	1,568,175
<b>Total segment expenditure</b>	<b>18,121,272</b>	<b>116,248,425</b>	<b>7,676,970</b>	<b>3,854,772</b>	<b>27,080,458</b>	<b>45,935,505</b>	<b>10,219,002</b>	<b>4,934,134</b>	<b>234,070,538</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

	Executive and Council	Finance and Administration	Community and Social Services	Waste Management	Road Transport	Energy Sources	Water Management	Waste Water Management	Total
<b>Segment information (continued)</b>									
<b>Assets</b>									
Inventories	-	-	-	-	-	-	23,466	-	23,466
Other receivables from non-exchange transactions	-	5,229,563	-	-	-	2,003,148	-	-	7,232,711
Consumer debtors	833,612	95,273,516	-	-	-	1,648	-	-	96,108,776
Statutory receivables from non-exchange transactions	-	1,813,033	-	-	-	-	-	-	1,813,033
Receivables from availability charges	-	1,256,343	-	-	-	-	-	-	1,256,343
Investment property	-	43,581,199	-	-	-	-	-	-	43,581,199
Property, plant and equipment	-	(92,915,790)	(45,216,128)	103,500	57,978,935	(7,733,371)	542,967,427	34,585,399	489,769,972
Intangible assets	-	26,278	-	-	-	-	-	-	26,278
<b>Total segment assets</b>	<b>833,612</b>	<b>54,264,142</b>	<b>(45,216,128)</b>	<b>103,500</b>	<b>57,978,935</b>	<b>(5,728,575)</b>	<b>542,990,893</b>	<b>34,585,399</b>	<b>639,811,778</b>
<b>Total assets as per Statement of financial Position</b>									<b>639,811,778</b>
<b>Liabilities</b>									
Finance lease obligations	-	(1,329,087)	(690,910)	-	-	-	-	-	(2,019,997)
Payables from exchange transactions	-	98,543,917	(16,146)	(12,567)	(178,997,331)	-	-	-	(80,482,127)
Payables from non-exchange transactions	-	(218,958)	-	-	-	-	-	-	(218,958)
VAT payable	(544,735)	2,123,270	-	-	-	-	(21,677,546)	-	(20,099,011)
Consumer deposits	-	(966,268)	-	-	-	-	-	-	(966,268)
Employee benefit obligation	-	(11,384,460)	-	-	-	-	-	-	(11,384,460)
Unspent conditional grants	-	(6,474,954)	(124,919)	-	-	-	-	-	(6,599,873)
Bank overdraft	-	(1,310,696)	-	-	-	-	-	-	(1,310,696)
Provisions	-	(12,985,498)	-	-	-	-	-	-	(12,985,498)
<b>Total segment liabilities</b>	<b>(544,735)</b>	<b>65,997,266</b>	<b>(831,975)</b>	<b>(12,567)</b>	<b>(178,997,331)</b>	<b>-</b>	<b>(21,677,546)</b>	<b>-</b>	<b>(136,066,888)</b>
<b>Total liabilities as per Statement of financial Position</b>									<b>(136,066,888)</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 54. Revaluation reserve

The municipality identified Property Plant and Equipment (specifically land) that was incorrectly classified that the end of 2022 financial year. Consequently, management revalued the assets before being transferred to the Investment Property from Property Plant and Equipment

Opening balance	22,525,510	22,525,510
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### 55. Prior-year adjustments

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

#### Statement of financial position

##### 2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Other receivables from non-exchange transactions		6,321,111	911,600	-	7,232,711
Payables from exchange transactions		(41,370,378)	(39,111,744)	-	(80,482,122)
Receivables from availability charges		4,435,008	(3,178,664)	-	1,256,344
VAT payable		(17,639,258)	(2,459,755)	-	(20,099,013)
Employee benefit obligation (non-current)		(10,713,460)	-	218,000	(10,495,460)
Employee benefit obligation (current)		(671,000)	-	(218,000)	(889,000)
Payables from non-exchange transactions		(364,471)	-	145,514	(218,957)
Consumer deposits		(655,089)	-	(145,514)	(800,603)
Receivables from exchange transactions		94,864,470	1,244,208	-	96,108,678
Accumulated surplus		(519,425,292)	36,922,342	-	(482,502,950)
Property, plant and equipment		485,215,958	4,554,013	-	489,769,971
Investment properties		43,581,199	1,118,000	-	44,699,199
		<b>43,578,798</b>	<b>-</b>	<b>-</b>	<b>43,578,798</b>

#### Statement of financial performance

##### 2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Contracted services		(6,639,795)	(9,553)	(103,385)	(6,752,733)
General expenses		(13,293,174)	-	(17,726)	(13,310,900)
Fines and penalties		(121,111)	-	121,111	-
Interest received		22,468,234	(98,194)	-	22,370,040
Depreciation and amortisation		(28,534,921)	(213,497)	-	(28,748,418)
Loss on disposal of assets and liabilities		(4,764,485)	13,747	-	(4,750,738)
Debt impairment		(66,782,492)	(825,154)	-	(67,607,646)
<b>Surplus for the year</b>		<b>(97,667,744)</b>	<b>(1,132,651)</b>	<b>-</b>	<b>(98,800,395)</b>

### Errors

The following prior period errors adjustments occurred:

#### 1. Correction of Eskom deposit held

During the financial year it was identified that Eskom deposits held was accounted for at incorrect balances. The necessary corrections were made to ensure the Eskom deposits held amounts are recorded correctly. The adjustments were made retrospectively.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>55. Prior-year adjustments (continued)</b>		
Statement of financial position		
Other receivables from non-exchange transactions	(312,575)	(312,575)
Accumulated surplus	312,575	214,382
Interest received	-	98,193
	-	-

### 2. Correction of Trade Payables balance

During the financial year it was identified that the vote number 31651325001 was incorrectly included under the trade payables line item on the Annual Financial Statements, however it should be included in Unallocated deposit. The necessary adjustments were made to ensure that Trade payables are recorded correctly.

