



uMfolozi Municipality  
(Registration Number: KZN281)

Annual Financial Statements  
For The Year Ended 30 June 2020

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## General Information

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<b>Legal form of entity</b>	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act No, 117 of 1998)
<b>Nature of business and principal activities</b>	Local Municipality
<b>Executive Committee</b>	
Mayor	Cllr. S.W. Mgenge
Deputy Mayor	Cllr. S.R. Thabethe
Speaker	Cllr. Z.D. Mfusi
Committe Member	Cllr. N.T. Mthiyane
Committe Member	Cllr. S.T. Khumalo
Committe Member	Cllr. B.M. Mkhize
<b>Grading of Local Authority</b>	Grade 1
<b>Accounting Officer</b>	Mr. K.E. Gamede
<b>Chief Financial Officer (CFO)</b>	Mr. K.N. Mthethwa
<b>Registered office</b>	25 Bredelia Street Kwa-Mbonambi 3915
<b>Postal Address</b>	P.O Box 96 Kwa-Mbonambi 3915
<b>Banker</b>	ABSA Bank
<b>Auditor</b>	Auditor General South Africa
<b>Telephone</b>	(035) 580-1421
<b>Email Address (Accounting Officer)</b>	mm@umfolozi.org.za

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

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The reports and statements set out below comprise the Annual Financial Statement presented to the Council:

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PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund
SALGA	South African Local Government Association
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
COVID-19	Coronavirus Disease 2019

# **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## **Accounting Officer's Responsibilities and Approval**

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

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the 12 months to 30 June, 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is partly dependent on the community and state for continued funding of operations. The Annual Financial Statements are prepared on the basis that the municipality is a going concern and that the uMfolozi Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The Annual Financial Statements set out on pages 4 to 62, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October, 2020 and were signed on its behalf by:

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**K.E. Gamede**  
**Accounting Officer**

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Position as at 30 June 2020

Figures in Rand	Notes	2020	2019 Restated
<b>ASSETS</b>			
<b>Current Assets</b>			
Receivables from Exchange Transactions	3	14,765,298	11,125,518
VAT Receivable	4	5,452,373	5,778,843
Cash and Cash Equivalents	6	5,095,384	5,221,196
		<b>25,313,055</b>	<b>22,125,557</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	7	327,026,745	310,155,827
Intangible Assets	8	1,960,620	2,471,935
		<b>328,987,365</b>	<b>312,627,762</b>
<b>TOTAL ASSETS</b>		<b>354,300,420</b>	<b>334,753,319</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Other financial liabilities	9	1,223,707	1,223,000
Finance lease obligation	10	1,104,717	1,329,600
Payables from Exchange Transactions	11	21,883,485	25,398,522
Unspent Conditional Grants and Receipts	12	5,557,632	3,099,573
Provisions	13	-	40,000
		<b>29,769,541</b>	<b>31,090,695</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	9	4,767,642	5,341,865
Finance lease obligation	10	460,271	1,564,988
		<b>5,227,913</b>	<b>6,906,853</b>
<b>TOTAL LIABILITIES</b>		<b>34,997,454</b>	<b>37,997,548</b>
<b>NET ASSETS</b>		<b>319,302,966</b>	<b>296,755,771</b>
Accumulated surplus		319,302,966	296,755,771

\* See Note 44

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Performance

Figures in Rand	Notes	2020	2019 Restated
<b>REVENUE</b>			
<b>Revenue From Exchange Transactions</b>			
Service Charges	14	580,036	507,677
Rental of Facilities and Equipment	15	173,709	122,991
Agency services		1,773,965	-
Licenses and permits	16	123,004	349,813
Operational revenue	17	494,890	133,346
Interest received	18	2,137,611	1,722,436
<b>TOTAL REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>5,283,215</b>	<b>2,836,263</b>
<b>Revenue From Non-Exchange Transactions</b>			
<b>Revenue</b>			
Property Rates	19	23,710,124	26,577,950
<b>Transfer revenue</b>			
Government Grants & Subsidies	20	167,763,942	167,847,302
Fines, Penalties and Forfeits	21	260,969	1,752,275
Donations received	22	4,463,647	37,894,612
<b>TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>196,198,682</b>	<b>234,072,139</b>
<b>TOTAL REVENUE</b>		<b>201,481,897</b>	<b>236,908,402</b>
<b>EXPENDITURE</b>			
Employee Related Costs	23	(62,455,760)	(56,218,771)
Remuneration of Councillors	24	(11,165,828)	(10,841,649)
Depreciation and Amortisation	25	(17,270,475)	(10,906,875)
Finance costs	26	(918,470)	(1,175,999)
Lease rentals on operating lease	27	(873,770)	(607,382)
Debt Impairment	28	(2,397,889)	(3,408,584)
Contracted Services	29	(47,307,310)	(39,020,040)
Transfers and Subsidies	30	(692,312)	(562,087)
Operational Costs	31	(35,471,871)	(37,359,242)
<b>TOTAL EXPENDITURE</b>		<b>(178,553,685)</b>	<b>(160,100,629)</b>
<b>Operating surplus</b>		<b>22,928,212</b>	<b>76,807,773</b>
Loss on disposal of assets and liabilities		(292,351)	(599,778)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>22,635,861</b>	<b>76,207,995</b>

\* See Note 44

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2018 as restated*</b>	<b>208,761,756</b>	<b>208,761,756</b>
Changes in net assets		
Surplus for the year	73,278,165	73,278,165
Correction of error	14,715,850	14,715,850
Total changes	87,994,015	87,994,015
<b>Restated Balance at 01 July 2019</b>	<b>296,755,793</b>	<b>296,755,793</b>
Changes in net assets		
Surplus for the year	22,547,173	22,547,173
Total Changes	22,547,173	22,547,173
<b>Balance at 30 June, 2020</b>	<b>319,302,966</b>	<b>319,302,966</b>

\* See Note 44

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Cash Flows

Figures in Rand	Notes	2020	2019 Restated
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Sale of Goods and Services		20,408,857	52,739,056
Grants		177,596,377	165,723,597
Interest Income		2,137,611	1,155,109
Fines		260,969	217,801
		<u>200,403,814</u>	<u>219,835,563</u>
<b>Payments</b>			
Employee costs		(73,621,588)	(66,178,898)
Suppliers		(90,530,086)	(81,203,332)
Finance costs		(918,470)	(1,175,999)
VAT		-	1,018,820
		<u>(165,070,144)</u>	<u>(147,539,409)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	33	<b><u>35,333,670</u></b>	<b><u>72,296,154</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	7	(32,171,155)	(63,415,317)
Proceeds from sale of property, plant and equipment	7	270	1,080,469
Purchase of Other Intangible Assets	8	-	(2,044,877)
		<u>(32,170,885)</u>	<u>(64,379,725)</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b><u>(32,170,885)</u></b>	<b><u>(64,379,725)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(573,516)	(524,820)
Finance lease payments		(1,597,879)	(2,598,879)
		<u>(2,171,395)</u>	<u>(3,123,699)</u>
<b>Net cash flows from financing activities</b>		<b><u>(2,171,395)</u></b>	<b><u>(3,123,699)</u></b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(125,812)</b>	<b>4,792,730</b>
Cash and Cash Equivalents at the beginning of the year		5,221,196	428,466
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	6	<b><u>5,095,384</u></b>	<b><u>5,221,196</u></b>

