



**UTHUKELA**  
UMKHANDLU WESIFUNDA  
DISTRIKSMUNISIPALITEIT  
DISTRICT MUNICIPALITY

Uthukela District Municipality  
Annual Financial Statements  
for the year ended June 30, 2015

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## General Information

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<b>Legal form of entity</b>	District Municipality
<b>Nature of business and principal activities</b>	The main business operations of the municipality is to engage in Local Government activities, which includes planning and promotion of integrated development planning, economic, social and environmental development and supplying of the following services to the community: the supply of water, sewerage and sanitation services, as well as infrastructure development. Water is obtained from the Department of Water Affairs and distributed to the consumers by the municipality.
<b>Municipal Demarcation Code</b>	DC23
<b>Executive Committee</b>	
Mayor	Cllr D.C.P. Mazibuko (Ms.) Cllr T.E. Mchunu (Deputy Mayor) Cllr N.W. Sibiya Cllr A.S. Mazibuko Cllr M.J. Ntshaba
Councillors	Cllr T.J.M. Jeebodh (Speaker) Cllr B.C. Mazibuko Cllr M.G. Hlubi Cllr M.A. Mkhize Cllr Z.J. Sibisi Cllr T.P. Shabalala (Ms.) Cllr N.M. Hadebe Cllr S.B. Sibisi Cllr O.H.D. Sibiya (Ms.) Cllr N.M. Hlomuka Cllr M.L. Zwane Cllr T.M. Cele Cllr B.R. Madonsela (Ms.) Cllr T. Xaba (Ms.) Cllr M.E. Mbatha Cllr N.L. Zikalala (Ms.) Cllr M. Ngubane Cllr M.L. Mlotshwa Cllr S.D. Magubane Cllr K.A. Vilakazi Cllr B.C. Mabizela Cllr S.G. Sikhakhane (Ms.) Cllr M.W. Hadebe Cllr M.V. Khumalo Cllr T.Y. Nqubuka (Ms.)
<b>Grading of local authority</b>	Grade 4 Medium Capacity
<b>Accounting Officer</b>	S.N. kunene
<b>Chief Finance Officer</b>	MS. P.H. Z. Kubheka
<b>Registered office</b>	33 Forbes Street Ladysmith

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## General Information

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	<a href="mailto:municipalmanager@uthukeladm.co.za">municipalmanager@uthukeladm.co.za</a>
<b>Postal address</b>	PO Box 116 Ladysmith Kwazulu Natal 3370
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor General - South Africa
<b>Attorneys</b>	Ramkhelewan Incorporated Ladysmith, 3370

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Index

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

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2016 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 accounting officer certifies that the salaries, allowances and benefits of Councillors as disclosed in note 28 of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with Remuneration of Public Office Bearers Act and Minister of Provincial and Local Government's determination in accordance with this act.

The annual financial statements set out on page 1 to 98, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2015 and were signed by him:

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**Accounting Officer**  
**S.N. Kunene**

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Statement of Financial Position as at June 30, 2015

	Note(s)	2015 R	2014 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	8	5,217,027	4,588,990
Receivables from exchange transactions	9	4,172,091	5,600,191
Receivables from non-exchange transactions	10	5,765,783	5,221,157
Prepayments	7	556,012	-
Consumer debtors	11	124,087,951	126,138,227
Cash and cash equivalents	12	145,087,575	126,554,326
		<b>284,886,439</b>	<b>268,102,891</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	4	1,777,774,638	1,514,454,923
Intangible assets	5	238,202	108,870
		<b>1,778,012,840</b>	<b>1,514,563,793</b>
<b>Total Assets</b>		<b>2,062,899,279</b>	<b>1,782,666,684</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	17	-	2,904,571
Finance lease obligation	15	-	2,069,400
Operating lease liability	35	634,124	-
Payables from exchange transactions	20	149,373,741	98,813,850
Other Accruals	21	14,791,777	13,666,738
Consumer deposits	22	10,473,849	9,390,119
Employee benefit obligation	6	899,126	937,667
Unspent conditional grants and receipts	16	6,999,029	40,552,038
VAT Payable	18	26,882,368	(7,565,642)
Purchase of office building	19	23,940,000	-
		<b>233,994,014</b>	<b>160,768,741</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	17	-	4,941,270
Finance lease obligation	15	-	104,826
Employee benefit obligation	6	12,494,245	10,266,293
		<b>12,494,245</b>	<b>15,312,389</b>
<b>Total Liabilities</b>		<b>246,488,259</b>	<b>176,081,130</b>
<b>Net Assets</b>		<b>1,816,411,020</b>	<b>1,606,585,554</b>
Reserves			
Donations and public contributions	13	(465,190)	223,453
Accumulated surplus	14	1,816,876,210	1,606,362,101
<b>Total Net Assets</b>		<b>1,816,411,020</b>	<b>1,606,585,554</b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Statement of Financial Performance