Statement of financial position		
Payables from exchange transactions	(39,100,758)	(39,100,758)
Accumulated surplus	39,100,758	39,100,758
	-	-

### 3. Correction of Other receivables from non-exchange transactions

During the financial year it was identified that amounts relating to Bloem Water project was not written -off. The necessary adjustments were made

Statement of financial position		
'Accumulated SurplusDeficit	(1,224,175)	(1,224,175)
Other receivables from non-exchange transactions	1,224,175	1,224,175
	-	-

### 4. Correction of impairment to debtors from availability charges

During the financial year debt impairment for receivables from availability charges was reperformed for 30 June 2022 Financial Year-end. The necessary adjustment were made.

Statement of financial position		
Receivables from availability charges	(2,070,700)	(2,070,700)
VAT payable	(222,659)	(222,659)
Accumulated SurplusDeficit	2,293,359	2,293,359
	-	-

### 5. Correction of impairment to debtors from availability charges

During the financial year debt impairment for receivables from availability charges was reperformed for 30 June 2023 Financial Year-end. The necessary adjustment were made.

Statement of financial position		
Receivables from availability charges	(1,107,964)	(1,107,964)
VAT payable	(98,952)	(98,952)
Accumulated SurplusDeficit	1,206,916	-
Debt impairment	-	1,206,916
	-	-

### 6. Correction of consumer debtors balances

During the financial year debt reconciliation for consumer debtors were reperformed for 30 June 2023 Financial Year-end. The necessary adjustment were made.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>55. Prior-year adjustments (continued)</b>		
Statement of financial position		
Receivables from exchange transactions	(902,607)	(902,607)
Accumulated surplus	902,607	902,607
	-	-
<b>7. Correction of consumer debtors balances</b>		
During the financial year an invoice was identified that relates to the 30 June 2023 financial year. The necessary adjustment were made.		
Statement of financial position		
Payables from exchange transactions	(10,986)	(10,986)
VAT payable	1,433	1,433
Contracted services	-	9,553
Accumulated surplus	9,553	-
	-	-
<b>8. Correction of Property, plant and equipment</b>		
During the financial year impairment and depreciation testing was performed for property, plant and equipment as well as additions(new found assets ) were identified. The necessary adjustment were made.		
Statement of financial position		
Property, plant and equipment	4,554,013	4,554,013
Depreciaiton and amortisation	-	213,497
Loss on disposal of assets and liabilities	-	(13,748)
Accumulated surplus	(4,554,013)	(4,521,607)
Accumulated surplus	-	(232,155)
	-	-
<b>9. Correction of impairment to Receivables from exchange transactions</b>		
During the financial year debt impairment for receivables from exchange charges was re-performed for the 30 June 2022 and 30 June 2023 Financial Year-end. The necessary adjustment were made.		
Statement of financial position		
Receivables from exchange transactions	2,146,815	2,146,815
VAT payable	(2,139,576)	(2,139,576)
Debt impairment	-	(381,762)
Accumulated surplus	(7,239)	(7,239)
	-	(381,762)
<b>9. Correction of Investment properties</b>		
During the financial year it was found that an amount was not brought onto the Investment register in the prior year.		
Statement of financial position		
Investment properties	1,118,000	1,118,000
Accumulated surplus	(1,118,000)	(1,118,000)
	-	-

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 55. Prior-year adjustments (continued)

#### Reclassifications

The following reclassifications adjustment occurred:

##### Reclassification 1

During the financial year expenditure transactions were inspected for classification. Expenditure were reclassified as follows:

Statement of financial performance		
Contracted services	-	103,385
Other expenditure	-	(3,081,116)
Electricity	-	2,815,852
Analysis of Water	-	76,235
Refuse removal	-	70,000
Employee Wellness	-	15,644
Entertainment	-	9,779
Consumables	-	9,779
Fines and penalties	-	(121,111)
		<u>(101,553)</u>

##### Reclassification 2

During the financial year trade payables from non-exchange transactions were inspected for classification. The reclassified occurred as follows:

Statement of financial position		
Payables from non-exchange transactions	-	145,514
Consumer deposits	-	(145,514)
		<u>-</u>

##### Reclassification 3

During the financial year employee benefit obligation reconciliation was reperformed for the comparative year. It was identified that current and non-current liabilities were over/under stated respectively. The reclassified between current and non-current liabilities occurred as follows:

Statement of financial position		
Employee benefit obligation (non-current )	-	218,000
Employee benefit obligation ( current )	-	(218,000)
		<u>-</u>