



Annual Financial Statements

FOR THE YEAR ENDED

30 June 2020

Alfred Duma Local Municipality

(Registration Number KZN 238)

Annual Financial Statements for the year ended 30 June 2020

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ABBREVIATIONS

COGTA	Cooperative Governance and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
COVID	Corona Virus Disease
DBSA	Development Bank of South Africa
DOHS	Department of Human Settlement
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
INEP	Integrated National Electrification Program
LUMS	Land Use Management System
MDRG	Municipal Disaster Recovery Grant
MIG	Municipal Infrastructure Grant
MFMA	Municipal Finance Management Act
MHOA	Municipal Housing Operating Account
MCPF	Municipal Councillors Pension Fund
MSCOA	Municipal Standard Chart of Accounts
NER	National Electricity Regulator
NJMPF	Natal Joint Municipal Pension Fund
PPE	Property, Plant and Equipment
SALGA	South African Local Government Authority
SALGBC	South African Local Government Bargaining Council
SCM	Supply Chain Management
SDL	Skills Development Levy
VAT	Value Added Taxation

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial period 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 are given unrestricted access to all financial records and related data.

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

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

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

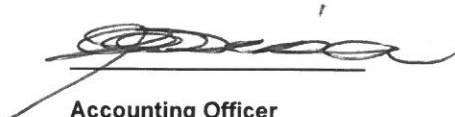
The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

The Accounting Officer has reviewed the municipality's cash flow forecast for the period to 30 June 2021 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Alfred Duma Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The annual financial statements set out on pages 2 to 81, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 October 2020.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 32 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act (20/1998) and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.



Accounting Officer
Ms S S Ngiba

30 October 2020

Alfred Duma Local Municipality

(Registration Number KZN 238)

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position

Figures in Rand	Note(s)	2020	2019 Restated
Assets			
Current Assets			
Inventories	15	152 034 529	142 386 396
Statutory Receivables	18	202 100 857	179 787 149
Receivables from Exchange Transactions	16	44 279 311	42 483 970
Receivables from Non-Exchange Transactions	17	3 865 355	3 823 537
VAT Receivable	8	21 381 695	18 435 701
Cash and Cash Equivalents	19	374 719 361	302 499 532
		798 381 108	689 416 285
Non-Current Assets			
Property, Plant and Equipment	9	1 848 833 149	1 898 967 267
Intangible Assets	10	3 258 988	3 939 304
Investment Property	11	184 107 427	167 459 683
Heritage Assets	12	21 652 526	21 658 026
Receivables from Exchange Transactions	14	5 217	8 350
		2 057 857 308	2 092 032 630
Total Assets		2 856 238 416	2 781 448 915
Liabilities			
Current Liabilities			
Consumer Deposits	3	16 181 084	14 745 363
Provisions	4	2 457 064	3 222 607
Retirement Benefit Obligation	5	3 059 000	2 775 385
Trade and Other Payables	6	219 201 614	178 777 327
Unspent Conditional Grants and Receipts	7	66 477 515	63 588 648
Current Portion of Long-term Loans	2	673 256	623 121
		308 049 533	263 732 452
Non-Current Liabilities			
Long-term Loans	2	4 869 894	5 543 149
Provisions	4	78 979 613	73 260 821
Retirement Benefit Obligation	5	48 794 000	50 551 806
		132 643 507	129 355 776
Total Liabilities		440 693 039	393 088 228
Net Assets		2 415 545 377	2 388 360 687
Net Assets			
Municipal Housing Operating Account	1	36 767 674	33 066 347
Accumulated Surplus		2 378 777 703	2 355 294 341
Total Net Assets		2 415 545 377	2 388 360 687

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Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated
Revenue			
Revenue from non-exchange transactions			
Property Rates	20	205 255 937	178 544 099
Property Rates - Penalties Imposed	21	25 213 814	22 556 353
Fines	22	10 869 721	14 621 070
Licences and Permits	23	2 270 553	2 955 121
Interest Received - Outstanding Receivables	28	7 952 167	6 344 374
Government Grants and Subsidies	24	331 632 508	298 995 116
Total revenue from non-exchange transactions		583 194 699	524 016 132
Revenue from exchange transactions			
Service Charges	25	383 529 570	365 615 667
Rental of Facilities and Equipment	26	2 656 191	2 426 680
Interest Received - External Investments and Other	27	18 440 395	14 788 169
Agency Services	29	2 483 423	2 734 342
Other Income	30	11 264 014	3 504 082
Total revenue from exchange transactions		418 373 593	389 068 941
Total Revenue		1 001 568 292	913 085 072
Expenditure			
Employee Related Costs	31	330 857 991	293 443 341
Remuneration of Councillors	32	26 424 601	25 362 870
Bad Debts / Impairment	33	88 183 666	70 683 943
Depreciation and Amortisation Expense	34	114 949 778	118 605 473
Finance Costs	35	427 498	471 616
Bulk Purchases	36	252 052 187	231 730 332
Contracted Services	37	50 290 066	47 881 741
General Expenses	38	124 047 343	152 950 216
Total Expenditure		987 233 131	941 129 533
Operating Surplus / (Deficit)		14 335 162	-28 044 460
Other Gains / Losses			
Gain / (Loss) on sale/disposal of assets		-6 806 829	-4 715 146
Gain / (Loss) on fair value adjustment		17 375 714	9 095 180
Gain / (Loss) on actuarial valuations		4 575 325	-5 318 194
Inventories: (Write-down) / reversal to net realisable value		8 617 020	-2 694 836
(Impairment Loss) / Reversal of impairment loss		-13 963 756	-2 671 166
Surplus / (Deficit) for the period		24 132 637	-34 348 623

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Statement of Changes in Net Assets

Figures in Rand	Municipal Housing Operating Account (ex HDF)	Accumulated Surplus	Total Net Assets
Balance at 1 July 2018	30 406 499	2 381 054 895	2 411 461 395
Adjustments to Opening Balance			
- Statutory Receivables	-	10 987 778	10 987 778
- Receivables from Non-Exchange Transactions	-	24 477	24 477
- Receivables from Exchange Transactions	-	-13 668	-13 668
- Trade and Other Payables	-	-1 366 748	-1 366 748
- Property, Plant and Equipment - Infrastructure	-	-560 127	-560 127
- Property, Plant and Equipment - Community	-	-201 473	-201 473
- Property, Plant and Equipment - Other	-	-738 878	-738 878
- Property, Plant and Equipment - Land	-	-820 380	-820 380
- Inventories - Inventory Assets	-	41 335	41 335
Opening Balance - Restated at 1 July 2018	30 406 499	2 388 407 210	2 418 813 710
Surplus / (Deficit) for the year	-	-34 348 623	-34 348 623
Transfer to Self-Insurance Fund	-	1 235 753	1 235 753
Transfer to Housing Development Fund	2 659 847	-	2 659 847
Balance at 1 July 2019	33 066 347	2 355 294 341	2 388 360 688
Surplus / (Deficit) for the year	-	24 132 637	24 132 637
Transfer to Self-Insurance Fund	-	-649 275	-649 275
Transfer to Municipal Housing Operating Account (ex HDF)	3 701 327	-	3 701 327
Balance at 30 June 2020	36 767 674	2 378 777 703	2 415 545 377

Refer to Note 52 in the Annual Financial Statements for more information relating to the Restatement of Opening Balances.

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Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated
Cash flows from operating activities			
Receipts			
Sale of goods and services		525 836 251	492 592 328
Grants		376 647 393	370 359 350
Interest Received - External Investments and Other		18 440 395	14 788 169
Interest Received - Outstanding Receivables		4 254 779	2 898 778
Other receipts		11 264 014	4 341 883
		936 442 831	884 980 508
Payments			
Employee costs		-360 286 595	-321 365 670
Suppliers		-415 883 770	-447 801 404
Interest paid		-427 498	-471 616
		-776 597 863	-769 638 690
Net cash flows from operating activities	39	159 844 968	115 341 818
Cash flows from investing activities			
Purchase of property, plant and equipment		-86 849 238	-89 982 383
Purchase of intangible assets		-423 666	-94 000
Proceeds from disposal of assets		270 886	2 759 723
Net cash flows from investing activities		-87 002 018	-87 316 660
Cash flows from financing activities			
Loans Repaid		-623 121	-579 003
Net cash flows from financing activities		-623 121	-579 003
Net increase / (decrease) in cash and cash equivalents		72 219 829	27 446 155
Cash and cash equivalents at the beginning of the year		302 499 532	275 053 377
Cash and cash equivalents at the end of the year	19	374 719 361	302 499 532

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Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved Budget	Budget Adjustments (i.t.o. s28 & s31 of the MFMA	Approved Final Budget	Actual	Variance Actual vs Final Budget	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
Figures in Rand							
Financial Performance							
Property Rates	187 837 872	7 083 926	194 921 798	205 255 937	10 334 139	109.27%	105.30%
Property Rates - Penalties / Interest	23 468 892	-517 465	22 951 427	25 213 814	2 262 387	107.44%	109.86%
Services Charges	414 783 948	-31 064 859	383 719 089	383 529 570	-189 519	92.46%	99.95%
Rental of Facilities and Equipment	2 511 168	338 189	2 849 357	2 656 191	-193 166	105.78%	93.22%
Interest Earned - External Investments and Other	14 422 416	3 579 086	18 001 502	18 440 395	438 893	127.86%	102.44%
Interest Earned - Outstanding Receivables	6 321 576	1 135 725	7 457 301	7 952 167	494 866	125.79%	106.64%
Fines	13 285 816	-3 598 464	9 687 352	10 869 721	1 182 369	81.81%	112.21%
Licences and Permits	2 701 584	-615 678	2 085 906	2 270 553	184 647	84.05%	108.85%
Transfers and Grants Recognised - Operational	252 459 000	2 762 204	255 221 204	252 093 067	-3 128 137	99.86%	98.77%
Agency Services	2 701 188	-508 140	2 193 048	2 483 423	290 375	91.94%	113.24%
Other Income	4 317 564	2 526 120	6 843 684	11 264 014	4 420 330	260.89%	164.59%
Total Revenue (Excl. Capital Transfers & Contributions)	924 811 024	-18 879 356	905 931 668	922 028 851	16 097 183	99.70%	101.78%
Employee Related Costs	354 515 304	-10 174 780	344 340 524	330 857 991	-13 482 533	93.33%	96.08%
Remuneration of Councillors	28 413 780	-56 935	28 356 845	26 424 601	-1 932 244	93.00%	93.19%
Bad Debts / Impairment	58 878 120	41 074 110	99 952 230	88 183 666	-11 768 564	149.77%	88.23%
Depreciation and Amortisation Expense	180 729 084	-33 447 508	147 281 576	114 949 778	-32 331 798	63.60%	78.05%
Finance Costs	430 356	1 525	431 881	427 498	-4 383	99.34%	98.99%
Bulk Purchases	274 887 384	-18 554 813	256 332 571	252 052 187	-4 280 384	91.69%	98.33%
Contracted Services	47 629 439	-8 011 740	39 617 699	50 290 066	10 672 367	105.59%	126.94%
Other Expenditure	123 490 308	23 989 385	147 479 693	124 047 343	-23 432 350	100.45%	84.11%
Total Expenditure	1 068 973 775	-5 180 756	1 063 793 019	987 233 131	-76 559 888	92.35%	92.80%
Operating Surplus/(Deficit)	-144 162 751	-13 698 600	-157 861 351	-65 204 279	92 657 072	45.23%	41.30%
Gain / (Loss) on sale/disposal of assets	-	-	880 000	6 806 829	5 926 829	0.00%	0.00%
Gain / (Loss) on fair value adjustment	-	-	-	-17 375 714	-17 375 714	0.00%	0.00%
Gain / (Loss) on actuarial valuations	-	-	-	-4 575 325	-4 575 325	0.00%	0.00%
Inventories: (Write-down) / reversal to net realisable value	-	-	750 000	-8 617 020	-9 367 020	0.00%	0.00%
(Impairment Loss) / Reversal of impairment loss	2 445 756	-	1 893 509	13 963 756	12 070 247	0.00%	0.00%
Other Gains / Losses	2 445 756	-	3 523 509	-9 797 476	-13 320 985	-400.59%	-278.06%
Surplus / (Deficit) for the Period	-146 608 507	-13 698 600	-161 384 860	-55 406 804	105 978 056	37.79%	34.33%
Transfers Recognised - Capital	71 083 020	-	94 423 016	79 539 441	-14 883 575	111.90%	84.24%
Contributions Recognised - Capital	-	-	-	-	-	0.00%	0.00%
Surplus/(Deficit) After Capital Transfers & Contributions	-73 079 731	-13 698 600	-66 961 844	24 132 637	91 094 481	-33.02%	-36.04%
Capital Expenditure and Funds Sources							
Capital Expenditure							
Transfers Recognised - Capital	71 083 020	-	94 423 016	79 539 441	-14 883 575	111.90%	84.24%
Internally Generated Funds	23 008 776	-	10 580 369	7 309 798	-3 270 571	31.77%	69.09%
Total Sources of Capital Funds	94 091 796	-	105 003 385	86 849 238	-18 154 147	92.30%	82.71%

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Annual Financial Statements

1.1 Basis of Presentation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 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.

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

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.2 Presentation Currency

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

1.3 Changes in Accounting Policy and Comparability

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

In terms of the new approved standards of GRAP that are effective for the 2019/2020 financial year, the Municipality has implemented GRAP 108, Statutory Receivables and GRAP 109, Accounting by Principal and Agents and had already adopted GRAP 20, Related Party Disclosures, in previous financial years. The accounting policies for these GRAP standards are disclosed further below.

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

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

The municipality changes an accounting policy only if the change:

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

1.4 New Standards of GRAP Approved and Effective for this Reporting Period

IGRAP 17	– Service Concession Arrangements: Where Grantor Controls Significant Residual Interest	- Not Applicable to the Municipality
IGRAP 18	– Recognition and Derecognition of Land	- Already Implemented
IGRAP 19	– Liabilities to Pay Levies	- Not Applicable to the Municipality
GRAP 20	– Related Party Disclosures	- Already Implemented
GRAP 32	– Service Concession Arrangements: Grantor	- Not Applicable to the Municipality
GRAP 108	– Statutory Receivables	- Implemented by the Municipality
GRAP 109	– Accounting by Principal and Agents	- Implemented by the Municipality

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Annual Financial Statements (Continued)

1.5 Comparative Information

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed.

1.6 Presentation of Budget Information in the Financial Statements

The municipality presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as a separate statement called the "Statement of Comparison of Budget and Actual Amounts". This statement compares the budget amounts with the amounts in the financial statements adjusted to be on a comparable basis. The comparison of budget and actual amounts is presented separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts; and
- by way of note disclosure, an explanation of material differences between the budget and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

1.7 Key Sources of Estimation, Uncertainty and Judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. The effects of COVID-19 are regarded as an additional factor contributing to uncertainty. Significant judgements include:

Trade Receivables

The municipality assesses its trade receivables for impairment at the end of each financial year for non-collectability. In determining whether an impairment should be recorded in surplus or deficit. Judgements are made as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Provisions

Provisions were raised and management used experts to determine an estimate based on information available. Additional disclosure of these estimates of provisions are included in note 4 on Provisions.

Retirement Benefit Obligation

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. Any changes in these assumptions will impact on the carrying amount of post retirement obligation.

The municipality obtains an actuarial valuation of its post-retirement healthcare benefit and disclosure of this obligation is included in note 5.

Allowance for Doubtful Debts (Impairment of Receivables)

On debtors an impairment loss is recognised where 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. In making the estimation of the impairment, management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39 – *Financial Instruments – Recognition and Measurement*.

Useful Lives of Property, Plant and Equipment

The municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Annual Financial Statements (Continued)

useful lives, which is determined when assets are available for use. The useful lives and residual lives are based on industry standards.

Impairment: Write-Down of Property, Plant and Equipment & Inventory

Estimates and judgements are made relating to property, plant and equipment for impairment testing and write-down of inventories to net realisable value as described in accounting policy 9 and 15 respectively.

1.8 Implementation of Municipal Standard Chart of Accounts (mSCOA)

The municipality has, with effect from 1 July 2017, implemented the Municipal Standard Chart of Accounts as a result of legislative requirements. The main aim of this reform is to ensure a standard approach to classification of various accounting transactions within the local government sphere.