\* See Note 44



# uMfolozi Municipality

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## Appropriation Statement

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	697,000	(27,000)	<b>670,000</b>	580,036	<b>(89,964)</b>	Note 47
Rental of facilities and equipment	700,000	(100,000)	<b>600,000</b>	173,709	<b>(426,291)</b>	Note 47
Agency services	-	-	-	1,773,965	<b>1,773,965</b>	
Licences and permits	525,000	(265,000)	<b>260,000</b>	123,004	<b>(136,996)</b>	Note 47
Operational Revenue	195,000	58,000	<b>253,000</b>	494,890	<b>241,890</b>	
Interest received	1,190,000	750,000	<b>1,940,000</b>	2,137,611	<b>197,611</b>	Note 47
<b>Total revenue from exchange transactions</b>	<b>3,307,000</b>	<b>416,000</b>	<b>3,723,000</b>	<b>5,283,215</b>	<b>1,560,215</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	26,114,000	-	<b>26,114,000</b>	23,710,124	<b>(2,403,876)</b>	Note 47
<b>Transfer revenue</b>						
Government grants & subsidies	177,069,000	6,208,000	<b>183,277,000</b>	167,763,942	<b>(15,513,058)</b>	Note 47
Fines, Penalties and Forfeits	500,000	(370,000)	<b>130,000</b>	260,969	<b>130,969</b>	Note 46
Donations Received	-	-	-	4,463,647	<b>4,463,647</b>	
<b>Total revenue from non-exchange transactions</b>	<b>203,683,000</b>	<b>5,838,000</b>	<b>209,521,000</b>	<b>196,198,682</b>	<b>(13,322,318)</b>	
<b>Total revenue</b>	<b>206,990,000</b>	<b>6,254,000</b>	<b>213,244,000</b>	<b>201,481,897</b>	<b>(11,762,103)</b>	
<b>Expenditure</b>						
Employee related costs	(63,777,527)	1,466,000	<b>(62,311,527)</b>	(62,455,760)	<b>(144,233)</b>	Note 47
Remuneration of councillors	(11,190,489)	-	<b>(11,190,489)</b>	(11,165,828)	<b>24,661</b>	
Depreciation and amortisation	(8,421,000)	-	<b>(8,421,000)</b>	(17,270,475)	<b>(8,849,475)</b>	Note 47
Impairment loss/ Reversal of impairments	-	-	-	(88,688)	<b>(88,688)</b>	
Finance costs	(600,000)	(160,000)	<b>(760,000)</b>	(918,470)	<b>(158,470)</b>	
Lease rentals on operating lease	(1,352,200)	(245,071)	<b>(1,597,271)</b>	(873,770)	<b>723,501</b>	
Debt Impairment	(2,024,600)	1,002,200	<b>(1,022,400)</b>	(2,397,889)	<b>(1,375,489)</b>	
Contracted Services	(54,212,589)	(982,692)	<b>(55,195,281)</b>	(47,307,310)	<b>7,887,971</b>	Note 47
Transfers and Subsidies	(770,000)	(410,300)	<b>(1,180,300)</b>	(692,312)	<b>487,988</b>	
General Expenses	(34,311,295)	(931,113)	<b>(35,242,408)</b>	(35,471,871)	<b>(229,463)</b>	Note 47
<b>Total expenditure</b>	<b>(176,659,700)</b>	<b>(260,976)</b>	<b>(176,920,676)</b>	<b>(178,642,373)</b>	<b>(1,721,697)</b>	
<b>Operating surplus</b>	<b>30,330,300</b>	<b>5,993,024</b>	<b>36,323,324</b>	<b>22,839,524</b>	<b>(13,483,800)</b>	
Loss on disposal of assets and liabilities	-	-	-	(292,351)	<b>(292,351)</b>	Note 47
<b>Surplus before taxation</b>	<b>30,330,300</b>	<b>5,993,024</b>	<b>36,323,324</b>	<b>22,547,173</b>	<b>(13,776,151)</b>	

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## Appropriation Statement

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>30,330,300</b>	<b>5,993,024</b>	<b>36,323,324</b>	<b>22,547,173</b>	<b>(13,776,151)</b>	

# uMfolozi Municipality

(Registration number KZN281)

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## Appropriation Statement

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Receivables from exchange transactions	9,140,000	(3,433,200)	<b>5,706,800</b>	-	<b>(5,706,800)</b>	
VAT receivable	-	-	-	5,452,374	<b>5,452,374</b>	
Consumer debtors	-	-	-	14,765,298	<b>14,765,298</b>	
Cash and cash equivalents	5,265,000	3,051,096	<b>8,316,096</b>	5,095,384	<b>(3,220,712)</b>	
	<b>14,405,000</b>	<b>(382,104)</b>	<b>14,022,896</b>	<b>25,313,056</b>	<b>11,290,160</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	359,917,833	(29,697,740)	<b>330,220,093</b>	327,026,745	<b>(3,193,348)</b>	
Intangible assets	2,100,000	521,935	<b>2,621,935</b>	1,960,620	<b>(661,315)</b>	
	<b>362,017,833</b>	<b>(29,175,805)</b>	<b>332,842,028</b>	<b>328,987,365</b>	<b>(3,854,663)</b>	
<b>Total Assets</b>	<b>376,422,833</b>	<b>(29,557,909)</b>	<b>346,864,924</b>	<b>354,300,421</b>	<b>7,435,497</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	-	-	-	1,223,707	<b>1,223,707</b>	
Finance lease obligation	-	-	-	1,104,717	<b>1,104,717</b>	
Payables from exchange transactions	9,150,000	(408,311)	<b>8,741,689</b>	21,883,485	<b>13,141,796</b>	
Unspent conditional grants and receipts	-	-	-	5,557,632	<b>5,557,632</b>	
	<b>9,150,000</b>	<b>(408,311)</b>	<b>8,741,689</b>	<b>29,769,541</b>	<b>21,027,852</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	5,255,000	26,207	<b>5,281,207</b>	4,767,642	<b>(513,565)</b>	
Finance lease obligation	-	-	-	460,271	<b>460,271</b>	
	<b>5,255,000</b>	<b>26,207</b>	<b>5,281,207</b>	<b>5,227,913</b>	<b>(53,294)</b>	
<b>Total Liabilities</b>	<b>14,405,000</b>	<b>(382,104)</b>	<b>14,022,896</b>	<b>34,997,454</b>	<b>20,974,558</b>	
<b>Net Assets</b>	<b>362,017,833</b>	<b>(29,175,805)</b>	<b>332,842,028</b>	<b>319,302,967</b>	<b>(13,539,061)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	362,017,833	(29,175,805)	<b>332,842,028</b>	319,302,967	<b>(13,539,061)</b>	

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2020</b>											
<b>Financial Performance</b>											
Property Rates	26,114,000	-	26,114,000	-	-	26,114,000	23,710,124	-	(2,403,876)	91 %	91 %
Service Charges	697,000	(27,000)	670,000	-	-	670,000	580,036	-	(89,964)	87 %	83 %
Investment Revenue	1,190,000	750,000	1,940,000	-	-	1,940,000	2,137,611	-	197,611	110 %	180 %
Transfers Recognised - Operational	152,156,000	(745,000)	151,411,000	-	-	151,411,000	141,539,942	-	(9,871,058)	93 %	93 %
Other Own Revenue	1,920,000	(677,000)	1,243,000	-	-	1,243,000	7,290,184	-	6,047,184	586 %	380 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>182,077,000</b>	<b>(699,000)</b>	<b>181,378,000</b>	<b>-</b>	<b>-</b>	<b>181,378,000</b>	<b>175,257,897</b>	<b>-</b>	<b>(6,120,103)</b>	<b>97 %</b>	<b>96 %</b>
Employee Costs	(63,777,527)	1,466,000	(62,311,527)	-	-	(62,311,527)	(62,455,760)	-	(144,233)	100 %	98 %
Remuneration of Councillors	(11,190,489)	-	(11,190,489)	-	-	(11,190,489)	(11,165,828)	-	24,661	100 %	100 %
Debt impairment	(2,024,600)	1,002,200	(1,022,400)	-	-	(1,022,400)	(2,397,889)	-	(1,375,489)	235 %	118 %
Depreciation and Asset Impairment	(8,421,000)	-	(8,421,000)	-	-	(8,421,000)	(17,359,163)	-	(8,938,163)	206 %	206 %
Interest Paid	(600,000)	(160,000)	(760,000)	-	-	(760,000)	(918,470)	-	(158,470)	100 %	100 %
Materials and Bulk Purchases	(1,352,200)	(245,071)	(1,597,271)	-	-	(1,597,271)	-	-	1,597,271	- %	- %
Transfers and Subsidies	(770,000)	(410,300)	(1,180,300)	-	-	(1,180,300)	(692,312)	-	487,988	59 %	90 %
Other Expenditure	(88,523,884)	(1,913,805)	(90,437,689)	-	-	(90,437,689)	(83,945,302)	-	6,492,387	93 %	95 %
<b>Total Expenditure</b>	<b>(176,659,700)</b>	<b>(260,976)</b>	<b>(176,920,676)</b>	<b>-</b>	<b>-</b>	<b>(176,920,676)</b>	<b>(178,934,724)</b>	<b>-</b>	<b>(2,014,048)</b>	<b>101 %</b>	<b>101 %</b>
<b>Surplus/(Deficit)</b>	<b>5,417,300</b>	<b>(959,976)</b>	<b>4,457,324</b>	<b>-</b>	<b>-</b>	<b>4,457,324</b>	<b>(3,676,827)</b>	<b>-</b>	<b>(8,134,151)</b>	<b>(82)%</b>	<b>(68)%</b>