	Note(s)	2015 R	2014 Restated* R
<b>Revenue</b>			
Service charges	24	126,221,743	132,770,897
Interest received - trading services	23	19,148,562	33,283,515
Other income	26	3,122,394	1,919,154
Other income - donations	26	6,438,651	-
Interest received - investment	23	9,072,588	10,761,064
Government grants & subsidies	25	607,994,894	619,389,681
<b>Total revenue</b>		<b>771,998,832</b>	<b>798,124,311</b>
<b>Expenditure</b>			
Employee related costs	28	(150,427,087)	(124,822,829)
Remuneration of councillors	29	(5,795,952)	(4,775,422)
Depreciation and amortisation	32	(45,064,849)	(38,999,385)
Finance costs	33	(2,465,418)	(2,548,678)
Lease rentals on operating lease	35	(6,611,544)	(8,681,683)
Debt Impairment provision	30	71,148,947	40,592,433
Bad debt written off	48	(161,257,979)	(56,619,991)
Repairs and maintenance	37	(25,362,170)	(23,757,878)
Bulk purchases	38	(5,304,471)	(7,232,242)
Contracted services	36	(27,549,667)	(48,714,528)
General Expenses	27	(199,047,340)	(176,833,031)
<b>Total expenditure</b>		<b>(557,737,530)</b>	<b>(452,393,234)</b>
<b>Operating surplus</b>		<b>214,261,302</b>	<b>345,731,077</b>
Gain (Loss) on disposal of assets		(2,681,920)	(5,420,887)
Gain (loss) on actuarial valuations	6	(1,078,071)	935,407
		<b>(3,759,991)</b>	<b>(4,485,480)</b>
<b>Surplus for the year</b>		<b>210,501,311</b>	<b>341,245,597</b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Statement of Changes in Net Assets

	Donations and public contributions R	Accumulated surplus R	Total net assets R
<b>Balance at July 1, 2013</b>	-	<b>1,240,059,623</b>	<b>1,240,059,623</b>
Changes in net assets			
Restated surplus for the year	-	341,245,597	341,245,597
Donations received	223,453	-	223,453
Total changes	<u>223,453</u>	<u>341,245,597</u>	<u>341,469,050</u>
Opening balance restated	223,453	1,581,305,220	1,581,528,673
Adjustments			
Prior year adjustments	-	25,056,883	25,056,883
<b>Restated* Balance at July 1, 2014 as restated*</b>	<b>223,453</b>	<b>1,606,362,102</b>	<b>1,606,585,556</b>
Changes in net assets			
Surplus for the year	-	210,501,309	210,501,309
Unidentified difference 2012/2013 financial year	-	(210,654)	(210,654)
Donated assets 2013/2014 financial year	(223,453)	223,453	-
Donated assets 2014/2015 financial year	(465,190)	-	(465,190)
Total changes	<u>(688,643)</u>	<u>210,514,108</u>	<u>209,825,465</u>
<b>Balance at 30 June 2015</b>	<b>(465,190)</b>	<b>1,816,876,210</b>	<b>1,816,411,020</b>