Where required the implementation thereof has and will result in the re-classification of certain line items according to management's best estimate in order to provide the user's information on a more credible and comparable basis.

1.9 Going Concern Assumption

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

1.10 Standards of GRAP Approved which are not yet Effective

The Municipality has not applied the following standards and interpretation as listed below, as no effective date has been determined by the Minister:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

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Accounting Policies

1. Presentation of Annual Financial Statements (Continued)

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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1. Presentation of Annual Financial Statements (Continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110: Living and Non-Living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

It furthermore covers Definitions, Disclosing information about living and non-living resources, Significant judgements and assumptions, Indicators of Control, Elements of Cost, Subsequent and Research related costs, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

1.11 Standards of GRAP Approved which are Effective for Financial Years Commencing After 1 April 2020

GRAP 18: Segment Reporting

The objective of this Standard is to establish principles for reporting financial information by segments. The disclosure of this information will:

- enable users of the financial statements to better understand the municipality's past performance, to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates;
- identify the resources allocated to support the major activities of the municipality and assist in making decisions about the allocation of resources; and
- enhance the transparency of financial reporting and enable the municipality to better discharge its accountability obligations.

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in the presentation of segment information.

2. Municipal Housing Operating Account (ex HDF)

The Municipal Housing Operating Account (ex Housing Development Fund) was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

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3. Internal Reserves

Self Insurance Reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. Premiums are charged to the respective services, taking into account, claims history and replacement values of the insured assets, as well as affordability. The balance of the self-insurance fund is ring-fenced within the accumulated surplus/(deficit).

The Council determines annually the amount to contribute to the Self Insurance Reserve.

Claims not fully covered by external insurance are financed from the insurance reserve by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

The balance of the self-insurance fund is fully cash backed and is invested in a separate call account. All interest accrued on this bank account remains within the Self-Insurance Reserve.

4. Property, Plant and Equipment

4.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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4. Property, Plant and Equipment (Continued)

4.2 Subsequent Measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

4.3 Depreciation and Impairment

Depreciation is calculated on cost less residual value, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

The annual depreciation rates are based on the following estimated average asset lives: -

DETAILS	YEARS	DETAILS	YEARS
Infrastructure		Other	
Roads and Paving	10 - 50	Buildings	50
Servitudes	Indefinite	Specialised Vehicles	5 - 20
Electricity	10 - 50	Other Vehicles	5 - 20
Landfill Sites	15	Furniture and Office Equipment	2 - 20
Stormwater	100	Plant and Equipment	3 - 20
Bridges	50 - 100	Computer Equipment	3 - 10
Gravel Roads	10 - 50	Servitudes	Perpetual
Street Furniture	6 - 20	Containers	7 - 10
Community		Specialised Plant and Equipment	3 - 20
Buildings	50	Other Items of Plant and Equipment	3 - 20
Recreational Facilities	15 - 50		
Heritage	Indefinite		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

4.4 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.5 Infrastructure Assets

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

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Accounting Policies

4. Property, Plant and Equipment (Continued)

4.6 Incomplete Construction Work (Work-In-Progress)

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

5. Investment Property

5.1 Initial Recognition

Investment property is property (land or a building, or part of a building, or both land and buildings) 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.

Property with a currently undetermined use is also classified as investment property.

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 at no cost or for a nominal cost, 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.

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

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- Property that is being constructed or developed for future use as investment property;
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment or Inventory as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;

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5. Investment Property (Continued)

- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the year.

The carrying amount of an investment property is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of an investment property is included in surplus or deficit for the year when the asset is derecognised.

Gains or losses are calculated as the difference between the net book value of assets (fair value) and the sales proceeds.

6. Intangible Assets

6.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate 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.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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.

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Accounting Policies

6. Intangible Assets (Continued)

6.2 Subsequent Measurement, Amortisation and Impairment

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful life
Servitudes	indefinite
Software	2 – 10 years
Other Software	Indefinite

6.3 Derecognition of Intangible Assets

The carrying amount of an intangible asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of an intangible asset is included in surplus or deficit when the asset is derecognised.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated amortisation and accumulated impairment losses) and the sales proceeds. This is included in surplus or deficit for the year as a gain or loss on disposal of intangible assets.

7. Heritage Assets

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

7.1 Initial Recognition

A heritage asset that qualifies for recognition as an asset is measured at its cost and any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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

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Accounting Policies

7. Heritage Assets (Continued)

7.2 Subsequent Measurement

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses.

7.3 Depreciation and Impairment

Heritage assets are not depreciated but assessed at each reporting date whether there is an indication that it may be impaired.

7.4 Derecognition

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is recognised in the Statement of Financial Performance.

8. Impairment of Assets

8.1 Cash Generating Assets

Identification

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

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

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

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.

Discount Rate

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

Recognition and Measurement

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

An impairment loss is recognized for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

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Accounting Policies

8. Impairment of Assets (Continued)

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

8.2 Non-Cash Generating Assets

Identification

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

Value in Use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach:

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

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

Recognition and Measurement

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

An impairment loss is recognized for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

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Accounting Policies

8. Impairment of Assets (Continued)

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

9. Inventories

9.1 Initial Recognition

Inventories comprise of current assets held for sale in terms of land and other assets, and consumable items for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

9.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to consumable stores items is calculated on the weighted average method.

10. Financial Instruments

The Municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

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

10.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. In accordance with the Standards of GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

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Accounting Policies

10. Financial Instruments (Continued)

- Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.
- Financial assets measured at fair value being financial assets that meet either of the following conditions:
 - Derivatives;
 - Combined instruments that are designated at fair value;
 - Instruments held for trading;
 - Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- Financial assets measured at cost being investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Cash and Cash Equivalents (Incl. Short-Term Investments)	Financial assets at amortised cost
Long-Term Receivables	Financial assets at amortised cost
Trade and Other Receivables	Financial assets at amortised cost

10.1.1 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

10.2 Financial Liabilities – Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of Financial Liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at fair value; or
- Financial liabilities measured at amortised cost.

The Municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long-Term Liabilities	Financial liabilities at amortised cost
Certain Other Creditors (From Exchange Transactions)	Financial liabilities at amortised cost
Consumer Deposits	Financial liabilities at amortised cost

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Accounting Policies

10. Financial Instruments (Continued)

10.3 Initial and Subsequent Measurement

10.3.1 Financial Assets

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

10.3.2 Financial Liabilities

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

10.4 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially Trade and Other Receivables are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year end. Amounts receivable within 30 days from the date of reporting are classified as current.

A provision for impairment of trade and other receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The provision is made whereby the recoverability of Trade and Other Receivables is assessed individually or collectively after grouping the assets in financial assets with similar credit risk characteristics if individual assessment was not possible.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in surplus or deficit for the year with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit for the year.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit for the year to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

10.5 De-Recognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability

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Accounting Policies

10. Financial Instruments (Continued)

for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

10.6 De-Recognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

11. Statutory Receivables

Identification

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

Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset 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.

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 through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

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

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11. 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 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 Municipality has adopted GRAP 108, Statutory Receivables, in the current financial year.

12. Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred and 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

13. 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), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality'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.

14. Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred and the expenditure 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.

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15. Provisions

Provisions are recognised when:

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

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

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

Environmental Rehabilitation Provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Performance Bonuses

The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

In terms of Section 56 and 54 managers, Performance Contracts are concluded for a fixed term. Performance bonuses are considered and evaluated annually based on the performance of those managers.

Long-Service Awards

The Municipality has an obligation to provide Long-Service Allowance Benefits to all of its permanent employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to and the benefit is calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

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16. Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities and contingent assets are not recognised. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Contingencies are disclosed in the notes to the Annual Financial Statements.

Management judgement is required when recognising and measuring contingent liabilities.

17. Leases

Operating Leases – The Municipality as Lessor

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned investment properties and property, plant and equipment, where applicable. Rental income is recognized over the lease term.

18. Revenue Recognition

18.1 Revenue from Exchange Transactions

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

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser for the sale of goods or rendering of services in the ordinary course of the Municipality's activities. It is measured at the fair value of the consideration received or receivable and is shown net of any rebates, or trade discounts allowed by the Municipality.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would give rise to an impairment of the receivable and a separate expense to be recognised.

Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being incurred. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied for the year, over 11 months, based on the recorded number of refuse containers per property.

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18. Revenue Recognition (Continued)

Pre-paid Electricity

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Finance Income

Interest earned on investments is recognized in surplus or deficit for the year on a time proportion basis.

Rentals

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

Tariff Charges

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

Agency Services

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Third-Party Payments

Revenue from third parties, i.e. insurance payments for assets impaired, are recognised when funds have been transferred to the Municipality, and are not offset against the related expenses for repairs or renewals of the impaired asset.

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.

18.2 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Statutory receivables are also included in Revenue from non-exchange transactions.

Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Rebates and discounts are offset against the related revenue, as there is no intention of collecting this revenue. Rates are levied monthly, over 11 months, and payable by the last day of the following month. Penalty interest on unpaid rates is recognised on a time proportionate basis with

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18. Revenue Recognition (Continued)

reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers.

Fines

Fines constitutes both spot fines and summonses. Revenue from fines is recognised when the offence occurs to the extent that the municipality expects legal entitlement. Traffic fines are initially measured on the value stipulated on the notice, summons or equivalent document.

The revenue from traffic fines is subject to further judicial process which is outside the Municipality's control. These reductions / withdrawals are not considered in measuring that revenue and receivable on initial recognition. This is because there is a high degree of uncertainty in estimating the likely outcome of this process. Once this separate process has been concluded, any reductions / withdrawals are accounted for.

Public Contributions

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, the revenue is recognized as unspent grants, as current liabilities.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

18.3 Government Grants and Receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached, are recognised as revenue when the grant is receivable.

The Municipality acts as an agent in a principal / agent relationship with the Department of Human Settlement for the construction, repairs and rectification of low cost and other identified houses within its jurisdiction. Transfers are made to the Municipality for approved housing projects from the Department of Human Settlement, and the Municipality releases payments from these transfers to the Implementing Agents and Contractors appointed in terms of a Bi-Lateral or Tripartite Agreement with the Department of Human Settlement. The transfers are recognized as Unspent Conditional Grants and Receipts in the Statement of Financial Position.

The Municipality also acts as an agent in a principal / agent relationship with Eskom and the Department of Energy for the electrification of households in Eskom serviced areas falling within the Municipality's jurisdiction. Transfers are made to the Municipality for approved electrification projects, from National Treasury, approved by the Department of Energy, and the Municipality releases payments from these transfers to the Consultants and Contractors appointed by the Municipality. The transfers are recognized as Unspent Conditional Grants and Receipts in the Statement of Financial Position.

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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.

20. Employee Benefits

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

The Municipality provides short term benefits, long term benefits and retirement benefits for its employees.

Short-Term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

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

Past Service Costs

Past service costs are recognised immediately in surplus or deficit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight--line basis over the vesting period.

Post-Employment Benefit: Defined Contribution Plans

Defined contribution plan is a plan under which the municipality 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 asset to pay all employee benefits relating to employee service in the current and prior periods.

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

Post-Employment Benefits: Defined Benefit Plans

Defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to surplus or deficit for the year in which they arise.

Pension Obligations

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

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

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20. Employee Benefits (Continued)

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

Post-Retirement Health Care Benefits

The municipality has an obligation to provide Post-Retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

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

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

Long-Service Allowance

The municipality has an obligation to provide Long-Service Allowance Benefits to all of its employees. According to the rules of the Long-Service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

Actuarial gains or losses are accounted for in full and are recognised in surplus or deficit for the year.

Actuarial valuations are conducted on an annual basis by independent actuaries.

21. Unspent Conditional Grants and Receipts

Conditional grants and receipts are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

A liability for unspent conditional grants and receipts is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

Unspent conditional grants and receipts are not considered to be financial instruments as there are no amount to be settled through cash or another financial instrument as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this liability:

- Unspent conditional grants are recognised as a liability when the grant is received.

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21. Unspent Conditional Grants and Receipts (Continued)

- When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance, where applicable.
- The cash which backs up the liability is invested as individual investment or part of the operating account of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

22. Accounting by Principals and Agents

An agent is an entity that has been directed by another entity, 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.

A binding arrangement includes:

- A contract between parties;
- Legislative requirements (Including Laws, Regulations, Policies, By-Laws, Council Resolutions, etc.);
- Operations of law.

An entity is an agent if:

- 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 for its own benefit;
- It is not exposed to variability in the results of the transaction.

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.

The municipality has assessed the transactions and for the period under assessment does not have any such arrangements and/or has the following principal-agent relationships:

The Municipality as Principal

Third Party Payment Services

The Municipality has entered into an agreement with third-party payment service providers, for the collection of revenue in terms of Pre-Paid Electricity sales and for the payment of Consumer Accounts. The third-party service

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22. Accounting by Principals and Agents (Continued)

providers transact and collect revenue on behalf of the Municipality for which they receive an agreed commission / service fee per transaction.

The revenue is paid over to the Municipality at regular intervals during the month, directly into its Primary Bank Account, and the Municipality is charged the commission / service fee immediately on deposit of these funds. The commission / service fee is recorded as Contracted Services in the Statement of Financial Performance, and all revenue collected is recorded against Service Charges in terms of Pre-Paid Electricity sales in the Statement of Financial Performance and against Receivables in the Statement of Financial Position for payments on Consumer Accounts.

The arrangement to have third-party payment service providers is for the benefit of service delivery to the community, where it is more convenient to have access to multiple service providers when purchasing Pre-Paid Electricity tokens and to pay their consumer accounts.

The Municipality is the principal in this relationship as it has control over the significant terms and conditions of the transactions, and all resources are for the benefit of the Municipality.

There have been no changes in terms of these agreements relating to the current reporting period or the previous reporting period.

The Municipality as Agent

KZN Department of Transport

The Municipality has entered into an agreement with the KZN Department of Transport for the issuing of Vehicle and Drivers Licences. The Municipality administers the issuing of Vehicle and Drivers Licences for an agreed fee in terms of the amount collected on behalf of the KZN Department of Transport.

The Municipality recognises the fees paid as agency fees under Agency Services in the Statement of Financial Performance, and all other revenue collected on behalf of the KZN Department of Transport is deposited directly into their bank account and not accounted for or disclosed in the Municipality's accounting records.

The arrangement to have the Municipality act as an agent on behalf of the KZN Department of Transport, gives the public access to closer facilities to renew or apply for Vehicle and Drivers Licences.

The Municipality is the agent in this relationship as it does not have the power to determine the significant terms and conditions of the transactions, it does not have the ability to use all, or substantially all, of the resources that result for its own benefit, and it is not exposed to variability in the results of the transaction.

There have been no changes in terms of these agreements relating to the current reporting period or the previous reporting period.

Department of Human Settlement

The Municipality acts as an agent in a principal / agent relationship with the Department of Human Settlement for the construction, repairs and rectification of low cost and other identified houses within its jurisdiction. Transfers are made to the Municipality for approved housing projects from the Department of Human Settlement, and the Municipality releases payments from these transfers to the Implementing Agents and Contractors appointed in terms of a Bi-Lateral or Tripartite Agreement with the Department of Human Settlement. The transfers are recognized as Unspent Conditional Grants and Receipts in the Statement of Financial Position, and all payments made to the relevant Implementing Agents and Contractors are offset against the transfer amount in the Statement of Financial Position under Unspent Conditional Grants and Receipts.

The Municipality receives an operational / capacity grant as a Level 2 Accredited Municipality to cover the Municipality's operational expenses with regard to the administration and management of these projects. These funds are initially recognised in the Statement of Financial Position, as Unspent Conditional Grants and Receipts, and are transferred to Revenue, Government Grants and Receipts, in the Statement of Financial Performance when the funds

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are spent on operational expenditure relating to this function. All operational expenditure is disclosed in the Statement of Financial Performance and classified according to the nature of the expenditure.

The Municipality is the agent in this relationship as it does not have the power to determine the significant terms and conditions of the transactions, it does not have the ability to use all, or substantially all, of the resources that result for its own benefit, and it is not exposed to variability in the results of the transaction.

There have been no changes in terms of these agreements relating to the current reporting period or the previous reporting period.