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

### Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	24,912,800	6,213,000	31,125,800	-		31,125,800	26,224,000		(4,901,800)	84 %	105 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>30,330,100</b>	<b>5,253,024</b>	<b>35,583,124</b>	-		<b>35,583,124</b>	<b>22,547,173</b>		<b>(13,035,951)</b>	<b>63 %</b>	<b>74 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>30,330,100</b>	<b>5,253,024</b>	<b>35,583,124</b>	-		<b>35,583,124</b>	<b>22,547,173</b>		<b>(13,035,951)</b>	<b>63 %</b>	<b>74 %</b>
<b>Capital expenditure and funds sources</b>											
Total Capital Expenditure	30,330,300	5,993,025	36,323,325	-		36,323,325	28,227,073		(8,096,252)	78 %	93 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	24,912,800	6,213,000	31,125,800	-		31,125,800	28,227,073		(2,898,727)	91 %	113 %
Internally generated funds	5,417,500	(219,975)	5,197,525	-		5,197,525	-		(5,197,525)	- %	- %
<b>Total sources of capital funds</b>	<b>30,330,300</b>	<b>5,993,025</b>	<b>36,323,325</b>	-		<b>36,323,325</b>	<b>28,227,073</b>		<b>(8,096,252)</b>	<b>78 %</b>	<b>93 %</b>

## uMfolozi Municipality

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### Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	31,636,000	8,403,925	40,039,925	-		40,039,925	30,228,939		(9,810,986)	75 %	96 %
Net cash from (used) investing	(30,330,300)	(5,993,025)	(36,323,325)	-		(36,323,325)	(26,832,540)		9,490,785	74 %	88 %
Net cash from (used) financing	(622,000)	-	(622,000)	-		(622,000)	(2,171,395)		(1,549,395)	349 %	349 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>683,700</b>	<b>2,410,900</b>	<b>3,094,600</b>	<b>-</b>		<b>3,094,600</b>	<b>1,225,004</b>		<b>(1,869,596)</b>	<b>40 %</b>	<b>179 %</b>
Cash and cash equivalents at the beginning of the year	4,581,000	640,196	5,221,196	-		5,221,196	5,221,196		-	100 %	114 %
<b>Cash and cash equivalents at year end</b>	<b>5,264,700</b>	<b>3,051,096</b>	<b>8,315,796</b>	<b>-</b>		<b>8,315,796</b>	<b>6,446,200</b>		<b>1,869,596</b>	<b>78 %</b>	<b>122 %</b>

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1. Presentation of Interim Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality.

The amounts presented in the Annual Financial Statements are rounded-off to the nearest rand.

#### 1.2 Going concern assumption

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

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

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

##### **Trade receivables / Held to maturity investments and/or loans and receivables**

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

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

# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

#### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

#### Provisions

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

#### Allowance for doubtful debts

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

An impairment of the trade receivables is accounted for by reducing the carrying amount of the trade receivable through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When the trade receivable is uncollectable, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Provision for doubtful debts is calculated by categorising the outstanding debtors into three :

Category A are government properties and those who owe less than 30 days. Provision is not made for them.

Category B are those who are irregular payers and the debt is more than 60 days. The provision is made at 25%.

Category C are bad payers and provision is made at 50%.



# uMfolozi Municipality

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## Accounting Policies

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### 1.4 Investment property

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

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

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

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

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

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

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

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	40 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

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.

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

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

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

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

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

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

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Item	Depreciation method	Average useful life
Infrastructure	Straight line	20-30 Years
Community	Straight line	20-30 Years
Leasehold property	Straight line	5 to 30 Years
Other property, plant and equipment	Straight line	10 Years
Furniture and office equipment	Straight line	4-10 Years
Other property, plant and equipment	Straight line	30 Years

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

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

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

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

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

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

# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.6 Intangible assets

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

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

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

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

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

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

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

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Item	Depreciation method	Average useful life
Computer software		5 Years

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Intangible assets are 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 the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

### 1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability.

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

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

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# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.7 Financial instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

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

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

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

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

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# uMfolozi Municipality

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## Accounting Policies

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### 1.7 Financial instruments (continued)

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

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

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

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

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

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

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

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

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

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

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

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

##### Financial liabilities

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

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

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# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

#### Presentation

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

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

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

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

### 1.8 Leases

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

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

#### Finance leases - lessee

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

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

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

#### Operating leases - lessor

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

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

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

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

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

# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.8 Leases (continued)

#### Operating leases - lessee

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

### 1.9 Value-Added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) VAT on the invoice basis, in accordance with Section 15(1) of the VAT Act No.89 of 1991.

### 1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

Useful life is either:

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

### 1.11 Employee benefits

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

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

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

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

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

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

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

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### 1.11 Employee benefits (continued)

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

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Post-employment benefits

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

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

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

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### 1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an municipality:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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### 1.12 Provisions and contingencies (continued)

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

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

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

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

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

### 1.13 Commitments

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

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

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

### 1.14 Revenue from exchange transactions

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

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

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

#### Measurement

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

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### 1.14 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

#### Interest

Revenue arising from the use by others of municipality assets yielding interest, similar distributions is recognised when:

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

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

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

### 1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another municipality without directly giving approximately equal value in exchange.

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

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

#### Measurement

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

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

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

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Revenue from the issuing of fines is recognised when:

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

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

#### Levies

Levies are recognised as revenue when:

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

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

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## Accounting Policies

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

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.16 Investment income

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

### 1.17 Borrowing costs

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

### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.19 Fruitless and wasteful expenditure

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

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## Accounting Policies

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### 1.19 Fruitless and wasteful expenditure (continued)

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

### 1.20 Irregular expenditure

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

### 1.21 Budget information

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

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

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

The approved budget covers the fiscal period from 01-Jul-19 to 30-Jun-20.

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

The Statement of comparative and actual information has been included in the Annual Financial Statements as the recommended disclosure when the Annual Financial Statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.22 Related parties

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

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

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

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

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

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

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

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### **1.22 Related parties (continued)**

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

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

### **1.23 Events after reporting date**

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

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

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

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



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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 20: Related Parties	01 April 2019	Unlikely there will be material impact
GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be material impact
GRAP 108: Statutory Receivables	01 April 2019	Applied Transitional Provision per Directive 4
GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be material impact
IGRAP 18: Recognition and Derecognition of Land	01 April 2019	Unlikely there will be material impact
Guidelines: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Unlikely there will be material impact
IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be material impact

#### GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

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

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July, 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	1 April, 2021	Unlikely there will be a material impact