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Cash Flow Statement

	Note(s)	2015 R	2014 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service charges		(88,058,757)	(106,687,351)
Grants		574,441,885	526,551,825
interest income		28,221,150	44,044,579
Other receipts		263,349,213	125,351,613
		<u>777,953,491</u>	<u>589,260,666</u>
<b>Payments</b>			
Employee and councillor costs		(157,301,110)	(128,662,844)
Suppliers and others		(280,155,685)	(627,119,079)
Finance costs		(2,465,418)	(2,548,678)
		<u>(439,922,213)</u>	<u>(758,330,601)</u>
<b>Net cash flows from operating activities</b>	39	<b><u>338,031,278</u></b>	<b><u>(169,069,935)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(308,513,896)	156,334,483
Sale of property, plant and equipment	4	(2,681,920)	(5,420,887)
		<u>(311,195,816)</u>	<u>150,913,596</u>
<b>Cash flows from financing activities</b>			
Decrease in long term loan		(7,845,841)	(2,627,605)
Nett increase in other liability (Consumer Deposits)		1,083,730	631,214
Increase / (decrease) in finance lease liability		(1,540,102)	(2,065,885)
		<u>(8,302,213)</u>	<u>(4,062,276)</u>
<b>Net increase in cash and cash equivalents</b>		<b>18,533,249</b>	<b>(22,218,615)</b>
Cash and cash equivalents at the beginning of the year		<u>126,554,326</u>	<u>148,772,941</u>
<b>Cash and cash equivalents at the end of the year</b>	12	<b><u>145,087,575</u></b>	<b><u>126,554,326</u></b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	151,506,000	-	<b>151,506,000</b>	126,221,743	<b>(25,284,257)</b>	Note 1
Interest received	35,660,000	-	<b>35,660,000</b>	19,148,562	<b>(16,511,438)</b>	Note 2
Other income	1,372,000	(1,034,000)	<b>338,000</b>	3,122,394	<b>2,784,394</b>	Note 3
Other income - donations	-	-	-	6,438,651	<b>6,438,651</b>	Note 4
Government grants-Transfers recognised (operational)	306,828,000	(5,133,000)	<b>301,695,000</b>	311,977,828	<b>10,282,828</b>	Note 5
Interest received - investment	9,471,000	(2,299,000)	<b>7,172,000</b>	9,072,588	<b>1,900,588</b>	Note 6
<b>Total revenue from exchange transactions</b>	<b>504,837,000</b>	<b>(8,466,000)</b>	<b>496,371,000</b>	<b>475,981,766</b>	<b>(20,389,234)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants-Transfers recognised (capital)	209,225,000	63,108,000	<b>272,333,000</b>	296,017,066	<b>23,684,066</b>	Note 7
<b>Total revenue</b>	<b>714,062,000</b>	<b>54,642,000</b>	<b>768,704,000</b>	<b>771,998,832</b>	<b>3,294,832</b>	
<b>Expenditure</b>						
Personnel	(160,321,000)	18,673,000	<b>(141,648,000)</b>	(150,427,087)	<b>(8,779,087)</b>	Note 8
Remuneration of councillors	(4,619,000)	(5,672,000)	<b>(10,291,000)</b>	(5,795,952)	<b>4,495,048</b>	Note 9
Depreciation and amortisation	(44,689,000)	(451,000)	<b>(45,140,000)</b>	(45,064,849)	<b>75,151</b>	Note 10
Finance costs	(1,311,000)	236,000	<b>(1,075,000)</b>	(2,465,418)	<b>(1,390,418)</b>	Note 11
Lease rentals on operating lease	-	-	-	(6,611,544)	<b>(6,611,544)</b>	Note 12
Bad debt provision	(30,452,000)	892,000	<b>(29,560,000)</b>	71,148,947	<b>100,708,947</b>	Note 13
Bad debt written off	-	-	-	(161,257,979)	<b>(161,257,979)</b>	Note 14
Repairs and maintenance	(54,450,000)	(5,899,000)	<b>(60,349,000)</b>	(25,362,170)	<b>34,986,830</b>	Note 15
Bulk purchases	(6,085,000)	-	<b>(6,085,000)</b>	(5,304,471)	<b>780,529</b>	Note 16
Contracted Services	(37,658,000)	(4,594,000)	<b>(42,252,000)</b>	(27,549,667)	<b>14,702,333</b>	Note 17
Government Grant Expenditure	(11,900,000)	1,420,000	<b>(10,480,000)</b>	-	<b>10,480,000</b>	Note 18
General Expenses	(115,103,000)	(16,728,000)	<b>(131,831,000)</b>	(199,047,340)	<b>(67,216,340)</b>	Note 19
<b>Total expenditure</b>	<b>(466,588,000)</b>	<b>(12,123,000)</b>	<b>(478,711,000)</b>	<b>(557,737,530)</b>	<b>(79,026,530)</b>	
<b>Operating surplus</b>	<b>247,474,000</b>	<b>42,519,000</b>	<b>289,993,000</b>	<b>214,261,302</b>	<b>(75,731,698)</b>	
Loss on disposal of assets and liabilities	-	-	-	(2,681,920)	<b>(2,681,920)</b>	Note 20
Actuarial gains/losses	-	-	-	(1,078,071)	<b>(1,078,071)</b>	Note 21
	-	-	-	<b>(3,759,991)</b>	<b>(3,759,991)</b>	
<b>Surplus before taxation</b>	<b>247,474,000</b>	<b>42,519,000</b>	<b>289,993,000</b>	<b>210,501,311</b>	<b>(79,491,689)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>247,474,000</b>	<b>42,519,000</b>	<b>289,993,000</b>	<b>210,501,311</b>	<b>(79,491,689)</b>	