Eskom

The Municipality also acts as an agent in a principal / agent relationship with Eskom and the Department of Energy for the electrification of households in Eskom serviced areas falling within the Municipality's jurisdiction. Transfers are made to the Municipality for approved electrification projects, from National Treasury, approved by the Department of Energy, and the Municipality releases payments from these transfers to the Consultants and Contractors appointed by the Municipality. The transfers are recognized as Unspent Conditional Grants and Receipts in the Statement of Financial Position, and all payments made to the relevant Consultants and Contractors are offset against the transfer amount in the Statement of Financial Position under Unspent Conditional Grants and Receipts.

The Municipality does not receive any additional funding for the implementation or managing of these projects.

The Municipality is the agent in this relationship as it does not have the power to determine the significant terms and conditions of the transactions, it does not have the ability to use all, or substantially all, of the resources that result for its own benefit, and It is not exposed to variability in the results of the transaction.

There have been no changes in terms of these agreements relating to the current reporting period or the previous reporting period.

23. Related Parties

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

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

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

24. Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at the reporting date.

The amount of capital commitments and other operating commitments contracted for at the reporting date, and which have not been recognised as liabilities are disclosed by way of note.

In terms of GRAP 17, contractual capital commitments are disclosed for all assets. The commitment is measured at the value of the contract less amounts paid until year end. Where contracts or letters of awards have been issued, this is classified as an approved and contracted commitment.

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25. Budget Information

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

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

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 July 2019 to 30 June 2020.

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

Comparative information is not required.

26. Value Added Tax

The Municipality accounts for Value-Added Tax on the payments basis.

From 1 April 2018 value added tax is levied at the standard rate of 15% on the supply of goods and services.

27. Events After Reporting Date

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

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

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements.

The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

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1. Municipal Housing Operating Account (ex HDF)

Unappropriated Surplus/(Deficit)	-10 356 828	-14 058 155
Loans extinguished by Government on 1 April 1998	47 124 502	47 124 502
	36 767 674	33 066 347

The Municipal Housing Operating Account is represented by the following assets and liabilities:

Housing selling scheme loans	2 649 865	2 649 865
Bank and cash	34 117 809	30 416 482
	36 767 674	33 066 347

2. Long-term Loans

Loans	5 543 149	6 166 271
Less : Current portion transferred to current liabilities	-673 256	-623 121
	4 869 894	5 543 149

The Municipality has 2 loans. One is with ABSA Bank, bearing an interest rate of 9.10% and is redeemed monthly with interest, ending February 2026. The other loan is with DBSA, bearing an interest rate of 5.00% and is redeemed bi-annually with interest, ending September 2028.

Refer to Appendix A for more detail on long-term loans

3. Consumer Deposits

Electricity	13 525 707	12 297 099
Refuse	2 655 377	2 448 264
	16 181 084	14 745 363

Interest is not paid on Consumer Deposits

Guarantees held in lieu of Electricity Deposits totals R 8 111 019 (30 June 2019: R 8 278 205)

4. Provisions

Non-Current

4.1 Environmental Rehabilitation

Ladysmith Waste Disposal Site

Balance at beginning of period	58 652 200	47 117 323
Additions / (Decrease) to Provision	4 257 081	11 534 877
	62 909 280	58 652 200

Indaka Waste Disposal Site

Balance at beginning of period	3 129 936	4 199 834
Additions / (Decrease) to Provision	219 396	-1 069 898
	3 349 333	3 129 936
	66 258 613	61 782 136

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate the landfill sites used for waste disposal. It is calculated as the net present value of the future obligation. The Municipality will incur R 66 258 613, calculated as at 30 June 2020, (30 June 2019: R 61 782 136) to restore the sites at the end of their respective useful life.

The valuation as at 30 June 2020 was performed by Iqhina Consulting Engineers & Project Managers. Iqhina Consulting Engineers & Project Managers is not affiliated to the Municipality. The full verification and valuation report as at 30 June 2020 is available on request.

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4. Provisions (Continued)

Current

4.2 Performance Bonuses

Balance at beginning of period	1 505 538	1 357 666
Contribution to provision	914 862	755 234
Expenditure incurred	-1 477 336	-607 361
	943 064	1 505 538

Performance bonuses are paid to the Municipal Manager and Section 56 Managers after an evaluation by Council.

4.3 Long Service Awards

The Long Service Awards is a defined benefit plan. The Municipality offers employees Long Service Awards for every five years of continuous service completed, from 5 years to 45 years of service, inclusive.

As at 30 June 2020, 828 (30 June 2019: 807) employees were eligible for Long Service Awards.

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
5	2.0%	5 / 250 x Annual Salary
10	4.0%	10 / 250 x Annual Salary
15	8.0%	20 / 250 x Annual Salary
20, 25, 30, 35, 40, 45	12.0%	30 / 250 x Annual Salary

In the month that each "Completed Service" milestone is reached, the employee is granted a Long Service Award. Working days awarded are valued at 1/250th of annual salary per day.

The amounts recognised on the Statement of Financial Position are as follows:

Fair Value of Plan Assets	-	-
Accrued Liability	14 235 000	13 195 754
Unfunded Accrued Liability	14 235 000	13 195 754
Unrecognised Transitional Liability	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Unrecognised Past Service Cost	-	-
Net Liability in Statement of Financial Position	14 235 000	13 195 754

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Opening liability	13 195 754	9 617 985
Current service cost	1 344 069	945 823
Interest cost	1 013 039	758 939
Actual benefits paid	-2 009 038	-1 828 884
Actuarial loss / (gain)	691 176	3 701 891
Closing Balance	14 235 000	13 195 754
Current Portion of Liability	1 514 000	1 717 069
Non-Current Portion of Liability	12 721 000	11 478 685
	14 235 000	13 195 754

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 344 069	945 823
Interest cost	1 013 039	758 939
Actuarial loss / (gain) recognised	691 176	3 701 891
Total included in Statement of Financial Performance	3 048 284	5 406 653

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4. Provisions (Continued)

Statistical information used to calculate the valuation is based on assumptions as at 30 June 2020.

Key Financial Assumptions Used

30 June 2020

Assumption	Value p.a.
Discount rate	7.61%
General salary inflation rate (long-term)	4.12%
Net effective discount rate	3.35%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2020.

The liability-weighted average term of the total liability is 7.35 years.

30 June 2019

Assumption	Value p.a.
Discount rate	8.20%
General salary inflation rate (long-term)	5.58%
Net effective discount rate	2.48%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 28 June 2019.

The liability-weighted average term of the total liability is 7.35 years.

Key Demographic Assumptions Used

30 June 2020

Average retirement age	62
Mortality during employment	SA 85 - 90

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
20	9%	9%
30	6%	6%
40	5%	5%
50	3%	3%
55	0%	0%

30 June 2019

Average retirement age	62
Mortality during employment	SA 85 - 90

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	0%	0%
>59	0%	0%

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4. Provisions (Continued)

Sensitivity Analysis

Sensitivity Analysis on Current Service and Interest Costs for the year ending 30 June 2020

Assumption	Change	Liability	% Change
Central assumptions		R14 235 000	
General salary inflation rate	+1%	R15 208 000	7%
	-1%	R13 356 000	-6%
Discount rate	+1%	R13 323 000	-6%
	-1%	R15 264 000	7%
Average retirement age	+2 yrs	R15 359 000	8%
	-2 yrs	R12 842 000	-10%
Withdrawal rates	x200%	R10 973 000	-23%
	x50%	R16 555 000	16%

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		R1 344 100	R1 013 000	R2 357 100	
General salary inflation rate	+1%	R1 467 000	R1 086 600	R2 553 600	8%
	-1%	R1 235 100	R946 800	R2 181 900	-7%
Discount rate	+1%	R1 243 000	R1 059 100	R2 302 100	-2%
	-1%	R1 459 700	R958 100	R2 417 800	3%
Average retirement age	+2 yrs	R1 438 900	R1 100 800	R2 539 700	8%
	-2 yrs	R1 239 400	R908 300	R2 147 700	-9%
Withdrawal rates	x50%	R1 678 000	R1 191 400	R2 869 400	22%

Sensitivity Analysis on Current Service and Interest Costs for the year ending 30 June 2019

Assumption	Change	Liability	% Change
Central assumptions		13.196	
General salary inflation rate	+1%	14.093	7%
	-1%	12.388	-6%
Discount rate	+1%	12.352	-6%
	-1%	14.150	7%
Average retirement age	-2 yrs	11.873	-10%
	+2 yrs	14.266	8%
Withdrawal rates	-50%	15.371	16%

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		R1 344 100	R1 013 000	R2 357 100	
General salary inflation rate	+1%	R1 467 000	R1 086 600	R2 553 600	8%
	-1%	R1 235 100	R946 800	R2 181 900	-7%
Discount rate	+1%	R1 243 000	R1 059 100	R2 302 100	-2%
	-1%	R1 459 700	R958 100	R2 417 800	3%
Average retirement age	-2 yrs	R1 239 400	R908 300	R2 147 700	-9%
	+2 yrs	R1 438 900	R1 100 800	R2 539 700	8%
Withdrawal rates	-50%	R1 678 000	R1 191 400	R2 869 400	22%

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4. Provisions (Continued)

Past and Future Changes in the Accrued Liability (Trend Information)

30 June 2020

	Year Ending 30/06/2020	Year Ending 30/06/2021	Year Ending 30/06/2022
Opening Accrued Liability	R13 195 754	R14 235 000	R15 198 000
Current-service cost	R1 344 069	R1 450 000	R1 560 000
Interest cost	R1 013 039	R1 027 000	R1 090 000
Benefits vesting	-R2 009 038	-R1 514 000	-R1 782 000
Total Annual Expense	R348 070	R963 000	R868 000
Actuarial Loss / (Gain)	R691 176		
Closing Accrued Liability	R14 235 000	R15 198 000	R16 066 000

The Municipality expects to pay R 1 514 000 for long-service leave benefits in the 2020/2021 financial year.

The impact of COVID-19 is difficult to estimate at this time, as there is much uncertainty as to how the pandemic will affect mortality, and whether or when a treatment or vaccine will become available.

The valuation as at 30 June 2020 was performed by ARCH Actuarial Consulting (Pty) Ltd.

ARCH Actuarial Consulting (Pty) Ltd is not affiliated to the Municipality.

The full actuarial valuation report as at 30 June 2020 is available on request.

30 June 2019

	Year Ending 30/06/2019	Year Ending 30/06/2020	Year Ending 30/06/2021
Opening Accrued Liability	R9 617 985	R13 195 754	R13 835 793
Current-service cost	R945 823	R1 344 069	R1 454 283
Interest cost	R758 939	R1 013 039	R1 072 496
Benefits vesting	-R1 828 884	-R1 717 069	-R1 543 555
Total Annual Expense	-R124 122	R640 039	R983 224
Actuarial Loss / (Gain)	R3 701 891		
Closing Accrued Liability	R13 195 754	R13 835 793	R14 819 017

The Municipality expects to pay R 1 717 069 for long-service leave benefits in the 2019/2020 financial year.

The valuation as at 30 June 2019 was performed by ARCH Actuarial Consulting (Pty) Ltd.

ARCH Actuarial Consulting (Pty) Ltd is not affiliated to the Municipality.

The full actuarial valuation report as at 30 June 2019 is available on request.

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5. Retirement Benefit Obligations

Post-Retirement Medical Aid Plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several accredited medical schemes most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the accredited medical scheme. Upon a member's death-in-service, or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Eligible employees will receive a post-employment subsidy of 50% of the contribution payable should they be a member of a medical scheme at retirement, subject to the following conditions:

- Total service of at least ten years at retirement.
- Membership of a Municipality-accredited medical aid scheme for the majority of their total service (i.e. more than half of their service by retirement).

Continuation members and their eligible dependents receive either a 50%, 60% or a 66.7% subsidy.

A revised post-employment medical aid subsidy policy was adopted by the Municipality on 27 September 2018, whereby all employees are entitled to this benefit (subject to meeting the conditions described above).

The previous policy, that was rescinded, included the following provisions:

Eligible employees received a post-employment subsidy of 60% of the contribution payable if they were a member of a medical scheme at retirement and if they were aged 55 or older on 1 January 2005.

A subsidy of 50% for those in-service members who were aged between 50 and 55 on 1 January 2005, would be provided. Other in-service members did not qualify for the post-employment subsidy.

If an employee chose to take early retirement, he or she must have been at least 55 years of age at the time of retirement and have had at least 25 continuous years' service, provided they were eligible as at 1 January 2005, as indicated above.

The total in-service employees belonging to Medical Schemes as at 30 June 2020 were 300 (30 June 2019: 282), and the total continuation (retiree and widow) receiving the medical benefit as at 30 June 2020 were 68 (30 June 2019: 67). In-service employees that are non-members of a Medical Scheme totalled 528 as at 30 June 2020.

The amounts recognised on the Statement of Financial Position are as follows:

Present value of obligations	51 853 000	53 327 191
Fair value of plan assets	-	-
Unrecognised Past Service cost	-	-
Unrecognised actuarial (gains)/losses	-	-
Liability Recognised in Balance Sheet	51 853 000	53 327 191

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Opening liability	53 327 191	28 178 688
Current service cost	1 785 067	-
Interest cost	4 796 842	2 436 195
Actual benefits paid	-2 789 598	-2 583 211
Actuarial loss / (gain) (30 June 2019 includes a Past-Service Cost for the revised benefit policy)	-5 266 502	25 295 518
Closing Balance	51 853 000	53 327 191

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 785 067	-
Interest cost	4 796 842	2 436 195
Actuarial loss / (gain) recognised	-5 266 502	25 295 518
Total included in Statement of Financial Performance	1 315 407	27 731 713
Current Portion of Liability	3 059 000	2 775 385
Non-Current Portion of Liability	48 794 000	50 551 806
	51 853 000	53 327 191

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5. Retirement Benefit Obligations (Continued)

Statistical information used to calculate the valuation is based on assumptions as at 30 June 2020.

Key Financial Assumptions Used

30 June 2020

Assumption	Value p.a.
Discount rate	10.06%
Health care cost inflation rate	6.17%
Net discount rate - health care cost inflation	3.66%
Maximum subsidy inflation rate	4.25%
Net discount rate - maximum subsidy inflation	5.57%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2020.

30 June 2019

Assumption	Value p.a.
Discount rate	9.23%
Health care cost inflation rate	6.74%
Net discount rate - health care cost inflation	2.33%
Maximum subsidy inflation rate	4.68%
Net discount rate - maximum subsidy inflation	4.38%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 28 June 2019.

Key Demographic Assumptions Used

30 June 2020

Assumption	Value
Average retirement age	62
Continuation of membership at retirement	75%
Proportion with a spouse dependent at retirement	60%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy thereafter	15%
Mortality during employment	SA 85 - 90
Mortality post-retirement	PA(90) -1 with a 1% mortality improvement p.a. from 2010

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
>55	0%	0%

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5. Retirement Benefit Obligations (Continued)

30 June 2019

Assumption	Value
Average retirement age	62
Continuation of membership at retirement	75%
Proportion with a spouse dependent at retirement	60%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy thereafter	15%
Mortality during employment	SA 85 - 90
Mortality post-retirement	PA(90) -1 with a 1% mortality improvement p.a. from 2010

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
>55	0%	0%

Sensitivity Analysis on the Accrued Liability (R Millions)

30 June 2020

Assumption	Change	In-service	Continuation	Total	% Change
Central assumptions		21.820	30.033	51.853	
Health care inflation rate	+1%	24.422	31.329	55.751	8%
	-1%	19.079	28.455	47.534	-8%
Discount rate	+1%	18.488	27.837	46.325	-11%
	-1%	26.070	32.575	58.645	13%
Post-employment mortality	+1 yr	21.310	29.054	50.364	-3%
	-1%	22.323	31.010	53.333	3%
Average retirement age	-1 yr	23.703	30.033	53.736	4%
Continuation of membership at retirement	-10%	17.897	30.033	47.930	-8%

The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 8% higher than that shown.

30 June 2019

Assumption	Change	In-service	Continuation	Total	% Change
Central assumptions		23.799	29.528	53.327	
Health care inflation rate	+1%	26.710	30.793	57.503	8%
	-1%	20.615	27.921	48.535	-9%
Discount rate	+1%	19.842	27.186	47.028	-12%
	-1%	28.939	32.270	61.208	15%
Post-employment mortality	-1 yr	24.427	30.571	54.998	3%
Average retirement age	-1 yr	24.664	29.528	54.192	2%
Continuation of membership at retirement	-10%	19.688	29.528	49.216	-8%

The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 8% higher than that shown.