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>3. Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Rates	19,799,629	13,951,757
Other receivables	557,264	558,239
	<b>20,356,893</b>	<b>14,509,996</b>
<b>Less: Allowance for impairment</b>		
Rates	(5,591,595)	(3,384,478)
<b>Net balance</b>		
Rates	14,208,034	10,567,279
Creditors in debit	557,264	558,239
	<b>14,765,298</b>	<b>11,125,518</b>
Fines	11,549,517	11,358,746
Allowance for impairment	(11,549,517)	(11,358,746)
	-	-
<b>Reconciliation for traffic fines impairment of receivables from non-exchange</b>		
Opening balance	11,358,746	9,845,349
Provision for impairment	190,771	1,513,397
	<b>11,549,517</b>	<b>11,358,746</b>
<b>Rates</b>		
Current (0 -30 days)	4,885,445	1,670,805
31 - 60 days	775,797	5,232,875
61 - 90 days	710,820	283,272
91 - 120 days	688,932	264,484
121 - 365 days	7,147,040	3,115,843
	<b>14,208,034</b>	<b>10,567,279</b>
<b>4. VAT receivable</b>		
VAT	5,452,374	5,778,843
<b>VAT summary</b>		
Opening balance	5,778,843	6,797,663
Movement	(326,470)	(1,018,820)
	<b>5,452,373</b>	<b>5,778,843</b>
<b>5. Summary of consumer debtors</b>		
<b>Rates</b>		
Current (0 -30 days)	5,138,158	1,670,805
31 - 60 days	770,185	5,232,875
61 - 90 days	716,406	283,272
91 - 120 days	704,767	264,484
121 - 365 days	12,469,169	6,500,321
	<b>19,798,684</b>	<b>13,951,757</b>

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### 5. Summary of consumer debtors (continued)

#### Summary of debtors by customer classification

##### Residential

Current (0 -30 days)	266,078	325,019
31 - 60 days	98,465	131,635
61 - 90 days	79,916	108,881
91 - 120 days	82,512	103,146
121 - 365 days	3,275,045	2,878,847
	<u>3,802,016</u>	<u>3,547,528</u>
Less: Allowance for impairment	(1,790,279)	(1,929,152)
	<u><b>2,011,737</b></u>	<u><b>1,618,376</b></u>

##### Industrial and commercial

Current (0 -30 days)	824,251	1,400,623
31 - 60 days	642,962	193,144
61 - 90 days	1,205,716	191,637
91 - 120 days	582,119	153,229
121 - 365 days	6,063,573	2,973,177
	<u>9,318,621</u>	<u>4,911,810</u>
Less: Allowance for impairment	(3,625,951)	(1,455,326)
	<u><b>5,692,670</b></u>	<u><b>3,456,484</b></u>

##### National and provincial government

Current (0 -30 days)	3,372,811	(54,837)
31 - 60 days	15,874	4,908,097
61 - 90 days	7,712	(17,246)
91 - 120 days	6,581	8,109
121 - 365 days	1,888,698	648,297
	<u>5,291,676</u>	<u>5,492,420</u>

##### Total

Current (0 -30 days)	4,338,237	1,670,805
31 - 60 days	775,797	5,232,875
61 - 90 days	710,820	283,272
91 - 120 days	1,360,144	264,484
121 - 365 days	11,227,316	6,500,321
	<u>18,412,314</u>	<u>13,951,757</u>
Less: Allowance for impairment	(5,416,230)	(3,384,478)
	<u><b>12,996,084</b></u>	<u><b>10,567,279</b></u>

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

Balance at beginning of the year	3,384,478	2,286,279
Contributions to allowance	2,031,752	1,098,199
	<u><b>5,416,230</b></u>	<u><b>3,384,478</b></u>

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

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Figures in Rand	2020	2019
<b>6. Cash and cash equivalents (continued)</b>		
Cash on hand	9,929	25,512
Bank balances	5,076,149	5,161,110
Other cash and cash equivalents	9,306	34,574
	<b>5,095,384</b>	<b>5,221,196</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2020	30 June 2019	30 June 2018	30 June, 2020	30 June, 2019	30 June, 2018
ABSA Bank- Account Type- Cheque- 40 5385 7155	5,076,962	5,161,109	219,327	5,076,962	5,161,109	219,327
ABSA Bank- Account Type- Traffic- 40 7854 4599	-	1,010	1,500	-	1,010	1,500
ABSA Bank- Account Type- INEG- 92 8652 5057	1,000	2,024	2,039	1,000	2,024	2,039
ABSA Bank- Account Type- MIG- 92 8651 3913	1,229	2,164	1,507	1,229	2,164	1,507
ABSA Bank- Account Type- EPWP - 92 861 3796	984	993	1,107	984	993	1,107
ABSA Bank- Account Type- FMG- 92 8652 5340	1,091	1,096	1,203	1,091	1,096	1,203
ABSA Bank- Account Type- MSIG- 92 8651 3028	1,347	1,338	1,425	1,347	1,338	1,425
ABSA Bank- Account Type- Call- 91 0739 9765	2,056	2,050	2,062	2,055	2,050	2,062
ABSA Bank- Account Type- Traffic- 40 6506 2322	-	1,089	2,495	-	1,089	2,495
ABSA Bank- 93 3848 2339	1,605	22,809	81,582	1,605	22,809	81,582
<b>Total</b>	<b>5,086,274</b>	<b>5,195,682</b>	<b>314,247</b>	<b>5,086,273</b>	<b>5,195,682</b>	<b>314,247</b>

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	16,742,853	-	16,742,853	14,902,853	-	14,902,853
Machinery and Equipment	3,921,553	(749,027)	3,172,526	1,510,902	(627,937)	882,965
Furniture and Office Equipment	5,751,574	(1,988,703)	3,762,871	4,754,770	(1,430,395)	3,324,375
Computer Equipment	3,007,881	(780,728)	2,227,153	3,284,384	(579,332)	2,705,052
Leasehold Transport Assets	7,019,883	(3,193,164)	3,826,719	7,019,883	(2,399,369)	4,620,514
Road Infrastructure	102,128,741	(22,639,594)	79,489,147	94,086,173	(18,178,095)	75,908,078
Community Assets	163,674,189	(33,203,963)	130,470,226	156,205,929	(26,659,395)	129,546,534
Storm Water Infrastructure	1,129,397	(212,067)	917,330	286,174	(199,710)	86,464
Water Supply Infrastructure	28,646	(7,152)	21,494	28,646	(5,198)	23,448
Other Assets	65,073,736	(11,037,536)	54,036,200	63,277,414	(8,601,817)	54,675,597
Work in Progress	26,838,369	-	26,838,369	17,000,864	-	17,000,864
Transport Assets	7,125,347	(3,461,461)	3,663,886	7,125,347	(2,552,104)	4,573,243
ICT Infrastructure	2,131,353	(273,382)	1,857,971	1,972,697	(66,857)	1,905,840
<b>Total</b>	<b>404,573,522</b>	<b>(77,546,777)</b>	<b>327,026,745</b>	<b>371,456,036</b>	<b>(61,300,209)</b>	<b>310,155,827</b>

## uMfolozi Municipality

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### Notes to the Annual Financial Statements

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

##### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Donations Received	Depreciation	Impairment loss	Total
Land	14,902,853	-	-	-	1,840,000	-	-	16,742,853
Machinery and Equipment	882,965	2,613,221	(206)	-	-	(323,454)	-	3,172,526
Furniture and Office Equipment	3,324,375	1,318,573	(145,004)	-	-	(735,073)	-	3,762,871
Computer Equipment	2,705,052	92,771	(147,411)	-	-	(423,259)	-	2,227,153
Leasehold Transport Assets	4,620,514	-	-	-	-	(793,795)	-	3,826,719
Road Infrastructure	75,908,078	344,772	-	7,697,796	-	(4,454,115)	(7,384)	79,489,147
Community Assets	129,546,534	43,694	-	7,424,621	-	(6,544,623)	-	130,470,226
Storm Water Infrastructure	86,464	-	-	843,223	-	(12,357)	-	917,330
Water Supply Infrastructure	23,448	-	-	-	-	(1,954)	-	21,494
Other Assets	54,675,597	1,796,322	-	-	-	(2,354,416)	(81,303)	54,036,200
Work-in-Progress	17,000,864	25,803,145	-	(15,965,640)	-	-	-	26,838,369
Transport Assets	4,573,243	-	-	-	-	(909,357)	-	3,663,886
ICT Infrastructure	1,905,840	158,657	-	-	-	(206,526)	-	1,857,971
	<b>310,155,827</b>	<b>32,171,155</b>	<b>(292,621)</b>	<b>-</b>	<b>1,840,000</b>	<b>(16,758,929)</b>	<b>(88,687)</b>	<b>327,026,745</b>

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Donations Received	Depreciation	Prior year adjustment	Total
Land	10,404,853	-	-	-	-	-	4,498,000	14,902,853
Machinery and Equipment	986,669	91,989	(247,057)	-	-	(165,656)	217,020	882,965
Furniture and Office Equipment	1,257,389	1,345,101	(125,171)	-	-	(479,967)	1,327,023	3,324,375
Computer Equipment	1,122,225	2,039,219	(434,623)	-	-	(320,844)	299,075	2,705,052
Leased Transport Assets	5,402,013	-	(702,340)	-	-	(744,573)	665,414	4,620,514
Road infrastructure	73,788,151	434,612	-	4,738,486	-	(3,053,171)	-	75,908,078
Community Assets	88,095,658	532,145	-	5,716,806	-	(3,958,795)	39,160,720	129,546,534
Storm Water Infrastructure	90,469	-	-	-	-	(4,005)	-	86,464
Water Supply Infrastructure	25,251	-	-	-	-	(1,803)	-	23,448
Other Assets	12,176,850	-	-	43,054,470	-	(558,723)	3,000	54,675,597
Leased furniture and office equipment	7,607	-	(6,022)	-	-	(1,585)	-	-
Work in progress	50,957,423	57,873,085	-	(53,607,572)	-	-	(38,222,072)	17,000,864
Transport assets	2,398,273	-	-	-	2,083,097	(1,216,175)	1,308,048	4,573,243
ICT Infrastructure	-	1,874,887	-	97,810	-	(66,857)	-	1,905,840
	<b>246,712,831</b>	<b>64,191,038</b>	<b>(1,515,213)</b>	<b>-</b>	<b>2,083,097</b>	<b>(10,572,154)</b>	<b>9,256,228</b>	<b>310,155,827</b>

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

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

#### Pledged as security

Refer to Note 10 transport assets held under finance lease have been pledged as security.

#### Property, plant and equipment - Fully depreciated

The Municipality has ten (10) assets included in the Fixed Asset Register which have a net book value of zero. These assets are still in use by the Municipality.

The Municipality has determined that an appropriate estimate of the assets' useful lives, residual values and depreciation methods was made based on the information available in the previous reporting period. The Municipality will therefore continue to measure these assets at a net book value of zero.

The class of assets which are affected as well as the total cost is detailed below:

Furniture and Office Equipment	146,504	146,504
Roads Infrastructure	302,960	302,960
	<b>449,464</b>	<b>449,464</b>

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

##### Included in the current amount, property, plant and equipment that have been identified as halted during the current and prior reporting periods:

Cinci MPCC	439,131	439,131
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The delays were due to community protests.

Assets under construction (AUC) held as Other PPE have been reclassified from Infrastructure and Community Assets for improved disclosure.

#### Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening Balance	11,237,626	5,763,237	17,000,863
Additions/capital expenditure	23,327,564	2,475,582	25,803,146
Transferred to completed items	(8,541,019)	(7,424,621)	(15,965,640)
	<b>26,024,171</b>	<b>814,198</b>	<b>26,838,369</b>

#### Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	413,162	50,544,262	50,957,424
Additions/capital expenditure	15,976,112	41,896,974	57,873,086
Transferred to completed items	(4,836,297)	(48,771,276)	(53,607,573)
	<b>11,552,977</b>	<b>43,669,960</b>	<b>55,222,937</b>



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## Notes to the Annual Financial Statements

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

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

**Expenditure incurred to repair and maintain Property, plant and equipment included in Statement of Financial Performance**

Furniture & Office Equipment	795	66,034
Leased Transport Assets	368,984	396,335
Community Assets	4,877,333	1,496,975
Other Assets	988,042	208,239
Transport Assets	435,287	729,736
Machinery and Equipment	124,162	215,945
Storm Water	504,379	-
	<b>7,298,982</b>	<b>3,113,264</b>

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.

# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 8. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3,141,368	(1,180,748)	1,960,620	3,416,802	(944,867)	2,471,935

#### Reconciliation of intangible assets - 2020

	<b>Opening balance</b>	<b>Amortisation</b>	<b>Total</b>
Computer software	2,471,935	(511,315)	1,960,620

#### Reconciliation of intangible assets - 2019

	<b>Opening balance</b>	<b>Additions</b>	<b>Amortisation</b>	<b>Total</b>
Computer software	761,780	2,044,877	(334,722)	2,471,935

#### Pledged as security

There are no intangible assets pledged as security.

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>9. Other financial liabilities</b>		
<b>At amortised cost</b>		
ABSA Loan	5,991,349	6,564,865
The following loan bears interest at 10.93% per annum, with bi-annual instalments of R611 853.57 in January and July of each year. The loan is repayable by 1 July 2026 and the capital portion amounts to R336 212.37.		
<b>Non-current liabilities</b>		
At amortised cost	4,767,642	5,341,865
<b>Current liabilities</b>		
At amortised cost	1,223,707	1,223,000
<b>10. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1,674,356	1,566,251
- in second to fifth year inclusive	472,470	1,686,555
	2,146,826	3,252,806
less: future finance charges	(121,567)	(358,218)
<b>Present value of minimum lease payments</b>	<b>2,025,259</b>	<b>2,894,588</b>
<b>Present value of minimum lease payments due</b>		
- within one year	1,104,717	1,329,600
- in second to fifth year inclusive	460,271	1,564,988
	<b>1,564,988</b>	<b>2,894,588</b>
Non-current liabilities	460,271	1,564,988
Current liabilities	1,104,717	1,329,600
	<b>1,564,988</b>	<b>2,894,588</b>

It is the municipality's policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10% (2019: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>11. Payables from exchange transactions</b>		
Trade payables	11,016,174	12,873,677
Unallocated Deposits	76,446	48,873
Accrued leave pay	3,912,248	2,883,758
Accruals	18,810	3,029,559
Other creditors	30,519	38,043
Debtors in credit	839,164	-
Retention	5,990,124	6,524,612
	<b>21,883,485</b>	<b>25,398,522</b>

Please refer to Note 43. Debt owed to The South African National Roads Agency SOC Limited has been written off against accumulated surplus.

### 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Spatial Development Framework Grant	260,964	260,964
Library Grant	-	581,877
Beach Access Grant	-	243,647
Development Planning and Shared Services Grant	172,498	172,498
Small Town Rehabilitation Grant	336,034	336,034
Sports and Recreation Grant	4,162,124	17,410
Thusong Centre Grant	-	673,045
Schemes Support Programme Grant	60,800	327,000
Maintenance of Sport Facilities	565,212	487,098
	<b>5,557,632</b>	<b>3,099,573</b>

The nature and extent of government grants recognised in the Annual Financial Statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

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

See note 20 for reconciliation of grants from National/Provincial Government.

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

# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 13. Provisions

#### Reconciliation of provisions - 2020

	Opening Balance	Utilised during the year	Total
Legal proceedings	40,000	(40,000)	-

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Legal proceedings	-	40,000	40,000

#### Legal proceedings provisions

Management of the municipality had provided for anticipated legal expenses on the Dondotha Housing Project case initiated against the Municipality by the community members and the Department of Human Settlements.

The provision was fully utilised in the current year as the case concluded during the financial year with no further provision for legal expenses.

#### Transitional provision

GRAP 108: Statutory Receivables became effective in the current financial year. The Standard defines Statutory Receivables as receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another financial asset.

The Municipality has two classes of Receivables that meet the criteria of Statutory Receivables, being Property Rates which are levied in terms of the Municipal Property Rates Act and Traffic Fines imposed in terms of the Criminal Procedure Act.

Property Rates are currently disclosed as part of Consumer Debtors in Note 5 whereas Traffic Fines are disclosed as Receivables from Non-Exchange Transactions in Note 3. These Statutory Receivables are initially and subsequently measured using the principles of GRAP 104: Financial Instruments, which are consistent in all material respects with the measurement principles in GRAP 108.