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5. Retirement Benefit Obligations (Continued)

Sensitivity Analysis on Current Service and Interest Costs for the year ending 30 June 2021

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		R1 625 000	R5 066 000	R6 691 000	
Health care inflation rate	+1%	R1 844 000	R5 458 000	R7 302 000	9%
	-1%	R1 387 000	R4 632 000	R6 019 000	-10%
Discount rate	+1%	R1 343 000	R4 959 000	R6 302 000	-6%
	-1%	R1 994 000	R5 178 000	R7 172 000	7%
Post-employment mortality	+1 yr	R1 588 000	R4 916 000	R6 504 000	-3%
	-1%	R1 663 000	R5 215 000	R6 878 000	3%
Average retirement age	-1 yr	R1 757 000	R5 256 000	R7 013 000	5%
Continuation of membership at retirement	-10%	R1 198 000	R4 672 000	R5 870 000	-12%

Sensitivity Analysis on Current Service and Interest Costs for the year ending 30 June 2020

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		R1 785 100	R4 796 800	R6 581 900	
Health care inflation rate	+1%	R2 028 300	R5 181 700	R7 210 000	10%
	-1%	R1 511 000	R4 355 200	R5 866 200	-11%
Discount rate	+1%	R1 446 800	R4 672 500	R6 119 300	-7%
	-1%	R2 235 400	R4 925 500	R7 160 900	9%
Post-employment mortality	-1 yr	R1 831 700	R4 951 100	R6 782 800	3%
Average retirement age	-1 yr	R1 804 700	R4 876 600	R6 681 300	2%
Continuation of membership at retirement	-10%	R1 331 200	R4 417 300	R5 748 500	-13%

Past and Future Changes in the Accrued Liability (Trend Information)

30 June 2020

	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022
Opening Accrued Liability	R53 327 191	R51 853 000	R55 485 000
Current-service cost	R1 785 067	R1 625 000	R1 788 000
Interest cost	R4 796 842	R5 066 000	R5 422 000
Contributions (benefits paid)	-R2 789 598	-R3 059 000	-R3 248 000
Total Annual Expense	R3 792 311	R3 632 000	R3 962 000
Actuarial Loss / (Gain)	-R5 266 502		
Closing Accrued Liability	R51 853 000	R55 485 000	R59 447 000

The Municipality expects to pay R 3 059 000 i.t.o. its post-employment medical aid subsidy in the 2020/2021 financial year.

The impact of COVID-19 is difficult to estimate at this time, as there is much uncertainty as to how the pandemic will affect mortality, and whether or when a treatment or vaccine will become available.

The valuation as at 30 June 2020 was performed by ARCH Actuarial Consulting (Pty) Ltd.
ARCH Actuarial Consulting (Pty) Ltd is not affiliated to the Municipality.
The full actuarial valuation report as at 30 June 2020 is available on request.

30 June 2019

	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021
Opening Accrued Liability	R28 178 688	R53 327 191	R57 133 715
Current-service cost	R0	R1 785 067	R1 949 829
Interest cost	R2 436 195	R4 796 842	R5 139 742
Contributions (benefits paid)	-R2 583 211	-R2 775 385	-R2 962 446
Total Annual Expense	-R147 016	R3 806 524	R4 127 125
Past-service Cost	R23 679 215		
Actuarial Loss / (Gain)	R1 616 304		
Closing Accrued Liability	R53 327 191	R57 133 715	R61 260 840

The Municipality expects to pay R 2 775 385 i.t.o. its post-employment medical aid subsidy in the 2019/2020 financial year.

The valuation as at 30 June 2019 was performed by ARCH Actuarial Consulting (Pty) Ltd.
ARCH Actuarial Consulting (Pty) Ltd is not affiliated to the Municipality.
The full actuarial valuation report as at 30 June 2019 is available on request.

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6. Trade and Other Payables

Trade Creditors	90 339 653	69 920 284
Retentions	28 138 893	24 925 548
Unidentified Deposits in Primary Bank Account	6 551 444	5 657 215
Deposits: Other	3 022 430	2 877 972
Other Creditors	17 339 218	14 811 229
Employee Benefits / Accruals	32 508 529	25 447 511
Payments Received in Advance i.r.o. Service Debtors	41 301 447	35 137 568
	219 201 614	178 777 327

Trade Creditors are valued at fair value as creditors are paid 30 days from date of statement.

Trade payables are non-interest-bearing and normally settled on 30-day terms, where applicable, except retentions that are usually settled after 12 months. Management policies are in place to ensure that all payables are paid within a reasonable timeframe, as stipulated in the MFMA, to ensure sound financial and risk management.

Due to COVID-19, Employee Benefits in terms of Leave Accrual increased during the 2019/2020 financial year, due to employees not having to take of their annual leave during this period.

7. Unspent Conditional Grants and Receipts

Municipal Infrastructure Grant	7 499 732	10 015 751
Department of Human Settlement	37 890 619	40 992 084
Integrated National Electrification Programme	10 495 022	6 494 320
Housing Accreditation	819 193	2 086 713
Sports Facilities Grant	-	760 308
Municipal Systems Improvement Grant	153 607	575 975
Nodal Development Plan	-	950 100
Eradication of the Bucket System (Ex Indaka LM)	671 219	671 219
Spatial Development Framework Grant	-	950 100
Local Government Sector Education and Training Authority	94 000	-
Municipal Disaster Relief Grant	930 672	-
Construction of an Animal Pound	2 041 000	-
Construction of a Satellite Fire Station for Indaka	5 490 373	-
Building Plans Information Management System	300 000	-
Waste Recycling Plant / Logistics Hub	92 079	92 079
	66 477 515	63 588 648

Impact of COVID-19 on Conditional Grants and Receipts

There were delays in the completion of certain projects funded by Conditional Grants and Receipts received by National and Provincial Government. The Municipality applied for roll-overs on certain grants, as disclosed in Note 24 to the Annual Financial Statements.

The Municipality did not apply to National Treasury for the re-purposing of Conditional Grants for COVID-19 requirements.

8. VAT Receivable

21 381 695

18 435 701

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

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9. Property, Plant and Equipment

30 June 2020

Reconciliation of Carrying Value

	Infrastructure	Community	Other	Land	Total
Carrying values at 30 June 2019	1 144 300 484	236 355 394	92 538 339	425 773 050	1 898 967 267
Cost	2 345 702 941	419 301 703	256 412 408	425 773 050	3 447 190 101
Capital under Construction	31 191 264	38 372 568	5 621 941	-	75 185 773
Accumulated impairment	-21 487 393	-7 659 274	-36 717	-	-29 183 383
Accumulated depreciation	-1 211 106 328	-213 659 603	-169 459 292	-	-1 594 225 223
Acquisitions	43 593 298	7 373 958	10 660 405	379 170	62 006 831
Capital under Construction	12 156 430	9 296 474	1 097 044	-	22 549 948
Depreciation	-91 165 693	-9 298 641	-13 381 463	-	-113 845 796
Impairment	-9 826 279	-3 752 478	-67 956	-	-13 646 713
Carrying value of disposals / transfers	1 443 120	-8 227 544	-187 163	-226 800	-7 198 387
Cost/revaluation	1 101 066	-12 212 295	-595 289	-226 800	-11 933 318
Accumulated impairment	-	-	-	-	-
Accumulated depreciation	342 053	3 984 751	408 126	-	4 734 931
Carrying values at 30 June 2020	1 100 501 360	231 747 163	90 659 207	425 925 420	1 848 833 149
Cost	2 390 397 305	414 463 366	266 477 524	425 925 420	3 497 263 614
Capital under Construction	43 347 694	47 669 042	6 718 985	-	97 735 721
Accumulated impairment	-31 313 671	-11 411 752	-104 673	-	-42 830 097
Accumulated depreciation	-1 301 929 967	-218 973 493	-182 432 629	-	-1 703 336 089

30 June 2019

Reconciliation of Carrying Value

	Infrastructure	Community	Other	Land	Total
Carrying values at 30 June 2018	1 188 398 639	226 571 634	89 015 575	373 339 822	1 877 325 670
Cost	2 306 182 767	411 175 254	246 810 887	373 339 822	3 337 508 729
Capital under Construction	27 930 356	22 668 657	-	-	50 599 012
Accumulated impairment	-21 968 437	-5 703 338	-52 163	-	-27 723 938
Accumulated depreciation	-1 123 746 046	-201 568 938	-157 743 149	-	-1 483 058 133
Acquisitions	46 087 086	8 141 350	13 278 344	-3 832 336	63 674 445
Capital under Construction	3 154 802	15 703 912	5 728 047	-	24 586 761
Depreciation	-90 532 325	-12 095 254	-14 447 959	-	-117 075 538
Impairment	481 044	-1 955 936	15 446	-	-1 459 446
Carrying value of disposals / transfers	-3 394 869	-10 313	-945 008	56 265 564	51 915 375
Cost/revaluation	-6 566 912	-14 901	-3 676 824	56 265 564	46 006 927
Accumulated impairment	-	-	-	-	-
Accumulated depreciation	3 172 043	4 589	2 731 816	-	5 908 448
Carrying values at 30 June 2019	1 144 194 377	236 355 394	92 644 445	425 773 050	1 898 967 267
Cost	2 345 702 941	419 301 703	256 412 408	425 773 050	3 447 190 101
Capital under Construction	31 085 157	38 372 568	5 728 047	-	75 185 773
Accumulated impairment	-21 487 393	-7 659 274	-36 717	-	-29 183 383
Accumulated depreciation	-1 211 106 328	-213 659 603	-169 459 292	-	-1 594 225 223

Refer to Appendix B for more detail on property, plant and equipment.

Physical verification and valuation

Assets were physically verified during the 2019/2020 financial year. During this process the asset location, condition and maintenance history was recorded and evaluated. Impairment testing was also conducted on assets.

Capital Under Construction

There are currently 22 projects and items listed as Capital Under Construction as at 30 June 2020, however the 2 projects listed below are delayed or taking longer than expected to complete:

- Construction of the Ezakheni Sports Complex : Amount disclosed in PPE - R 16 194 104

This project has had significant delays in completion due to the termination of contracts for appointed contractors, who have failed to complete the project and have not met the correct specifications in terms of the project.

- Ennambithi Indoor Sports Complex : Amount disclosed in PPE - R 5 115 727

This is a longer term project and the planning and study phase of this project has been completed.

Expenditure incurred to repair and maintain property, plant and equipment

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

Amount paid to service providers - Contracted Services	15 806 489	16 870 769
Materials used from inventory - General Expenses - Consumable Stores	15 984 083	19 887 271
Employee costs - Remuneration of Employees	46 156 766	41 275 400
Transport costs - General Expenses	14 135 284	16 191 083
	92 082 622	94 224 523

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10. Intangible Assets

30 June 2020

	Opening Balance	Additions / Amortisation	Disposals	Transfers	Total
Cost					
Servitudes	41 623	-	-	-	41 623
Computer Software	6 963 693	481 946	-354 774	-	7 090 864
Total	7 005 316	481 946	-354 774	-	7 132 487
Accumulated Amortisation					
Servitudes	-	-	-	-	-
Computer Software	-3 066 011	-1 103 982	296 494	-	-3 873 499
Total	-3 066 011	-1 103 982	296 494	-	-3 873 499
Carrying Value	3 939 304	-622 036	-58 280	-	3 258 988

30 June 2019

	Opening Balance	Additions / Amortisation	Disposals	Transfers	Total
Cost					
Servitudes	41 623	-	-	-	41 623
Computer Software	6 869 693	94 000	-	-	6 963 693
Total	6 911 316	94 000	-	-	7 005 316
Accumulated Amortisation					
Servitudes	-	-	-	-	-
Computer Software	-2 145 518	-920 494	-	-	-3 066 011
Total	-2 145 518	-920 494	-	-	-3 066 011
Carrying Value	4 765 798	-826 494	-	-	3 939 304

Intangible assets disclosed relate to computer software and to servitudes registered by the municipality.

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11. Investment Property

30 June 2020

	Opening Balance	Additions	Fair Value Adjustment / Impairment	Transfers / Disposals	Total
Cost	167 459 683	-	17 375 714	-727 970	184 107 427
Total	167 459 683	-	17 375 714	-727 970	184 107 427
Accumulated Depreciation	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	167 459 683	-	17 375 714	-727 970	184 107 427

30 June 2019

	Opening Balance	Additions	Fair Value Adjustment / Impairment	Transfers / Disposals	Total
Cost	243 983 157	-	9 099 742	-85 623 216	167 459 683
Total	243 983 157	-	9 099 742	-85 623 216	167 459 683
Accumulated Depreciation	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	243 983 157	-	9 099 742	-85 623 216	167 459 683

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 fair value of the above properties is R 184 107 427. Investment properties have been valued in accordance with the municipal valuation roll and have been adjusted to take into account current market conditions, and other special assumptions depending on the category of property.

The last effective date of the fair value adjustments was June 2020. The valuations were performed by a Professional Valuer. The valuation was based on the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The municipal valuer has extensive experience in the location and category of investment property valued with the necessary qualifications.

The municipal valuer has also indicated that a material uncertainty exists in the valuation of the properties due to insufficient information being available due to the impact of COVID-19.

The full valuation report as at 30 June 2020 is available on request.

Investment Property was rented / leased during the period and rental income of was recognised and disclosed in the Statement of Financial Performance, Rental of facilities and equipment.

There were no direct expenses related to investment property, including repairs and maintenance, for this financial period.

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12. Heritage Assets

30 June 2020

	Opening Balance	Additions	Disposals / Impairment	Transfers	Total
Cost					
Buildings	16 716 600	-	-5 500	-	16 711 100
Other	4 941 426	-	-	-	4 941 426
Total	21 658 026	-	-5 500	-	21 652 526
Accumulated Amortisation					
Buildings	-	-	-	-	-
Other	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	21 658 026	-	-5 500	-	21 652 526

30 June 2019

	Opening Balance	Additions	Disposals / Impairment	Transfers	Total
Cost					
Buildings	16 716 600	-	-	-	16 716 600
Other	4 956 874	-	-15 448	-	4 941 426
Total	21 673 474	-	-15 448	-	21 658 026
Accumulated Amortisation					
Buildings	-	-	-	-	-
Other	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	21 673 474	-	-15 448	-	21 658 026

The Municipality accounts for Heritage Assets under GRAP 103.

The cost model is used for all heritage assets in terms of measurement.

Where the inability exists to determine the fair value reliably, when market-determined prices or values are not available and alternative estimates of fair value are determined to be clearly unreliable, heritage assets shall be measured using the cost model. The carrying amount of the heritage asset shall be its revalued amount at the date of the last revaluation less any subsequent accumulated impairment losses.

These assets were assessed for impairment during the 2019/2020 financial year.

The valuation of Heritage Assets was carried out by Mganu (Pty) Ltd during the 2019/2020 financial year.

Mganu (Pty) Ltd is not affiliated to the Municipality.

The full valuation report as for the 2019/2020 financial year is available on request.

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13. Self-Insurance Fund

Opening balance	14 856 066	13 620 312
Contributions / Interest	803 394	1 771 107
Insurance Claims processed	-1 452 669	-535 353
	14 206 791	14 856 066

The Municipality has a Self-Insurance Fund to set aside amounts to offset potential losses or claims, which fall under a stop loss determined and calculated by Council's insurance broker based on the insurance risk carried by the Municipality. The funds are kept in a separate call account and invested on short-term fixed deposits, and the interest earned is credited to the fund.