The Accounting Policy on Debtors has not been changed in respect of the classification and measurement of Statutory Receivables since the Municipality has opted to apply the Transitional Provision of Directives 3 in terms of not changing the classification and measurement of the Debtors while the full implications of compliance with GRAP 108 is still under review.

### 14. Service charges

Refuse removal	580,036	507,677
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### 15. Rental of facilities and equipment

Premises	173,709	122,991
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### 16. Licenses and permits

Learner Driver Application	123,004	349,813
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### 17. Operational Revenue

Operational Revenue	494,890	133,348
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# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>18. Investment revenue</b>		
<b>Interest revenue</b>		
Investment	1,324,290	1,155,109
Interest charged on trade and other receivables	813,321	567,327
	<b>2,137,611</b>	<b>1,722,436</b>
<b>19. Property rates</b>		
<b>Rates received</b>		
Property rates	31,706,764	32,981,677
Less: Income forgone	(7,996,640)	(6,403,727)
	<b>23,710,124</b>	<b>26,577,950</b>

# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>20. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	129,742,000	115,041,000
Housing Grant	-	529,597
Sports and Recreation Grant	2,068,287	6,984,894
Small Town Rehabilitation Grant	-	98,805
Library Grant	3,358,877	3,537,040
Financial Management Grant	1,900,000	1,900,000
Expanded Public Works Program Grant	2,171,000	1,620,000
Integrated National Electrification Grant	-	11,000,000
Thusong Centre Grant	673,045	76,955
Municipal System Improvement Grant	-	1,055,000
Schemes Support Programme Grant	266,200	230,000
Maintenance of Sport Facilities Grant	371,886	12,901
Beach Access Upgrade	243,647	-
Municipal Disaster Management Grant	745,000	-
	<b>141,539,942</b>	<b>142,086,192</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	26,224,000	25,761,110
<b>Total</b>	<b>167,763,942</b>	<b>167,847,302</b>

### Equitable Share

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

All registered indigents receive a monthly subsidy of R 907,831 per year which is funded from the grant.

### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	59,110
Current-year receipts	26,224,000	25,761,000
Conditions met - transferred to revenue	(26,224,000)	(25,761,110)
Other	-	(59,000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

The grant was used to accelerate basic infrastructure backlogs for the benefit of poor households. The amount transferred to operating relates to projects budgeted for as capital and for financial reporting purposes the assets recognition criteria is met. The revenue recognition met the conditions of the grant.

### Spatial Development Framework Grant

Balance unspent at beginning of year	260,964	260,964
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Conditions still to be met - remain liabilities (see note 12).

### Housing Grant

Current-year receipts	-	529,597
Conditions met - transferred to revenue	-	(529,597)
	-	-

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>20. Government grants and subsidies (continued)</b>		
<b>Library Grant</b>		
Balance unspent at beginning of year	581,877	1,492,423
Current-year receipts	2,777,000	2,626,000
Conditions met - transferred to revenue	(3,358,877)	(3,536,546)
	<b>-</b>	<b>581,877</b>
<b>Beach Access Upgrade Grant</b>		
Balance unspent at beginning of year	243,647	243,647
Conditions met - transferred to revenue	(243,647)	-
	<b>-</b>	<b>243,647</b>
<b>Development Planning and Shared Services Grant</b>		
Balance unspent at beginning of year	172,498	172,498
<b>Small Town Rehabilitation Grant</b>		
Balance unspent at beginning of year	336,034	434,840
Conditions met - transferred to revenue	-	(98,806)
	<b>336,034</b>	<b>336,034</b>
<b>Sport Grant</b>		
Balance unspent at beginning of year	17,410	2,502,304
Current-year receipts	6,213,000	4,500,000
Conditions met - transferred to revenue	(2,068,286)	(6,984,894)
	<b>4,162,124</b>	<b>17,410</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Thusong Centre Grant</b>		
Balance unspent at beginning of year	673,045	750,000
Conditions met - transferred to revenue	(673,045)	(76,955)
	<b>-</b>	<b>673,045</b>
<b>Schemes Support Program Grant</b>		
Balance unspent at beginning of year	327,000	57,000
Current-year receipts	-	500,000
Conditions met - transferred to revenue	(266,200)	(230,000)
	<b>60,800</b>	<b>327,000</b>

Provide explanations of conditions still to be met and other relevant information.



# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>20. Government grants and subsidies (continued)</b>		
<b>Maintenance of Sport Facilities</b>		
Balance unspent at beginning of year	487,098	-
Current-year receipts	78,114	11,487,098
Conditions met - transferred to revenue	-	(11,000,000)
	<b>565,212</b>	<b>487,098</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Financial Municipal Grant</b>		
Current-year receipts	1,900,000	1,900,000
Conditions met - transferred to revenue	(1,900,000)	(1,900,000)
	-	-
<b>Expanded Public Works Programme Grant</b>		
Current-year receipts	2,171,000	1,620,000
Conditions met - transferred to revenue	(2,171,000)	(1,620,000)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
<b>Integrated National Electrification Grant</b>		
Current-year receipts	-	11,000,000
Conditions met - transferred to revenue	-	(11,000,000)
	-	-
<b>Housing Grant</b>		
Current-year receipts	-	529,597
Conditions met - transferred to revenue	-	(529,597)
	-	-
<b>Municipal System Improvement Grant</b>		
Current-year receipts	-	1,055,000
Conditions met - transferred to revenue	-	(1,055,000)
	-	-
<b>21. Fines, Penalties and Forfeits</b>		
Motor Licenses and Traffic Fines	256,606	1,746,829
Illegal Dumping	4,363	5,446
	<b>260,969</b>	<b>1,752,275</b>

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>22. Donations Received</b>		
Thusong Centre and Testing Ground - Richards Bay Minerals	-	30,813,515
Isuzu Truck - Richards Bay Minerals	-	2,083,097
King Cetshwayo District	-	500,000
Land Donated - Mondi Ltd	1,840,000	4,498,000
Ntambanana funds distributions	2,623,647	-
	<b>4,463,647</b>	<b>37,894,612</b>

### Land Donated - Mondi Ltd

Mondi Ltd donated Farm 12237 to the Municipality from Mondi Ltd in the 2019/2020 financial year

Farm 12377 was also donated to the Municipality by Mondi Ltd in exchange for the writing off of the accumulated debt which was owed by Amangwe to the Municipality. The land was previously transferred from Mondi Ltd to Amangwe, however that agreement was never registered. This is why the accumulated debt has been accumulating in the account of Amangwe. The debt written off for Amangwe amounted to R 78,000. The fair value of the property as per the Valuation Roll is R 4,498,000 as at 30 June 2019.

### Ntambanana funds distributions

Umfolozi inherited some customers that were part of Ntambanana Municipality that was disestablished into 3 and its municipal area merged into

City of uMhlatuze Local Municipality, Mthonjaneni Local Municipality and uMfolozi Local Municipality on 3 August 2016

Customers from Ntambanana and Public Works continued to pay into the bank accounts of Ntambanana. A committee was established and resolved on a way to allocate the monies from this account on a yearly basis.

Umfolozi Municipality received funds from Umhlatuze Municipality in relation to payments on some of these debtors accounts

The monies were allocated to the respective accounts and what remains they disclose as donations.