14. Non-current Receivables from Exchange Transactions

State Housing Selling Schemes	5 217	8 350
	5 217	8 350

15. Inventories

Unsold properties and assets held for resale	131 675 868	123 510 910
Consumable Stores	18 944 490	17 030 747
Inventory Assets	1 414 171	1 844 739
	152 034 529	142 386 396

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16. Trade and Other Receivables from Exchange Transactions

As at 30 June 2020

	Gross Balances	Provision for Bad Debts	Net Balance
Electricity	49 359 933	-17 026 887	32 333 046
Refuse	62 765 099	-50 968 821	11 796 278
Housing Debtors	2 916 813	-2 766 827	149 986
	115 041 845	-70 762 534	44 279 311

As at 30 June 2019

	Gross Balances	Provision for Bad Debts	Net Balance
Electricity	48 355 576	-14 897 132	33 458 444
Refuse	49 101 459	-40 235 061	8 866 398
Housing Debtors	2 630 154	-2 471 026	159 128
	100 087 190	-57 603 220	42 483 970

Electricity : Ageing

Current (0 - 30 days)	26 915 545	27 846 856
31 - 60 Days	4 153 457	4 523 199
61 - 90 Days	1 517 114	2 298 896
91 - 120 Days	1 188 467	2 234 400
121+ Days	15 585 350	11 452 226
	49 359 933	48 355 576

Refuse : Ageing

Current (0 - 30 days)	94 665	312 720
31 - 60 Days	2 113 534	1 652 451
61 - 90 Days	1 646 496	1 442 506
91 - 120 Days	1 593 416	1 389 578
121+ Days	57 316 988	44 304 205
	62 765 099	49 101 459

Housing : Ageing

Current (0 - 30 days)	31 617	33 189
31 - 60 Days	30 937	31 780
61 - 90 Days	29 817	30 500
91 - 120 Days	29 515	30 369
121+ Days	2 794 926	2 504 317
	2 916 813	2 630 154

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16. Trade and Other Receivables from Exchange Transactions (Continued)

Reconciliation of the doubtful debt provision

Balance at beginning of the period	57 603 220	43 045 429
Contributions to provision	14 477 684	19 904 803
Doubtful debts written off against provision	-1 318 369	-5 347 012
	70 762 534	57 603 220

Trade and other receivables from exchange transactions impaired

As of 30 June 2020, trade and other receivables of R 115 041 845 (30 June 2019: R 100 087 190) were impaired and provided for. The amount of the provision was R 70 762 534 as at 30 June 2020 (30 June 2019: R 57 603 220).

The ageing of these receivables is as follows:

31 - 60 Days	5 064 288	4 670 966
61 - 90 Days	2 567 898	2 838 280
91 - 120 Days	2 260 700	2 749 822
121+ Days	60 869 649	47 344 152
	70 762 534	57 603 220

The fair value of trade and other receivables from exchange transactions approximates their carrying amounts.

Debtors are individually evaluated at financial year end for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable.

Evaluation of impairment includes all debt passed 30 days, and considers past and current payment trends.

There was an increase in impairment on Trade and Other Receivables, due to a lower payment rate during the 2019/2020 financial year as a result of the impact of COVID-19 on the local economy.

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17. Other Receivables from Non-Exchange Transactions

As at 30 June 2020

	Gross Balances	Provision for Bad Debts	Net Balance
Legal Fees - Debtors	543 708	-409 043	134 665
Credit Control Costs - Debtors	107 966	-62 494	45 472
Sundry Debtors	8 183 445	-4 498 227	3 685 218
	8 835 119	-4 969 764	3 865 355

As at 30 June 2019

	Gross Balances	Provision for Bad Debts	Net Balance
Legal Fees - Debtors	475 466	-365 141	110 324
Credit Control Costs - Debtors	115 016	-69 149	45 867
Sundry Debtors	8 163 797	-4 496 452	3 667 345
	8 754 279	-4 930 742	3 823 537

Reconciliation of the doubtful debt provision

Balance at beginning of the year	4 930 742	3 656 546
Contributions to provision	47 593	3 018 890
Doubtful debts written off against provision	-8 571	-1 744 694
	4 969 764	4 930 742

Trade and other receivables from non-exchange transactions impaired

As of 30 June 2020, trade and other receivables from non-exchange transactions of R 8 835 119 (30 June 2019: R 8 754 279) were impaired and provided for. The amount of the provision was R 4 969 764 as at 30 June 2020. (30 June 2019: R 4 930 742)

The ageing of these receivables is as follows:

The fair value of trade and other receivables from non-exchange transactions approximates their carrying amounts.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt passed 30 days, and considers past and current payment trends, where applicable.

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18. Statutory Receivables

From Non-Exchange Transactions

As at 30 June 2020

	Gross Balances	Provision for Bad Debts	Net Balance
Property Rates	320 189 227	-167 538 151	152 651 076
Vat on Debtors	16 153 597	-	16 153 597
Traffic Fines	26 383 626	-17 009 618	9 374 008
Penalties / Interest	86 632 882	-62 710 706	23 922 176
	449 359 332	-247 258 475	202 100 857

As at 30 June 2019

	Gross Balances	Provision for Bad Debts	Net Balance
Property Rates	266 748 689	-131 880 418	134 868 271
Vat on Debtors	13 837 465	-	13 837 465
Traffic Fines	41 553 770	-26 725 999	14 827 771
Penalties / Interest	57 721 680	-41 468 039	16 253 641
	379 861 605	-200 074 456	179 787 149

Rates : Ageing

Current (0 - 30 days)	81 621	30 234
31 - 60 Days	11 002 436	8 605 396
61 - 90 Days	8 374 925	5 374 990
91 - 120 Days	32 580 584	4 764 119
121+ Days	268 149 660	247 973 950
	320 189 227	266 748 689

Reconciliation of the doubtful debt provision

Balance at beginning of the year	200 074 456	182 585 793
Contributions to provision	73 658 389	47 760 251
Doubtful debts written off against provision	-26 474 370	-30 271 587
	247 258 475	200 074 456

Statutory receivables impaired

As of 30 June 2020, Statutory receivables of R 433 205 736 (30 June 2019: R 366 024 139) were impaired and provided for. The amount of the provision was R 247 258 475 as at 30 June 2020. (30 June 2019: R 200 074 456)
The ageing of these receivables is as follows:

31 - 60 Days	8 496 368	7 231 327
61 - 90 Days	6 467 336	4 516 737
91 - 120 Days	25 159 577	4 003 407
121+ Days	207 135 194	184 322 985
	247 258 475	200 074 456

The fair value of statutory receivables transactions approximates their carrying amounts.

All Statutory Debtors with the exclusion of Vat Service Debtors are individually evaluated at financial year end for impairment.

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

Evaluation of impairment includes all debt passed 30 days, and considers past and current payment trends, where applicable.

There was an increase in impairment on Statutory Receivables, due to a lower payment rate during the 2019/2020 financial year as a result of the impact of COVID-19 on the local economy.

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19. Cash and Cash Equivalents

19.1 Investments

Short-Term Investments

- ABSA	20 040 658	-
- First National Bank	20 034 214	-
- Investec	-	20 157 411
- Nedbank	40 701 589	20 157 830
- Standard Bank	40 073 260	-
	120 849 721	40 315 241

19.2 Cash and Cash Equivalents - Bank Accounts

The Municipality has the following call deposit bank accounts :-

General Call Account

ABSA Bank - Public Sector Banking

Account Number 9207051716

Bank statement balance at end of period	85 154 198	79 699 095
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Department of Housing Grants Call Account

ABSA Bank - Public Sector Banking

Account Number 9207052314

Bank statement balance at end of period	39 116 178	42 047 518
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Grant Funds Call Account

ABSA Bank - Public Sector Banking

Account Number 9207054081

Bank statement balance at end of period	59 866 746	50 901 500
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Ladysmith Black Mambazo Call Account

ABSA Bank - Public Sector Banking

Account Number 9236410696

Bank statement balance at end of period	-	2 004 740
---	---	-----------

(This bank account was closed during the 2019/2020 financial year, as the planning phase of the Ladysmith Black Mambazo Music Academy Project was completed on the side of the Municipality, and the Department of Arts and Culture would continue with the project at a Provincial level).

Self-Insurance Fund Call Account

ABSA Bank - Public Sector Banking

Account Number 9251267674

Bank statement balance at end of period	14 206 791	13 813 732
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Housing Operating Call Account

ABSA Bank - Public Sector Banking

Account Number 9274469611

Bank statement balance at end of period	36 618 293	33 066 347
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Housing Capacity Fund Call Account

ABSA Bank - Public Sector Banking

Account Number 9285122301

Bank statement balance at end of period	987 895	4 850 541
---	---------	-----------

235 950 100 **226 383 472**

The Municipality has the following primary bank account :-

Current Account (Primary Bank Account)

ABSA Bank - Public Sector Banking

Account Number 4071756088

Cash book balance at beginning of period	35 800 818	-4 464 399
Cash book balance at end of period	17 919 540	35 800 818

Bank statement balance at beginning of period	42 526 947	36 536 224
Bank statement balance at end of period	24 966 298	42 526 947

Cash and cash equivalents consist of:

Short-term Investments	120 849 721	40 315 241
Call deposits	235 950 100	226 383 472
Bank balance and cash	17 919 540	35 800 818
	374 719 361	302 499 532

Guarantee Held on Primary Account

The Municipality has a guarantee of R120 000 held in favour of The South African Post Office.

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20. Property Rates

Actual

Residential	83 796 211	74 348 624
Industrial / Commercial / Business	52 705 170	42 972 755
Agriculture	4 865 919	3 913 538
Vacant Land	22 873 179	22 978 372
State	44 694 794	36 611 068
	208 935 272	180 824 357
Less: Revenue Foregone	-3 679 335	-2 280 258
Total Assessment Rates	205 255 937	178 544 099

Valuations

	R'000	R'000
Residential & Bed and Breakfast	9 544 131	9 571 996
Industrial / Commercial / Business	2 476 597	2 393 503
Agriculture	1 568 675	1 555 753
Public Service Infrastructure	13 363	13 334
Vacant Land	491 749	495 084
Municipal Domestic	667 625	615 200
State	1 598 489	1 049 337
Non Profit Organisations	114 192	114 901
Religious	149 842	138 673
Municipal Vacant Land	2 168	2 168
Public Open Spaces	3 230	3 510
Other	77 637	115 539
Total Property Valuations	16 707 698	16 068 998

Valuation on land and buildings is performed every four years. The last valuation came into effect on 1 July 2017.

Supplementary valuations are processed on a ad-hoc basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions.

The following property allocation factors (rate) are applied to the various categories of property to determine assessment rates less the impermissible valuation allowed :

Category	Rate	Impermissible Valuation
Residential	R 0.01280	R 100 000
Commercial / Business	R 0.02243	R -
Industrial	R 0.01443	R -
Agriculture	R 0.00311	R -
Vacant Land	R 0.04616	R -
State / Public Service	R 0.02823	R -

Rates are levied on a monthly basis on property owners with the final date of payment been 30 June 2020.

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21. Property Rates - Penalties

Penalties Charged on Property Rates Receivables

25 213 814

22 556 353

Interest is raised on overdue accounts at 10.25% per annum in accordance with the National Credit Act, in respect of arrear accounts arising after 1 November 2016. Arrear accounts arising before 31 October 2016 is charged interest at a rate of 9.00% per annum.

22. Fines

Included in fines are the following:

Traffic Fines

10 886 850

14 411 050

Library Fines

9 362

13 252

Other Fines

-26 491

196 767

10 869 721

14 621 070

There was a reduction in revenue with regard to the issuing of Traffic Fines, during the 2019/2020 financial year, due to the lockdown as a result of COVID-19.

23. Licences and Permits

Included in licences and permits are the following:

Drivers Licence Certificates

1 420 223

1 789 428

Learners Licence Certificates

517 389

675 688

Licencing : Other Fees and Documents

332 941

406 558

Trade Licences

-

83 448

2 270 553

2 955 121

There was a reduction in revenue with regard to the issuing of Licences and Permits, during the 2019/2020 financial year, due to the lockdown as a result of COVID-19.

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24. Government Grants and Subsidies		
Building Plans Information Management System	200 000	-
Construction of an Animal Pound	959 000	-
Construction of a Satellite Fire Station for Indaka	6 509 627	-
Equitable Share	232 678 000	206 663 000
Eradication of the Bucket System - Ex Indaka	-	-
Expanded Public Works Programme (EPWP)	3 930 000	4 319 000
Financial Management Grant (FMG)	2 500 000	3 600 000
Housing Accreditation	1 420 657	4 134 660
Infrastructure Skills Development Grant	3 500 000	1 800 000
Ladysmith Black Mambazo	-	3 052 740
Learnership Management Skills Program (CATHSETA)	-	226 251
Local Government Sector Education and Training Authority (LGSETA)	-	-
Municipal Disaster Relief Grant (MDRG)	146 328	-
Municipal Infrastructure Grant (MIG)	61 515 019	59 930 249
Municipal Systems Improvement Grant (MSIG)	422 368	479 025
Museum Subsidy	202 000	192 000
Nodal Development Plan	950 100	49 900
Provincialisation of Libraries	5 279 000	5 028 000
Recapitalisation of Libraries	1 467 000	1 370 000
Scheme Support Program Grant	-	720 560
Spatial Development Framework Grant	950 100	49 900
Sports Facilities Grant	9 003 308	7 335 521
Waste Recycling Plant / Logistics Hub	-	44 310
	331 632 508	298 995 116

The Municipality received INEP funding for Electrification Projects which are in the Eskom serviced areas. The grant utilised in the amount of R 6 999 298 as at 30 June 2020 (30 June 2019: R 8 103 681) is not recognised in the Statement of Financial Performance, as the projects are carried out on behalf of Eskom.

The Municipality received Housing Funds for Low Cost Housing Projects and Title Deeds Transfers. The grant is not recognised in the Statement of Financial Performance, as these projects are carried out on behalf of the Department of Human Settlement.

24.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All residents may apply for indigency in terms of the Municipality's Indigent Policy.

24.2 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of period	10 015 751	-
Current year receipts	61 683 000	69 946 000
Funds Not Approved for Roll-Over - Returned to National Treasury	-2 684 000	
Conditions met - transferred to revenue (Other)	-61 515 019	-59 930 249
Conditions still to be met - transferred to liabilities	7 499 732	10 015 751

This grant is utilised to construct roads and bridges, sportsfields, community halls and streetlighting as part of the upgrading of informal settlement areas (included in the votes in Appendix B). National Treasury withheld funds, from the Application of Roll-Over for the 2018/2019 financial year, in the amount of R 2 684 000.

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24. Government Grants and Subsidies (Continued)

24.3 Department of Human Settlement

Balance unspent at beginning of period	40 992 084	44 240 623
Current year receipts	29 341 256	49 814 392
Conditions met	-32 442 721	-53 062 931
Conditions still to be met - transferred to liabilities	37 890 619	40 992 084

This grant is utilised to construct houses and transfer Title Deeds as part of Low Cost Housing Projects. The grant utilised in the amount of R 32 442 721 as at 30 June 2020 (30 June 2019: R 53 062 931) is not transferred to revenue, as the projects are carried out on behalf of the Department of Human Settlement.

24.4 Museum subsidy

Balance unspent at beginning of period	-	-
Current year receipts	202 000	192 000
Conditions met - transferred to revenue	-202 000	-192 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised to subsidise expenses incurred solely for the Museums. No funds have been withheld.

24.5 Financial Management Grant (FMG)

Balance unspent at beginning of period	-	-
Current year receipts	2 500 000	3 600 000
Conditions met - transferred to revenue	-2 500 000	-3 600 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and for Asset Management and Financial System enhancements and training. No funds have been withheld.

24.6 Municipal Disaster Relief Grant (MDRG)

Balance unspent at beginning of period	-	-
Current year receipts	1 077 000	-
Conditions met - transferred to revenue	-146 328	-
Conditions still to be met - transferred to liabilities	930 672	-

This grant is utilised for COVID-19 related expenditure with regard to Personal Protective Equipment and Cleaning Materials for Decontamination and Sanitising of Municipal Buildings. No funds have been withheld.

24.7 Integrated National Electricity Programme Grant (INEP)

Balance unspent at beginning of period	6 494 320	-
Current year receipts	11 000 000	14 598 000
Conditions met	-6 999 298	-8 103 681
Conditions still to be met - transferred to liabilities	10 495 022	6 494 320

This grant is utilised for electricity connections to households in various areas, serviced by Eskom, within the Municipal jurisdiction.

The grant utilised in the amount of R 6 999 298 as at 30 June 2020 (30 June 2019: R 8 103 681) is not transferred to revenue, as the projects are carried out on behalf of Eskom. No funds have been withheld.

24.8 Expanded Public Works Programme Grant (EPWP)

Balance unspent at beginning of period	-	-
Current year receipts	3 930 000	4 319 000
Conditions met - transferred to revenue	-3 930 000	-4 319 000
Conditions still to be met - transferred to liabilities	-	-

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment. This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development. No funds have been withheld.

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24. Government Grants and Subsidies (Continued)

24.9 Housing Accreditation

Balance unspent at beginning of period	2 086 713	4 470 445
Current year receipts	153 138	1 750 927
Conditions met - transferred to revenue	-1 420 657	-4 134 660
Conditions still to be met - transferred to liabilities	819 193	2 086 713

This grant is utilised to capacitate the Municipality in the construction of houses as part of the upgrading of informal settlement areas.

24.10 Provincialisation of Libraries

Balance unspent at beginning of period	-	-
Current year receipts	5 279 000	5 028 000
Conditions met - transferred to revenue	-5 279 000	-5 028 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised to subsidise expenditure and upgrading of Libraries. No funds have been withheld.

24.11 Recapitalisation of Libraries

Balance unspent at beginning of period	-	-
Current year receipts	1 467 000	1 370 000
Conditions met - transferred to revenue	-1 467 000	-1 370 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for the remuneration of Cyber Cadets in Libraries. No funds have been withheld.

24.12 Building Plans Information Management System

Balance unspent at beginning of period	-	-
Current year receipts	500 000	-
Conditions met - transferred to revenue	-200 000	-
Conditions still to be met - transferred to liabilities	300 000	-

This grant is utilised for assisting in the upgrading Information Management Systems for Building Plans. No funds have been withheld.

24.13 Sports Facilities Grant

Balance unspent at beginning of period	760 308	246 329
Current year receipts	8 243 000	7 849 500
Conditions met - transferred to revenue	-9 003 308	-7 335 521
Conditions still to be met - transferred to liabilities	-	760 308

This grant is utilised in the upgrading and maintaining of sports facilities. No funds have been withheld.

24.14 Infrastructure Skills Development Grant

Balance unspent at beginning of period	-	-
Current year receipts	3 500 000	1 800 000
Conditions met - transferred to revenue	-3 500 000	-1 800 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for the skilling of Interns in the areas of Engineering and Town Planning. No funds have been withheld.

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24. Government Grants and Subsidies (Continued)

24.15 Municipal Systems Improvement Grant

Balance unspent at beginning of period	575 975	-
Current year receipts	-	1 055 000
Conditions met - transferred to revenue	-422 368	-479 025
Conditions still to be met - transferred to liabilities	153 607	575 975

This grant is utilised to assist the Municipality in improving financial systems and data cleansing in terms of enhancing Revenue Collection.

24.16 Ladysmith Black Mambazo

Balance unspent at beginning of period	-	2 905 461
Current year receipts (interest)	-	147 279
Conditions met - transferred to revenue	-	-3 052 740
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for the Establishment of the Ladysmith Black Mambazo Music Academy.

24.17 Scheme Support Program Grant

Balance unspent at beginning of period	-	720 560
Current year receipts	-	-
Conditions met - transferred to revenue	-	-720 560
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for the Development of a Single Land Use Management Scheme for the Municipality.

24.18 Construction of an Animal Pound

Balance unspent at beginning of period	-	-
Current year receipts	3 000 000	-
Conditions met - transferred to revenue	-959 000	-
Conditions still to be met - transferred to liabilities	2 041 000	-

This grant is utilised for the Construction of an Animal Pound. No funds have been withheld.

24.19 Construction of a Satellite Fire Station for Indaka

Balance unspent at beginning of period	-	-
Current year receipts	12 000 000	-
Conditions met - transferred to revenue	-6 509 627	-
Conditions still to be met - transferred to liabilities	5 490 373	-

This grant is utilised for the Construction of a Satellite Fire Station for Indaka and Surrounding Areas. No funds have been withheld.

24.20 Local Government Sector Education and Training Authority

Balance unspent at beginning of period	-	-
Current year receipts	94 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	94 000	-

This grant is utilised for learners, in terms of workplace based skills development, in scarce and critical skills areas.

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24. Government Grants and Subsidies (Continued)

24.21 Spatial Development Framework Grant

Balance unspent at beginning of period	950 100	-
Current year receipts	-	1 000 000
Conditions met - transferred to revenue	-950 100	-49 900
Conditions still to be met - transferred to liabilities	-	950 100

This grant is utilised to assist the Municipality in developing a legally compliant Spatial Development Framework.

24.22 Nodal Development Plan

Balance unspent at beginning of period	950 100	-
Current year receipts	-	1 000 000
Conditions met - transferred to revenue	-950 100	-49 900
Conditions still to be met - transferred to liabilities	-	950 100

This grant is for the preparation of the Ladysmith Aerodrome Nodal Development Plan.

24.23 Learnership Management Skills Program (CATHSETA)

Balance unspent at beginning of period	-	-
Current year receipts	-	226 251
Conditions met - transferred to revenue	-	-226 251
Conditions still to be met - transferred to liabilities	-	-

This grant was used for Learner Management Skills Training offered by CATHSETA.

24.24 Waste Recycling Plant / Logistics Hub

Balance unspent at beginning of period	92 079	136 389
Current year receipts	-	-
Conditions met - transferred to revenue	-	-44 310
Conditions still to be met - transferred to liabilities	92 079	92 079

This grant is for the Establishment of a Waste Recycling Plant in the Municipal area.

24.25 Eradication of the Bucket System (Ex Indaka LM)

Balance unspent at beginning of period	671 219	671 219
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	671 219	671 219

This grant was allocated to the previous Indaka Local Municipality.

24.26 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), there has been a reduction in the level of government grant funding expected over the forthcoming 3 financial years.

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25. Service Charges

Electricity	355 013 160	338 922 748
Refuse removal	28 516 410	26 692 919
	383 529 570	365 615 667

Reconnection Fees: Non Payment (2019: R 837 801) has been reclassified from Other Income under Note 30 to Service Charges - Electricity.

26. Rental of Facilities and Equipment

Hiring of community halls, sports facilities and other facilities	266 114	507 358
Rent on Housing Facilities	373 934	379 099
Lease of Land	2 016 143	1 540 223
	2 656 191	2 426 680

There was a decrease in revenue with regard to the Hiring of Facilities due to the lockdown as a result of COVID-19.

27. Interest Received - External Investments and Other

Bank Accounts and Call Accounts / Other	9 966 158	10 272 612
Short-Term Investments	8 474 236	4 515 558
	18 440 395	14 788 169

28. Interest Received - Outstanding Receivables

Electricity	2 246 391	1 653 485
Refuse	5 705 776	4 690 888
	7 952 167	6 344 374

Interest is raised on overdue accounts at 10.25% per annum in accordance with the National Credit Act, in respect of arrear accounts arising after 1 November 2016. Arrear accounts arising before 31 October 2016 is charged interest at a rate of 9.00% per annum.

Interest Received - Outstanding Receivables, has been reclassified in the Statement of Financial Performance from Revenue from exchange transactions to Revenue from non-exchange transactions.

29. Agency Services

Revenue Received from Agency Services

Department of Transport - KZN	2 483 423	2 734 342
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The Alfred Duma Local Municipality entered into an agreement with the KZN Department of Transport, to collect process and collect Driver Licences and Vehicle Licences and Registration Fees on its behalf.

A fee of 8.55% of the total revenue collected is payable to the Municipality by deducting the fee amount from the funds collected on a daily basis.

30. Other Income

Included in other income are the following:

Fees : Brigade Service	407 102	206 028
Fees : Building Plans	422 535	534 994
Fees : Burial	191 926	186 385
Fees : Photocopies	95 269	139 586
Insurance Claims - Proceeds	6 767 369	-
Legal Fees	78 735	26 784
Rates Clearance Certificates	287 340	320 655
Sale of Plots - Cemetery	91 175	97 621
Sale of Livestock	-	36 170
Self-Insurance Fund - Transfer	866 725	-
Sundries & Other	2 055 836	1 955 860
	11 264 014	3 504 082

Reconnection Fees: Non Payment (2019: R 837 801) has been reclassified from Other Income to Service Charges - Electricity in Note 25.

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31. Employee Related Costs

Salaries and Allowances	227 367 303	194 679 625
Contributions for UIF, SDL, pensions, medical aids, group life and bargaining council	42 145 972	38 397 679
Travel allowances	17 532 905	15 865 941
Housing benefits and other allowances	1 617 822	2 018 295
Overtime & standby payments	12 070 719	9 298 969
Job Creation	30 123 272	33 182 831
	330 857 991	293 443 341

The Municipality implemented the approved T.A.S.K. Job Evaluation outcome, approved by SALGA in September 2019. This resulted in an increase in Employee Related Costs.

There were no advances or loans made to employees.

Remuneration of the Municipal Manager: Ms S S Ngiba

Salary	1 698 573	1 699 911
Performance Bonus	339 310	-
	2 037 883	1 699 911

Remuneration of the Municipal Manager: Mr M P Khathide

Salary	-	-
Performance Bonus	-	106 667
	-	106 667

Mr M P Khathide's contract ended on 10 August 2017.

Remuneration of the Chief Financial Officer: Mr M Hloba

Salary	1 427 459	1 389 917
Performance Bonus	230 367	99 523
	1 657 826	1 489 440

Remuneration of the Executive Director: Corporate Services: Mrs P Mntaka

Salary	1 427 459	1 390 642
Performance Bonus	229 594	-
	1 657 053	1 390 642

Remuneration of the Executive Director: Corporate Services: Ms S S Ngiba

Salary	-	-
Performance Bonus	-	92 658
	-	92 658

Ms S S Ngiba was appointed to the post of Municipal Manager on 1 September 2017.

Remuneration of the Executive Director: Public Safety and Disaster Management: Mr P B B Simelane

Salary	1 427 459	1 411 998
Performance Bonus	276 858	109 995
	1 704 317	1 521 993

Remuneration of the Executive Director: Development, Planning & Human Settlement: Mr S A Mazibuko

Salary	1 427 459	1 028 127
Back Pay	362 237	-
Performance Bonus	196 563	-
	1 986 258	1 028 127

Mr S A Mazibuko was appointed in the post of Executive Director: Development, Planning & Human Settlement on 1 January 2018.

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31. Employee Related Costs (Continued)

Remuneration of the Executive Director: Development, Planning & Human Settlement: Mr P S Mkhize

Salary	-	-
Performance Bonus	-	98 996
	-	98 996

Mr P S Mkhize resigned as Executive Director: Development, Planning & Human Settlement on 31 October 2017.

Remuneration of the Executive Director: Technical and Infrastructure Services: Mr R H Mazibuko

Salary	1 189 549	-
Performance Bonus	-	-
	1 189 549	-

Mr R H Mazibuko was appointed in the post of Executive Director: Technical and Infrastructure Services on 9 September 2019.

Remuneration of the Executive Director: Public Works and Basic Services: Mr S O Hlatshwayo

Salary	-	911 201
Allowance - Subsistence & Travelling	-	15 566
Performance Bonus	204 644	99 523
	204 644	1 026 289

Mr S O Hlatshwayo was employed at the Municipality until 7 February 2019.

Remuneration of the Executive Director: Community Services: Mr S N Kunene

Salary	832 684	-
Performance Bonus	-	-
	832 684	-

Mr S N Kunene was appointed in the post of Executive Director: Community Services on 1 December 2019.

32. Remuneration of Councillors

Mayor	935 447	898 115
Deputy Mayor	757 236	726 650
Speaker	758 279	727 453
Chief Whip	712 685	746 823
MPAC Chairperson	695 121	666 493
Women's Caucus Chairperson	374 022	-
EXCO Committee Members	2 920 117	2 780 623
Councillors	19 271 693	18 816 713
	26 424 601	25 362 870

In-kind Benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip, MPAC Chairperson and Women's Caucus Chairperson are full-time employees of the Municipality. Each is provided with an office, secretarial support and security at the cost of the Municipality.

The Mayor, Deputy Mayor, Speaker and Chief Whip have the use of Council-owned vehicles for official duties.

The Mayor, Deputy Mayor and other Councillors have bodyguards assigned to them at the cost of the Municipality.

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33. Bad Debts / Impairment

Property Rates and Other	74 001 783	51 298 265
Electricity	2 166 852	5 751 649
Refuse	12 015 031	13 634 030
	88 183 666	70 683 943

Due to the impact of COVID-19 on the local economy, there was an increase in the level of non-payment of Consumer Accounts, resulting in an increase in the impairment of Debtors.

34. Depreciation and Amortisation Expense

Depreciation - Property, Plant and Equipment	113 845 796	117 684 979
Amortisation - Intangible Assets	1 103 982	920 494
	114 949 778	118 605 473

35. Finance Costs

Long-term liabilities	427 498	471 616
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36. Bulk Purchases

Electricity - Eskom	252 052 187	231 730 332
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	30 June 2020 KWh	30 June 2019 KWh		
Distribution Losses : Electricity				
Value of Purchases at Purchase Price	259 627 533	281 227 745	205 105 747	188 422 590
Less : Sales at Purchase Price	-228 015 108	-247 378 357	-180 131 932	-165 743 500
Total Losses	31 612 425	33 849 388	24 973 815	22 679 090
Technical Losses	12 981 377	14 061 387	10 255 288	9 421 129
Non-Technical Losses	18 631 048	19 788 001	14 718 528	13 257 961
Total Losses	31 612 425	33 849 388	24 973 815	22 679 090
Percentage of Total Loss	12.18%	12.04%	12.18%	12.04%

The value of loss is calculated using the bulk purchase price.

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37. Contracted Services		
IT System and Support	4 843 416	4 758 539
Payment Services	4 039 060	4 004 725
Security Services	41 094 618	38 682 849
Other	312 972	435 628
	50 290 066	47 881 741
38. General Expenses		
Included in general expenses are the following:		
Advertising	165 593	240 265
Audit Committee	274 067	203 870
Audit Fees	4 154 450	3 563 279
Bank Charges	631 808	1 122 857
Bulk Discounts	1 009 041	985 540
Conferences & Delegations	1 000 454	1 119 936
Consultants	3 293 590	4 885 274
Consumable Stores & Materials - Maintenance of Assets	10 066 539	15 765 229
Maintenance of Assets	15 806 489	16 870 769
COVID-19 - Personal Protective Equipment and Cleaning Materials	146 328	-
Electricity - Municipal Premises	4 444 819	4 246 624
Electricity - Streetlighting	7 638 264	5 900 530
Emergency Relief Fund	564 146	699 925
Entertainment Expenses	299 273	376 892
Municipal Programmes	4 119 138	7 211 130
Funeral Assistance	97 044	97 739
Incentives	893 852	-
Indigency - Electricity / Alternative Energy	9 850 491	9 334 437
Insurance	5 588 749	5 931 684
Integrated Development Plan	9 739	634 630
Interest Paid	758	6 927
Legal Expenses	2 664 085	2 238 436
Licence Fees	931 294	1 237 199
Local Economic Development	91 822	84 627
Materials & Sundries	1 887 421	1 132 340
Postage	1 953 137	2 001 930
Post-Retirement Benefits	6 581 909	26 115 410
Printing & Stationery	1 339 386	2 203 865
Protective Clothing	2 970 450	2 345 802
Publicity	44 250	17 801
Public Meetings	186 382	279 940
Refurbishment - NER Requirements	5 917 544	4 122 042
Rental - Office Machines	1 556 298	1 185 204
Subscriptions & Membership	3 868 021	3 266 063
Telephone & Cellphone Costs	4 001 187	3 916 746
Training Staff & Councillors	916 933	1 433 271
Vehicle / Transport Costs	14 135 284	16 191 083
Water / Sanitation	3 413 168	3 714 588
Youth Development Programme	-	238 850
Other General Expenses	1 534 139	2 027 482
	124 047 343	152 950 216

There has been underspending on certain categories of expenditure due to the lockdown as a result of COVID-19.