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>23. Employee related costs</b>		
Basic	39,274,698	36,099,685
Bonus	2,439,420	2,075,517
Medical aid - company contributions	2,976,016	2,629,107
UIF	274,279	268,501
SDL	570,986	567,397
Pension	4,591,389	4,070,124
Leave pay provision charge	1,028,490	881,522
Overtime payments	2,481,022	3,016,364
Car allowance	6,783,634	4,973,897
Housing benefits and allowances	192,433	171,479
Cellphone Allowances	575,584	422,377
Group Life Insurance	1,246,644	1,027,042
Bargaining Council	21,165	15,759
	<b>62,455,760</b>	<b>56,218,771</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	704,894	690,121
Car Allowance	297,812	279,438
Cellphone Allowance	10,000	-
Contributions to UIF, Medical and Pension Funds	1,896	5,833
	<b>1,014,602</b>	<b>975,392</b>
<b>Remuneration of Chief Financial Officer</b>		
Annual Remuneration	653,063	598,927
Car Allowance	180,000	180,000
Cellphone Allowance	18,000	-
Contributions to UIF, Medical and Pension Funds	1,896	4,423
	<b>852,959</b>	<b>783,350</b>
<b>Remuneration of Technical Services Director</b>		
Annual Remuneration	611,297	585,690
Car Allowance	203,766	191,194
Cellphone Allowance	18,000	-
Contributions to UIF, Medical and Pension Funds	1,887	4,836
	<b>834,950</b>	<b>781,720</b>
<b>Remuneration of Corporate Services Director</b>		
Annual Remuneration	530,369	787,125
Car Allowance	69,506	109,083
Cellphone Allowance	11,584	-
Contributions to UIF, Medical and Pension Funds	1,562	4,928
	<b>613,021</b>	<b>901,136</b>
<b>Remuneration of Community Services Director</b>		
Annual Remuneration	611,297	348,795
Car Allowance	203,766	123,265
Cellphone Allowance	18,000	-

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Figures in Rand	2020	2019
<b>23. Employee related costs (continued)</b>		
Contributions to UIF, Medical and Pension Funds	1,896	5,055
	<b>834,959</b>	<b>477,114</b>
<b>24. Remuneration of councillors</b>		
Hon. Mayor	360,186	345,666
Deputy Mayor	550,363	276,533
Hon. Speaker	384,198	368,710
Executive Committee Members	900,483	856,892
Councillors Allowances	6,182,807	6,195,406
Cellphone and Data Allowances	1,323,396	1,465,200
Travel Allowances	1,464,395	1,333,242
	<b>11,165,828</b>	<b>10,841,649</b>
<b>In-kind benefits</b>		
The Hon. Mayor and Deputy Mayor are part time. Hon. Mayor, Hon Speaker and Deputy Mayor, each are provided with an office and secretarial support at the cost of the Council.		
The Hon. Mayor, Hon. Speaker and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.		
<b>25. Depreciation and amortisation</b>		
Property, plant and equipment	16,759,161	10,572,153
Intangible assets	511,314	334,722
	<b>17,270,475</b>	<b>10,906,875</b>
<b>26. Finance costs</b>		
Finance leases	268,279	477,112
Other Financial Liabilities	650,191	698,887
	<b>918,470</b>	<b>1,175,999</b>
<b>27. Lease rentals on operating lease</b>		
<b>Equipment</b>		
Contractual amounts	873,770	607,382
<b>28. Debt impairment</b>		
Debt impairment	-	775,434
Contributions to debt impairment provision	2,207,118	1,098,199
Impairment- Traffic Fines	190,771	1,534,474
	<b>2,397,889</b>	<b>3,408,107</b>

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>29. Contracted services</b>		
<b>Outsourced Services</b>		
Catering Services	2,075,450	1,887,974
Cleaning Services	1,891,055	1,145,908
Other Contractors	433,560	441,780
Researcher	289,343	167,772
Electrical	836,408	204,429
<b>Consultants and Professional Services</b>		
Business and Advisory	24,827,929	16,389,897
Infrastructure and Planning	-	200,000
Legal Cost	374,103	168,295
<b>Contractors</b>		
Artists and Performers	61,500	-
Event Promoters	448,800	929,229
Intergrated National Electrical Program	-	7,610,141
Maintenance of Unspecified Assets	7,298,981	3,028,719
Medical Services	337,638	168,351
Safeguard and Security	7,079,776	5,351,789
Sewerage Services	1,028,517	692,861
Stage and Sound Crew	324,250	632,895
<b>Total</b>	<b>47,307,310</b>	<b>39,020,040</b>
<b>30. Transfers and Subsidies</b>		
<b>Other subsidies</b>		
Councillors Donations	692,312	562,087

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>31. Operational Cost</b>		
Advertising & Publicity	2,381,277	9,139,839
Auditors remuneration	2,028,944	2,180,205
Bank charges	214,531	175,234
Community development and training	587,954	473,656
Computer expenses	302,691	1,560,335
Conferences and seminars	1,341,596	201,507
Consulting and professional fees	673,593	855,182
Consumables	3,023,890	2,287,442
Electricity	2,048,521	2,384,098
Entertainment	23,763	93,908
Fuel and oil	2,729,116	3,274,030
Gifts	2,506,769	268,438
Hire	1,599,166	2,726,284
Indigent	2,122,450	1,948,432
Insurance	582,312	386,562
Postage and courier	13,310	1,279
Printing and stationery	220,775	461,091
Sitting Allowance	6,000	2,000
Municipal Disaster Relief	304,421	-
Staff welfare	-	276,148
Sundries	451,639	314,571
Telephone and fax	3,546,809	1,087,012
Training	153,980	74,145
Travel and subsistence	5,448,340	4,803,541
Uniforms	1,064,524	299,208
Ward committees remuneration	2,095,500	2,085,100
	<b>35,471,871</b>	<b>37,359,247</b>
<b>32. Auditors' remuneration</b>		
Fees	2,028,944	2,180,205
<b>33. Cash generated from operations</b>		
Surplus	22,547,173	76,207,989
<b>Adjustments for:</b>		
Depreciation and amortisation	17,270,475	10,906,875
Gain on disposal of property, plant and equipment	292,351	599,778
Donation received	(4,463,647)	(2,083,097)
Debt Impairment	2,620,351	-
Impairment deficit	88,688	-
Movements in provisions	(40,000)	-
Prior period adjustments	-	(4,498,000)
Lease rentals	-	607,388
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(3,639,780)	(5,008,803)
Payables from exchange transactions	3,442,588	(3,331,091)
VAT	(326,470)	1,018,820
Unspent conditional grants and receipts	(2,458,059)	(2,123,705)
	<b>35,333,670</b>	<b>72,296,154</b>

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>34. Principal - Agent Relationship</b>		
<b>Revenue received for Agency Activities</b>		
Agency Activities - VAT Recivable	1,773,965	-

The Municipality entered into a Principal - Agent Relationship agreement with Eskom, where the Municipality is required to facilitate the process of building Electrification Infrastructure on behalf of Eskom for an amount of R12 000 000, and the Municipality will then enjoy the benefits of claiming Input VAT from SARS. The Principal - Agent Relationship has then been disclosed in accordance with GRAP 109.

### 35. Related parties

#### Related party transactions

##### Amounts included in Service Charges regarding Related Party

Mr S.V. Mthethwa	754	-
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##### Amounts included in Property Rates regarding Related Party

Mr S.V. Mthethwa	5,928	-
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##### Amounts included in interest income regarding Related Party

Mr S.V. Mthethwa	11	-
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##### Amount included in Rental of Premises regarding Related Party

Mr D.S Mthembu	34,382	-
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# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 36. Financial instruments disclosure

#### Categories of financial instruments

#### 2020

##### Financial assets

	At fair value	At amortised cost	Total
Other receivables from non-exchange transactions	-	5,427,362	5,427,362
Receivables from exchange transactions	-	14,765,298	14,765,298
Cash and cash equivalents	5,095,384	-	5,095,384
	<b>5,095,384</b>	<b>20,192,660</b>	<b>25,288,044</b>

##### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	21,955,935	21,955,935
Other financial liabilities	5,991,349	5,991,349
Finance Lease	1,564,988	1,564,988
	<b>29,512,272</b>	<b>29,512,272</b>

#### 2019

##### Financial assets

	At fair value	At amortised cost	Total
Other receivables from non-exchange transactions	-	5,778,843	5,778,843
Receivables from exchange transactions	-	11,125,518	11,125,518
Cash and cash equivalents	5,221,196	-	5,221,196
	<b>5,221,196</b>	<b>16,904,361</b>	<b>22,125,557</b>

##### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	25,398,522	25,398,522
Other financial liabilities	6,564,865	6,564,865
Finance leases	2,894,588	2,894,588
	<b>34,857,975</b>	<b>34,857,975</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>37. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
Community	31,220,473	1,786,568
Infrastructure	6,131,229	11,779,913
	<b>37,351,702</b>	<b>13,566,481</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	37,351,702	13,566,481
<b>38. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	613,050	500,000
Amount paid - current year	(613,050)	(500,000)
	-	-
<b>Audit fees</b>		
Current year subscription / fee	2,028,654	2,180,205
Amount paid - current year	(2,028,654)	(2,180,205)
	-	-
<b>PAYE and UIF</b>		
Current year subscription / fee	11,999,407	10,591,990
Amount paid - current year	(11,999,407)	(10,591,990)
	-	-
<b>VAT</b>		
VAT receivable	5,452,374	5,778,843

VAT output payables and VAT input receivables are shown in note 4.