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39. Cash Generated By Operations

Surplus/(Deficit) for the year	24 132 637	-34 348 623
Adjustment for:-		
Adjustments in Respect of Previous Years & Appropriations	1 030 064	-45 532 199
Depreciation / Amortisation	114 949 778	118 605 473
(Profit)/Loss on disposal of assets	6 806 829	4 715 146
(Impairment Loss) / Reversal of impairment loss	13 963 756	2 671 166
Contribution to long service awards provision	2 357 108	1 704 762
Contribution to performance bonus provision	914 862	755 234
Contribution to retirement benefit obligation	6 581 909	2 436 195
(Gain)/Loss on Actuarial Valuation	-4 575 325	5 318 194
(Gain)/Loss on fair value adjustment and impairment	-17 375 714	-9 095 180
Operating surplus before working capital changes:	148 785 904	47 230 168
(Increase)/decrease in inventories	-9 648 133	62 091 489
(Increase)/decrease in statutory receivables	-22 313 709	-18 811 545
(Increase)/decrease in exchange debtors	-1 795 341	-2 989 161
(Increase)/decrease in non-exchange debtors	-41 818	1 463 928
(Increase)/decrease in non-current receivables	3 133	2 739
(Increase)/decrease in VAT Receivable	-2 945 994	-3 071 077
(Decrease)/increase in self-insurance fund	-649 275	1 235 754
(Decrease)/increase in housing development fund (MHOA)	3 701 327	2 659 847
(Decrease)/increase in unspent conditional grants and receipts	2 888 867	10 197 622
(Decrease)/increase in trade and other payables	40 424 287	11 330 185
(Decrease)/increase in deposits	1 435 721	4 001 868
	159 844 968	115 341 818

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40. Unauthorised, Irregular, Fruitless and Wasteful Expenditure

40.1 Unauthorised Expenditure

Opening balance	21 121 291	16 612 386
Unauthorised expenditure current year	28 669 442	21 121 291
Approved by council or condoned	-21 121 291	-16 612 386
Unauthorised expenditure awaiting authorisation	28 669 442	21 121 291
Bad Debt / Impairment	-	11 569 296
Loss on sale/disposal of assets	5 926 829	1 183 851
Loss on actuarial valuations	-	5 318 194
Inventories: (Write-down) to net realisable value	-	2 694 836
Impairment Loss	12 070 247	355 114
Contracted services	10 672 367	-
	28 669 442	21 121 291

40.2 Irregular Expenditure

Opening balance	39 022 246	183 978 859
Irregular expenditure current year	847 132	919 156
Written Off	-18 866 375	-145 875 769
Irregular expenditure awaiting authorisation	21 003 003	39 022 246
Irregular expenditure is related to the non-adherence of Supply Chain Management procedures.		
- Non-compliance with the PPPFA Regulation	1 017 420	1 017 420
- Persons in the service of the state	2 873 102	2 873 102
- Non-compliance with the SCM Regulations	35 978 856	181 007 493
Written Off	-18 866 375	-145 875 769
	21 003 003	39 022 246

Irregular Expenditure is disclosed Inclusive of VAT.

Incidents/cases identified in the current year include those listed below:

Competitive bidding not invited (Provision for Monthly Support was not included in the Tender Document)	768 830	919 156
Three written quotations not invited	78 302	-
	847 132	919 156

Cases under investigation

All Irregular Expenditure has been reported to Council and to National Treasury. There are currently a number of investigations taking place for Irregular Expenditure incurred, and the outcomes are awaited and will be reported to Council accordingly.

An amount of R 3 887 173 was written off by Council on 30 July 2020, in respect of Irregular Expenditure incurred during the 2019/2020 financial year, and during previous financial years, where the necessary investigations were completed.

40.3 Fruitless and Wasteful Expenditure

Opening balance	7 006 492	6 999 565
Fruitless and Wasteful expenditure current year	914 117	6 927
Written Off	-	-
Fruitless and Wasteful expenditure awaiting authorisation	7 920 609	7 006 492

Fruitless and Wasteful expenditure is related to expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and Wasteful Expenditure incurred in the current period of R 914 117, relates to interest charges on late payment of invoices to service providers: Telkom, Eskom and Department of Transport, and a payment was also discovered in the 2019/2020 financial year, where a contractor was paid for construction work on a project that was not actually carried out.

Investigations and Disciplinary Actions have been taken against employees during the 2019/2020 financial year related to Fruitless and Wasteful Expenditure. Outcomes are awaited in terms of recovery and will be reported accordingly.

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41. Additional Disclosures in Terms of Municipal Finance Management Act

41.1 Contributions to organised local government

Opening balance	-	704 927
Council subscriptions	3 829 290	3 218 522
Amount paid - current year	-3 829 290	-3 218 522
Amount paid - previous years	-	-704 927
Balance unpaid (included in creditors)	-	-

41.2 Audit Fees

Opening balance	-	-
Current year audit fee	4 777 618	4 097 770
Amount paid - current year	-4 777 618	-4 097 770
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

41.3 VAT

VAT returns have been submitted to SARS.

41.4 PAYE, SDL and UIF

Opening balance	-	-
Current year payroll deductions	47 608 677	40 677 314
Amount paid - current year	-47 608 677	-40 677 314
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

41.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	63 316 336	56 200 920
Amount paid - current year	-63 316 336	-56 200 920
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

41.6 Supply Chain Management Deviations

In terms of Regulation 36 of the Municipal Supply Chain Management Regulations, any deviations from the Supply Chain Management Policy needs to be ratified by the Municipal Manager and noted by Council.

Opening balance	6 600 908	5 882 725
Deviations - current year	398 121	2 638 975
Total amount condoned	-6 999 028	-1 920 793
Deviations awaiting authorisation	-	6 600 908

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41. Additional Disclosures in Terms of Municipal Finance Management Act (Continued)

41.7 Transactions with Related Parties and Close Family Members

Related Parties

Mivusa Trading (Pty) Ltd	143 550	301 676
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the State, Mrs W Asmal, employed at the Alfred Duma Local Municipality.

Awards to close family members of persons in the service of the State

Harvey World Travel	35 970	176 512
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the State, Mr R S Zikode, employed at the Department of Trade and Industry.

Bhatimewu Trading Enterprise	20 900	44 531
------------------------------	--------	--------

The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the State, employed in the Department of Health.

Jubane Tires	1 035	111 763
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the State.

Arch Actuarial Services (Pty) Ltd	13 340	23 575
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the State.

Niphile Consulting Engineers	10 544 799	8 197 311
------------------------------	------------	-----------

The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the State.

Nsizi Global Industries	27 900	-
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the State.

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42. Capital Commitments

42.1 Commitments in respect of capital expenditure:

- Approved but not yet contracted for

Infrastructure

Community

Other

-

-

-

- Approved and contracted for

Infrastructure

Community

Other

22 053 780

17 860 675

3 405 117

13 496 542

4 415 867

-

29 874 764

31 357 216

This expenditure will be financed from:

- External Loans

- Government Grants

- Own Resources

-

26 030 053

15 958 555

3 844 711

5 333 247

29 874 764

21 291 802

42.2 Operating leases - as lessor

Minimum lease payments due

Within one year

In the second to fifth year inclusive

After five years

983 524

1 181 499

2 630 748

2 622 721

1 552 363

1 769 861

5 166 635

5 574 080

Operating Leases consists of the following:

Certain of the municipality's property is held to provide a service to the community to assist with local economic and social development. Lease agreements are cancellable if agreed by both parties.

43. Principal / Agent Arrangements

43.1 Municipality acting as the Principal

Third Party Payment Service Providers

Third Party Payments

4 039 060

4 004 725

The Municipality utilises the services of third-party payment service providers for consumers to pay their consumer debtor accounts and to purchase pre-paid electricity tokens. The respective service providers are paid a fee per transaction.

This expenditure is disclosed under Contracted Services in Note 37.

43.2 Municipality acting as the Agent

The KZN Department of Transport

Agency Fees

2 483 423

2 734 342

The Municipality acts as an agent for the KZN Department of Transport for the issuing of Vehicle and Drivers Licences.

The KZN Department of transport pays the Municipality a commission of 8.55% of the total revenue collected. Refer to Note 29.

Department of Human Settlement

The Municipality acts as an agent for the Department of Human Settlement for the construction, rectification and repairs of low cost and other housing projects in the Municipality's jurisdiction.

The Department of Human Settlement transfers funds to the Municipality for these projects and the Municipality manages the projects on behalf of and together with the Department of Human Settlement. The funds transferred are only utilised to process payments to the Implementing Agents and Contractors appointed on these projects. The assets arising from these projects are for the identified beneficiaries approved by the Department of Human Settlement together with the Municipality.

The transfers received and payments processed for these Housing Projects are disclosed under Unspent Grants and Conditional Receipts in Note 7. (Refer also to Note 24.3 for additional information).

The Municipality receives a Housing Capacity Grant as a Level 2 Accredited Municipality to fund operational costs relating to Housing Projects. The transfers received for the Housing Capacity Grant (Housing Accreditation) is also disclosed under Unspent Grants and Conditional Receipts in Note 7. The expenditure is disclosed according to the relevant classification type and the revenue is recognised when the grant is spent. Refer to Note 24. (Refer also to Note 24.9)

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43. Principal / Agent Arrangements (Continued)

Eskom

The Municipality acts as an agent for Eskom for the Electrification of Households in the Municipality's jurisdiction, but in Eskom serviced areas.

The Department of Energy transfers funds to the Municipality for these projects, approved by Eskom, and the Municipality manages the projects on behalf of Eskom together with the Department of Energy. The funds transferred are only utilised to process payments to the Consultants and Contractors appointed on these projects. The assets arising from these projects are transferred to Eskom on completion of the projects, and are not under the control of the Municipality.

The transfers received and payments processed for these Electrification of Household Projects are disclosed under Unspent Grants and Conditional Receipts in Note 7. (Refer also to Note 24.7 for additional information).

The Municipality does not receive any funding or fees for management of these projects.

44. Retirement Benefit Information

Defined Contribution Plan

The following are defined contribution plans. These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par.30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contributions plans. As these plans are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined.

Furthermore, disclosure of further details such as actuarial assumptions cannot be attributed to any specific municipality and is of no relevance to the users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

An independent valuer carries out statutory valuations of the NJMPF on a triennial basis and an interim valuation on an annual basis.

Natal Joint Municipal Pension Fund (Superannuation)

The total rate of contribution by the municipality, including the surcharge, is 31,13% (21,63% plus the surcharge of 9,5%) of pensionable salaries and the surcharge is for a period of 8 years with effect from 1 August 2012, which is subject to change. The members' contributions are 9.25% of pensionable salary.

Natal Joint Municipal Pension Fund (Retirement)

The total rate of contribution by the municipality, including the surcharge, is 34,22% (18,37% plus the surcharge of 17,5% less 1,65%) of pensionable salaries and the surcharge is for a period of 8 years with effect from 1 August 2012. The members' contributions are 7% of pensionable salary.

Natal Joint Municipal Provident Fund

The total rate of contribution by the municipality of pensionable salaries varies with 9,75%, 13,65% and 18,00% of pensionable salaries. This equates to 1.95 times the rate of the amount contributed by members whom can contribute 5%, 7% or 9.25%.

45. Councillor's Arrear Consumer Accounts

For the financial year ended 30 June 2020, there were no rates or services arrears owed by any councillor. Further, during the financial year there were no councillors which had arrear debt outstanding for more than 90 days.

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46. Related Parties

Key Management Personnel and Councillors Remuneration

Remuneration of Key Management Personnel and Councillors is set out in Notes 31 and 32 respectively to the Annual Financial Statements.

Organs of State

The Municipality receives grant funding from National and Provincial Government as disclosed in Note 24. to the Annual Financial Statements.

The Municipality is also in a Principal / Agent Relationship with the KZN Department of Transport as disclosed in Note 43.2 to the Annual Financial Statements

47. Risk Management

Financial Risk Management

The municipality 's activities exposes 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.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the municipality's financial performance.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include liquidity risk, credit risk, market risk relating to interest rate risk.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality finance maintains flexibility in funding by maintaining availability under committed credit lines.

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. Cash Flow forecasts are prepared and monitored on a regular basis.

Interest Rate Risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.

Credit risk

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

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

Credit guarantee insurance is purchased when deemed appropriate.

The impact of COVID-19 is an additional factor that is considered in terms of risk assessment and management with regard to financial, liquidity, interest rate and credit risk.

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48. Contingencies

48.1 Contingent Liabilities

The Municipality identified the following contingent liabilities:

Claim for Damages

The Municipality was sued for damages for allegations of unlawful arrest and defamation. The State Attorney's Office is dealing with this matter. Case No. 11653/2015	500 000	500 000
The Municipality was sued for damages involving a minor falling into a trench. The Municipality is defending the claim and the matter has not been set down for trial as yet. Case No. 9222/2010	985 000	985 000
The Municipality was sued for outstanding payments to a service provider. The Municipality is defending the claim and the case is at discovery stage, and awaiting trial. Case No. 6040/2015	1 900 000	1 900 000
The Municipality was sued for damages to property. The Municipality has referred the claim to Council's insurers to resolve. Case No. 628/2018	-	36 547
The Municipality was sued for outstanding payments to a service provider. The Municipality is defending the claim and the matter has not been set down for trial as yet. Case No. 491/2018 and 13232/17	983 230	983 230
The Municipal Councillors Pension Fund (MCPF) is claiming outstanding contributions owed by Councillors who who resigned from the MCPF, from the Municipality. The rules of the fund indicate that the Councillors may not cease to be a member of the fund whilst still a Councillor, and that the Municipality is liable for all payments outstanding to the MCPF.	3 313 755	-
	7 681 985	4 404 777

48.2 Contingent Assets

No contingent assets exist for the period ended 30 June 2020 (2019: R 0).

49. Budget Information

The budget is approved on an accrual basis by nature and vote classification. The approved budget covers the period from 1 July 2019 to 30 June 2020.

The budget and accounting bases are the same, both are on the accrual basis. The financial statements are prepared using a classification on the nature of income and expenses in the statement of financial performance.

Impact of COVID-19 on the Budget for the 2019/2020 Financial Year

A Special Adjustments Budget was passed by Council in June 2020 to take into account the effects of COVID-19 on the annual budget for the 2019/2020 financial year. As a result, budgeted income was decreased and the leave pay and bad debt provision contribution was increased. COVID-19 had a major impact on the budgeted Electricity income and expenses of the Municipality. Budgeted collection rates were also reduced due to declining collection rates from the impact of COVID-19 on the local economy.

Refer to Appendix C for more detail on budget and actual information with an explanation of material differences between the budget and actual amounts by nature classification.

Refer to Appendix D for classification of actual information by vote.

50. Goods Received In Kind

The following goods were received in kind by the Alfred Duma Local Municipality during the year by way of donations:
The items donated were to assist the Municipality in terms of the COVID-19 pandemic.

Sanitiser - 1 x 20 Liter	1 000
Surgical Masks x 3000	59 970
Sanitiser - 1000 x 50ml	7 000
Cloth Masks x 400	10 000
Sanitiser - 15 x 5 Liter	3 900
Gloves - 15 Boxes	4 500
	86 370

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51. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment		
Recoverable amounts of property, plant and equipment	1 848 833 149	1 898 967 267
Provision for rehabilitation of landfill site (discount rate, no. of years, amount of cash flows)	66 258 613	61 782 136
Present value of post retirement benefit obligation	51 853 000	53 327 191
Present value of long service awards	14 235 000	13 195 754
Provision for performance bonus	943 064	1 505 538
Provision for doubtful debts	75 732 299	62 533 962
Impairment of assets	13 963 756	2 671 166
Investment property	184 107 427	167 459 683
Inventory assets held for sale	131 675 868	123 510 910

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets	13 963 756	2 671 166
Provisions	142 933 976	125 821 635

52. Correction of Error

During the year, the Municipality conducted a verification and condition assessment on Property, Plant and Equipment and Inventory held for sale. During this exercise the Municipality found assets and inventory that were incorrectly reflected / not reflected on the current registers, or disclosed incorrectly. These corrections were made retrospectively where the adjustments affected prior years.

Adjustments were also made in respect of Statutory Receivables from Property Rates where there were Supplementary Valuation Rolls passed to correct any omissions, correct categories of properties and to add new properties to the General Valuation Roll of the Municipality. These corrections were made retrospectively where the adjustments affected prior years.

Adjustments were also made in respect of Receivables from Exchange Transactions where under/over charges in service charges were identified and corrected.

Consumer Deposits was adjusted to reflect only those deposits that have been paid to the Municipality.

Corrections were made to Trade and other Payables, where it was discovered that invoices were processed incorrectly on Creditors, and reversals were done. These corrections were made retrospectively where the adjustments affected prior years.

The cumulative effect on the 2019 Opening Balances are as follows :

Statement of Financial Position

Inventories	41 335
Statutory Receivables	10 987 778
Receivables from Non-Exchange Transactions	24 477
Receivables from Exchange Transactions	-13 668
Property, Plant and Equipment	-2 320 858
Trade and Other Payables	-1 366 748
Accumulated Surplus	-7 352 315

The cumulative effect on the comparative amounts for 2019 are as follows :

Statement of Financial Position

Inventories	-207 875
Statutory Receivables	11 762 771
Receivables from Non-Exchange Transactions	-4 416 218
Receivables from Exchange Transactions	38 144
VAT Receivable	111 395
Property, Plant and Equipment	-3 734 820
Consumer Deposits	4 656 757
Trade and Other Payables	-1 224 258

Statement of Financial Performance

Property Rates	-11 801 412
Property Rates - Penalties Imposed	36 172
Interest Received - Outstanding Receivables	2 469
Service Charges	-278 683
Depreciation and Amortisation Expense	368 487
General Expenses	1 155 776
Gain / (Loss) on sale/disposal of assets	3 531 295

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53. Changes in Accounting Policies

53.1 The Municipality has implemented GRAP 108, which is a change in accounting policy in terms of the reclassification of statutory receivables previously classified as Receivables from Non-Exchange Transactions, now classified as Statutory Receivables.

The following receivables were reclassified:

- Property Rates
- VAT on Debtors
- Traffic Fines
- Penalties / Interest

The Municipality implemented this retrospectively.

The cumulative effect on the 2020 Opening Balances are as follows :

Statement of Financial Position

Statutory Receivables	379 861 605
Receivables from Non-Exchange Transactions	-379 861 605

There is no effect on the comparative amounts for 2020.

53.2 The Municipality has implemented GRAP 109, which is a change in accounting policy in terms of the reclassification of revenue and expenditure disclosed in terms of a Principal / Agent relationship.

The following revenue item under Licences and Permits was reclassified to Agency Services:

- Vehicle Licence and Registration - Fees

The Municipality implemented this retrospectively.

The cumulative effect on the comparative amounts for 2020 is as follows :

Statement of Financial Performance

Licences and Permits	-2 734 342
Agency Services	2 734 342

54. Change in Accounting Estimate

The Municipality has assessed the remaining useful lives of property, plant and equipment during the 2019/2020 financial year to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to Note 9.

The effect of changing the remaining useful life of assets for the Municipality during the 2019/2020 financial year has resulted in a decrease in the depreciation charge for the current period of R 2 911 448 and future periods.

It is impractical to estimate the effect of these changes on future periods.

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55. Non-Adjusting Events After the Reporting Date

55.1 Contingent Liabilities

On 11 September 2020, The South African Local Government Bargaining Council issued an Arbitration Award to four (4) IMATU members employed by the Alfred Duma Local Municipality for the payment of increased Standby Allowances for the period November 2018 to June 2019. 308 403

The Municipality intends on appealing the matter.

The Municipal Councillors Pension Fund (MCPF) has issued a written demand, dated 15 October 2020 to the Municipality for outstanding contributions owed by Councillors who resigned from the MCPF over the last 2 years. 1 002 516
The rules of the fund indicate that the Councillors may not cease to be a member of the fund whilst still a Councillor, and that the Municipality is liable for all payments outstanding to the MCPF.

The Municipality is attending to this matter.

1 310 919

55.2 Unspent Conditional Grants and Receipts

National Treasury approved the Roll-Over of the following Conditional Grants from the 2019/2020 financial year on 22 October 2020:

Municipal Infrastructure Grant (MIG) 7 500 000
Integrated National Electrification Programme (INEP) 10 500 000
Municipal Disaster Recovery Grant (MDRG) - For COVID-19 930 000
18 930 000

National Treasury did not approve the Roll-Over of the following Conditional Grant from the 2019/2020 financial year on 22 October 2020:

Municipal Systems Improvement Grant (MSIG) **153 000**

The rejected amount of R 153 000 was based on the following reason:

The Municipal Systems Improvement Grant did not have an allocation against the period under review.

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APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020 (Unaudited)

EXTERNAL LOANS				Balance at 1 July 2019	Received	Redeemed or Written Off	Balance at 30 June 2020
				R	R	R	R
LONG-TERM LOANS	Interest Rate	Loan Ref.	Redeemable				
Absa Bank - Tsakane Electrification	9.10%	A1	Feb 2026	3 447 623	-	393 491	3 054 132
DBSA - Indaka	5.00%	A2	Sept 2028	2 718 647	-	229 630	2 489 017
TOTAL EXTERNAL LOANS				6 166 271	-	623 121	5 543 149

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APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020 (Unaudited)

Asset Type	Cost				Capital Under Construction				Accumulated Depreciation				Impairment			
	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions / Reversals	Closing Balance	Carrying Value
Infrastructure																
Electricity	356 392 342	8 496 674	1 209 675	366 098 690	-	6 678 472	-5 531 952	1 146 520	145 839 485	7 019 476	-266 776	152 592 185	1 386 008	1 373 100	2 759 108	211 893 917
Roads	1 744 764 141	25 121 563	-	1 769 885 703	30 190 843	39 738 142	-30 484 961	39 444 025	1 024 185 671	82 002 497	-	1 106 188 168	19 381 072	1 179 047	20 560 119	682 581 441
Street Furniture	9 028 099	135 186	-108 608	9 054 678	-	-	-	-	5 253 455	363 955	-75 277	5 542 133	720 313	1 229 738	1 950 051	1 562 494
Solid Waste	61 782 136	4 476 477	-	66 258 613	1 000 421	1 756 728	-	2 757 149	-	-	-	-	-	-	-	69 015 762
Stormwater	173 736 223	5 363 398	-	179 099 621	-	-	-	-	35 827 717	1 779 765	-	37 607 482	-	6 044 393	6 044 393	135 447 746
	2 345 702 941	43 593 298	1 101 066	2 390 397 305	31 191 264	48 173 343	-36 016 913	43 347 694	1 211 106 328	91 165 693	-342 053	1 301 929 967	21 487 393	9 826 279	31 313 671	1 500 501 360
Community Assets																
Buildings	273 583 863	5 024 866	-7 546 197	271 062 531	29 004 293	15 395 869	-5 024 866	39 375 296	151 182 597	4 123 279	-1 483 046	153 822 831	-	3 161 889	3 161 889	153 453 108
Recreation Facilities - Parks	145 717 840	2 349 092	-4 666 097	143 400 835	9 368 276	1 274 562	-2 349 092	8 293 746	62 477 006	5 175 361	-2 501 705	65 150 662	7 659 274	590 590	8 249 863	78 294 055
	419 301 703	7 373 958	-12 212 295	414 463 366	38 372 568	16 670 431	-7 373 958	47 669 042	213 659 603	9 298 641	-3 984 751	218 973 493	7 659 274	3 752 478	11 411 752	231 747 163
Other Assets																
Buildings	107 261 310	1 521 669	-	108 782 979	1 269 482	6 718 985	-1 269 482	6 718 985	83 483 516	690 956	-	84 174 473	-	68 264	68 264	31 259 227
Computer Equipment	20 464 646	3 137 951	-147 571	23 455 025	2 815 223	-	-2 815 223	-	10 883 057	3 191 963	-81 541	13 993 478	13 807	-308	13 499	9 448 047
Furniture & Office Equipment	17 678 494	1 476 415	-396 971	18 757 937	829 860	-	-829 860	-	9 712 356	2 234 641	-286 837	11 660 160	22 910	-	22 910	7 074 868
Motor Vehicles	92 626 237	4 095 564	-	96 721 801	-	-	-	-	53 906 124	5 320 618	-	59 226 742	-	-	-	37 495 059
Plant & Equipment	18 381 721	428 807	-50 746	18 759 782	707 376	-	-707 376	-	11 474 239	1 943 285	-39 748	13 377 776	-	-	-	5 382 005
	256 412 408	10 660 405	-595 289	266 477 524	5 621 941	6 718 985	-5 621 941	6 718 985	169 459 292	13 381 463	-408 126	182 432 629	36 717	67 956	104 673	90 659 207
Land Assets																
Land with Buildings	10 437 000	-	-	10 437 000	-	-	-	-	-	-	-	-	-	-	-	10 437 000
Vacant Land	415 336 050	379 170	-226 800	415 488 420	-	-	-	-	-	-	-	-	-	-	-	415 488 420
	425 773 050	379 170	-226 800	425 925 420	-	-	-	-	-	-	-	-	-	-	-	425 925 420
Total	3 447 190 101	62 006 831	-11 933 318	3 497 263 614	75 185 773	71 562 759	-49 012 811	97 735 721	1 594 225 223	113 845 796	-4 734 931	1 703 336 089	29 183 383	13 646 713	42 830 097	1 848 833 149

Alfred Duma Local Municipality
APPENDIX C

STATEMENT OF BUDGET AND ACTUAL INFORMATION AS AT 30 JUNE 2020 (Unaudited)

REFER TO NOTE 49

Description By Nature	Budget	Budget Adjustments (i.t.o. s28 & s31 of the MFMA	Approved Annual Budget	Actual	% Variance	Explanation of Significant Variances Actual versus Budget
	R	R	R	R	R	
Financial Performance						
Property Rates	187 837 872	7 083 926	194 921 798	205 255 937	105.30%	Changes made to the Valuation Roll resulted in an increase in revenue
Property Rates - Penalties & Collection Charges	23 468 892	(517 465)	22 951 427	25 213 814	109.86%	There was a decrease in consumer payments due to the COVID-19 lockdown during the financial year
Services Charges	414 783 948	(31 064 859)	383 719 089	383 529 570	99.95%	
Rental of Facilities and Equipment	2 511 168	338 189	2 849 357	2 656 191	93.22%	There was a decrease in revenue for the rental of facilities due to the COVID-19 lockdown
Interest Earned - External Investments	14 422 416	3 579 086	18 001 502	18 440 395	102.44%	Surplus funds were invested or kept in call accounts to maximise interest returns
Interest Earned - Outstanding Debtors	6 321 576	1 135 725	7 457 301	7 952 167	106.64%	Increase in debtors balances resulted in an increase in interest raised on accounts
Fines	13 285 816	(3 598 464)	9 687 352	10 869 721	112.21%	There was a decrease in the number of traffic fines issued during the year due to the COVID-19 lockdown
Licences and Permits	2 701 584	(615 678)	2 085 906	2 270 553	108.85%	There was a decrease in the issuing of licences and permits issued during the year due to the COVID-19 lockdown
Transfers and Grants Recognised - Operational	252 459 000	2 762 204	255 221 204	252 093 067	98.77%	
Other Income	4 317 564	2 526 120	6 843 684	11 264 014	164.59%	The increase in other income is as a result of a number of insurance claims settled by the Municipality's insurers
Total Revenue (Excl. Capital Transfers & Contributions)	922 109 836	(18 371 216)	903 738 620	919 545 428	101.75%	
Employee Related Costs	354 515 304	(10 174 780)	344 340 524	330 857 991	96.08%	
Remuneration of Councillors	28 413 780	(56 935)	28 356 845	26 424 601	93.19%	The expected increase in the Upper Limits for Councillors was approved late in the financial year, and therefore could not be adjusted in the Adjustments Budget and the increase was lower than expected
Bad Debts / Impairment	58 878 120	41 074 110	99 952 230	88 183 666	88.23%	Actual below budget due to the uncertainty of the impact of COVID-19
Depreciation and Amortisation Expense	180 729 084	(33 447 508)	147 281 576	114 949 778	78.05%	Changes in the estimated useful lives of assets has reduced the depreciation charges
Finance Costs	430 356	1 525	431 881	427 498	98.99%	
Bulk Purchases	274 887 384	(18 554 813)	256 332 571	252 052 187	98.33%	
Contracted Services	47 629 439	(8 011 740)	39 617 699	50 290 066	126.94%	Increase in Security requirements
Other Expenditure	123 490 308	23 989 385	147 479 693	124 047 343	84.11%	Decrease in spending was as a result of the lockdown during the financial year, only emergency procurements were done in the latter period of 2019/2020 financial year.
Total Expenditure	1 068 973 775	(5 180 756)	1 063 793 019	987 233 131	92.80%	
Operating Surplus/(Deficit)	(146 863 939)	(13 190 460)	(160 054 399)	(67 687 703)	42.29%	
Gain / (Loss) on sale/disposal of assets	-	-	880 000	6 806 829	773.50%	
Gain / (Loss) on fair value adjustment	-	-	-	(17 375 714)	0.00%	
Gain / (Loss) on actuarial valuations	-	-	-	(4 575 325)	0.00%	
Inventories: (Write-down) / reversal to net realisable value	-	-	750 000	(8 617 020)	-1148.94%	
(Impairment Loss) / Reversal of impairment loss	2 445 756	-	1 893 509	13 963 756	737.45%	
Other Gains / Losses	2 445 756	-	3 523 509	(9 797 476)	-278.06%	
Surplus / (Deficit) for the Period	-149 309 695	-13 190 460	-163 577 908	-57 890 227	35.39%	
Transfers Recognised - Capital	71 083 020	-	94 423 016	79 539 441	84.24%	
Contributions Recognised - Capital	-	-	-	-	0.00%	
Surplus/(Deficit) After Capital Transfers & Contributions	(75 780 919)	(13 190 460)	(69 154 892)	21 649 214	-31.31%	
Capital Expenditure and Funds Sources						
Capital Expenditure						
Transfers Recognised - Capital	71 083 020	-	94 423 016	79 539 441	84.24%	Delays in projects were experienced due to the COVID-19 lockdown during the financial year
Internally Generated Funds	23 008 776	-	10 580 369	7 309 798	69.09%	Decrease in spending was as a result of the lockdown during the financial year, only emergency procurements were done.
Total Sources of Capital Funds	94 091 796	-	105 003 385	86 849 238	82.71%	

Alfred Duma Local Municipality

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (Unaudited)

	Actual Revenue R	Actual Expenditure R	Surplus / (Deficit) R
Municipal Manager & Council	218 691 158	192 675 107	26 016 051
Corporate Services	888 911	15 744 087	-14 855 176
Community Services	116 858 778	218 210 398	-101 351 620
Finance	213 897 722	26 247 858	187 649 864
Infrastructure & Services	446 110 902	504 918 428	-58 807 526
Development, Planning & Human Settlement	5 120 821	29 437 252	-24 316 431
Total	1 001 568 292	987 233 131	14 335 162
Adjusted For Other Gains / Losses			9 797 476
			24 132 637

Alfred Duma Local Municipality
APPENDIX E

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (Unaudited)

Name of Grants	Name of Organ of State	Receipts	Expenditure	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
				Yes / No
		R	R	
Building Plans Information Management System	COGTA	500 000	200 000	Yes
Construction of an Animal Pound	COGTA	3 000 000	959 000	Yes
Construction of a Satellite Fire Station in Indaka	COGTA	12 000 000	6 509 627	Yes
Equitable Share	National Government	232 678 000	232 678 000	Yes
Expanded Public Works Programme	National Government	3 930 000	3 930 000	Yes
Housing Accreditation Funds	Dept of Human Settlements	153 138	1 420 657	Yes
Housing Projects	Dept of Human Settlements	29 341 256	32 442 721	Yes
Integrated National Electrification Programme	National Government	11 000 000	6 999 298	Yes
Local Government Sector Education and Training Authority	LGSETA	94 000	-	Yes
Municipal Disaster Relief Grant	National Government	1 077 000	146 328	Yes
Municipal Finance Management Grant	National Government	2 500 000	2 500 000	Yes
Municipal Infrastructure Grant	National Government	61 683 000	61 515 019	Yes
Municipal Systems Improvement Grant	National Government	-	422 368	Yes
Museum Subsidy	Dept of Arts & Culture	202 000	202 000	Yes
Provincialisation of Libraries	Dept of Arts & Culture	5 279 000	5 279 000	Yes
Recapitalisation of Libraries	Dept of Arts & Culture	1 467 000	1 467 000	Yes
Sports Facilities	Department of Sports & Recreation	8 243 000	9 003 308	Yes
Infrastructure Skills Development Grant	National Government	3 500 000	3 500 000	Yes
Nodal Development Grant	COGTA	-	950 100	Yes
Spatial Planning Grant	COGTA	-	950 100	Yes
		376 647 393	371 074 526	