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

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

#### Supply chain management regulations

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

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

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Current year Deviations for under Regulation 36

Emergency Procurement	2,604,752	595,983
Single Provider	695,889	-
Exceptional case for strip and quote	301,351	-
Special Work of Art	3,795	-
	<b>3,605,787</b>	<b>595,983</b>

### 39. Unauthorised expenditure

Opening balance as previously reported	115,288,800	115,288,800
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There were no Unauthorised expenditure incurred during the year ended 30 June 2020.

### 40. Fruitless and wasteful expenditure

Opening balance as previously reported	1,311,370	1,248,636
<b>Subtotal</b>	<b>1,311,370</b>	<b>1,248,636</b>
Add: Fruitless and Wasteful Expenditure - Current year	30,759	62,734
<b>Closing balance</b>	<b>1,342,129</b>	<b>1,311,370</b>

Interest was incurred on over due accounts held with Eskom, Telkom, Auditor General, uThungulu District Municipality and Penalties were incurred on late SARS VAT submissions.

### 41. Irregular expenditure

Opening balance	120,198,187	88,896,813
Add: Irregular Expenditure - current year	24,692,602	31,301,374
<b>Subtotal</b>	<b>144,890,789</b>	<b>120,198,187</b>
<b>Closing balance</b>	<b>144,890,789</b>	<b>120,198,187</b>

The amount is a result of contracts which were renewed but could not meet the requirements of Section 116. Such contracts had a term or a period attached to them and could not be cancelled because there is no clause on contracts which allows for termination based on poor performance or poor services delivered. Such amounts will be submitted to council for write-off.

# uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 42. Going concern

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

There was an outbreak of Covid-19 which was declared an epidemic by the World Health Organisation and following that, the South African Government declared a nationwide lockdown. In spite of the Covid-19 outbreak, the municipality will continue as a going concern as it is part of the institutions that supply essential services to the communities it serves.

The President of South Africa also pledged support for all institutions that supply critical services and a fund has also been set up to support these institutions. The municipality has also received their Grants and will continue to receive grants in the foreseeable future.

(e) Financial results, bank account balance and net asset are all positive.

### 43. Events after the reporting date

There are no events to report for the purposes of annual financial statements

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 44. Prior-year adjustments

#### Statement of financial position

2019

	As previously reported	Correction of error	Restated
Property, plant and equipment	302,467,768	7,688,059	310,155,827
Payables from exchange transactions	(31,868,075)	7,027,791	(24,840,284)
	<b>270,599,693</b>	<b>14,715,850</b>	<b>285,315,543</b>

#### Statement of financial performance

2019

	As previously reported	Correction of error	Restated
Donations received	33,396,612	4,498,000	37,894,612
Depreciation	9,003,984	1,568,169	10,572,153
<b>Surplus for the year</b>	<b>42,400,596</b>	<b>6,066,169</b>	<b>48,466,765</b>

#### Errors

The following prior period errors adjustments occurred:

##### Donated Assets

During the 2019 financial year, land to the value of R 4,498,000 was donated by Mondi Limited to the municipality.

Please refer to Note 7.

##### Other Creditors

An amount of R7 027 791 previously owned to SANRAL SOC Ltd has been written off against the Accumulated Surplus.

##### Property, Plant and Equipment

During the financial period ended 30 June 2020, a conditional assessment was performed on assets. It was identified that there were assets which had reached the end of their useful lives. The reassessment of the useful lives of these assets resulted in a prior period error of R1 098 395, which was processed against Accumulated Surplus.

During the financial period ended 30 June 2020, Capital Projects which were completed in prior years were also identified. The Projects were then capitalised in the correct financial period, and the prior period error of R420 368.62 relating to Accumulated Depreciation was processed against Accumulated Surplus.

Lastly, there were also newly identified Assets which were not included on the Municipality's Fixed Asset Register in the prior years, and the cost of these asset was obtained by reviewing the cost of similar assets on the Fixed Assets Register, and the cost was then multiplied by the conditional factor to obtain the fair value of the assets. The recognition of these assets resulted in a prior period error of R1 273 600.65, which was processed against Accumulated Surplus.

##### Reclassifications

The following reclassifications adjustment occurred:

##### Contracted Services

An amount of R1 457 353.00 was reclassified from Contracted Services to Operational Costs for improved disclosure.

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

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### 45. Risk management

#### Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (municipality treasury) under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management

#### Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Financial liabilities exposed to credit risk at year end are as follows:

Other Financial Liabilities	5,991,349	6,564,865
Finance Leases	1,564,988	2,894,588
Trade Payables from Exchange Transactions	21,883,485	25,398,519
	<b>29,439,822</b>	<b>34,857,972</b>

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Cash and cash equivalents	5,095,384	5,221,196
Trade and other receivables	14,208,034	10,567,279
	<b>19,303,418</b>	<b>15,788,475</b>

### 46. Contingencies

There were no pending litigation cases as at 30 June 2020.

#### Contingent assets

Property ownership of the Department of Public Works Property number 12236, with a value of R4 330 000, is under dispute and as a result the Municipality could not bill property rate amounting to the value of R186 709 for the year ended 30 June 2020. The Municipality is still awaiting for the Department of Public Works to include the Property on their Fixed Asset Register.

The Equitable Share was under paid to the Municipality by an amount of R1 055 000 compared to the DoRA allocation for the year ended 30 June 2020. The short fall is as the result that National Treasury erroneously treated the R1 055 00 as an unspent Municipal Systems Improvement Grant under the 2018/2019 Financial Period.

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### 47. Budget differences

#### Material differences between budget and actual amounts

##### Service Charges:

There were delays in extending refuse removal services to other areas within municipal jurisdiction

##### Rental of Facilities:

Delays in concluding the Rental Agreements with Sector Departments due to their length internal processes and the lockdown of offices

##### Licence and Permits :

Licence unit closed on the 26 March 2020 until 30 June 2020 due to national lockdown. Therefore, no revenue received from the 26 March until the 30 June 2020.

##### Interest on Investment:

Liquidity plus Account generated more interest than anticipated on short term investment.

##### Property rates:

The new supplementary valuation roll implemented as a result the categories of households changed. Example. Commercial properties converted to Non-profit organisations. Pensioners rebates that was original not budgeted for.

##### Government Grants and Subsidies:

The budgeted Grant amount includes the Integrated Electrification Programmes amount of R12 000 000 which has been subsequently treated as a Liability emanating from the Principal-Agent Relationship, and the Sport and Recreation Grant of R4 162 124, for the Dondothea Sport Field was not spent due to the COVID-19 Pandemic Lockdown.

##### Fine, Penalties and Forfeit :

All the tickets issued on the 26 March 2020 to 30 June 2020 was not recognised since the institution was closed. The fines was issued from the 01 July 2019 up to 26 March 2020.

##### General Expenditure:

Most services were suspended due to the national lockdown regulations

##### Contracted Services:

Most services were suspended due to the national lockdown regulations

##### Depreciation and amortisation

During the current year, there was a large number of assets transferred from work in progress to completed assets. An impairment adjustment was processed to account for damage on community assets

##### Employee related costs

Due to COVID-19 most vacant positions were not filled, there was less overtime claimed and less substance and travelling claims submitted

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Figures in Rand	2020	2019
<b>48. Agency services</b>		
Management Fees	1,773,965	-