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	7,798,000	-	<b>7,798,000</b>	5,217,027	<b>(2,580,973)</b>	Note 22
Receivables from exchange transactions	15,768,000	-	<b>15,768,000</b>	4,172,091	<b>(11,595,909)</b>	Note 23
Receivables from non-exchange transactions	-	-	-	5,765,783	<b>5,765,783</b>	Note 24
Prepayments	-	-	-	556,012	<b>556,012</b>	Note 25
Consumer debtors from exchange transactions	287,227,000	4,072,000	<b>291,299,000</b>	124,087,951	<b>(167,211,049)</b>	Note 26
Cash and cash equivalents	164,861,000	(103,486,000)	<b>61,375,000</b>	145,087,575	<b>83,712,575</b>	Note 27
	<b>475,654,000</b>	<b>(99,414,000)</b>	<b>376,240,000</b>	<b>284,886,439</b>	<b>(91,353,561)</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	1,191,410,000	922,431,000	<b>2,113,841,000</b>	1,777,774,638	<b>(336,066,362)</b>	Note 28
Intangible assets	45,000	64,000	<b>109,000</b>	238,202	<b>129,202</b>	Note 29
	<b>1,191,455,000</b>	<b>922,495,000</b>	<b>2,113,950,000</b>	<b>1,778,012,840</b>	<b>(335,937,160)</b>	
<b>Total Assets</b>	<b>1,667,109,000</b>	<b>823,081,000</b>	<b>2,490,190,000</b>	<b>2,062,899,279</b>	<b>(427,290,721)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Borrowings ( DBSA loans)	3,543,000	(1,804,000)	<b>1,739,000</b>	-	<b>(1,739,000)</b>	Note 30
Operating lease liability	-	-	-	634,124	<b>634,124</b>	Note 31
Payables from exchange transactions	132,486,000	(54,187,000)	<b>78,299,000</b>	149,373,741	<b>71,074,741</b>	Note 32
Other accruals	-	-	-	14,791,777	<b>14,791,777</b>	Note 33
Consumer deposits	9,784,000	-	<b>9,784,000</b>	10,473,849	<b>689,849</b>	Note 34
Employee benefit obligation	-	-	-	899,126	<b>899,126</b>	Note 35
Unspent conditional grants and receipts	-	-	-	6,999,029	<b>6,999,029</b>	Note 36
Other liabilities	23,450,000	-	<b>23,450,000</b>	26,882,368	<b>3,432,368</b>	Note 37
Other liability 2	-	-	-	23,940,000	<b>23,940,000</b>	
	<b>169,263,000</b>	<b>(55,991,000)</b>	<b>113,272,000</b>	<b>233,994,014</b>	<b>120,722,014</b>	
<b>Non-Current Liabilities</b>						
Borrowings ( DBSA loans)	6,051,000	(2,720,000)	<b>3,331,000</b>	-	<b>(3,331,000)</b>	Note 38
Provisions (Retirement benefit obligation)	4,031,000	-	<b>4,031,000</b>	12,494,245	<b>8,463,245</b>	Note 39
	<b>10,082,000</b>	<b>(2,720,000)</b>	<b>7,362,000</b>	<b>12,494,245</b>	<b>5,132,245</b>	
<b>Total Liabilities</b>	<b>179,345,000</b>	<b>(58,711,000)</b>	<b>120,634,000</b>	<b>246,488,259</b>	<b>125,854,259</b>	
<b>Net Assets</b>	<b>1,487,764,000</b>	<b>881,792,000</b>	<b>2,369,556,000</b>	<b>1,816,411,020</b>	<b>(553,144,980)</b>	

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
Donations and public contributions	-	-	-	(465,190)	<b>(465,190)</b>	
Accumulated surplus	1,487,764,000	881,792,000	<b>2,369,556,000</b>	1,816,876,210	<b>(552,679,790)</b>	
<b>Total Net Assets</b>	<b>1,487,764,000</b>	<b>881,792,000</b>	<b>2,369,556,000</b>	<b>1,816,411,020</b>	<b>(553,144,980)</b>	

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	69,550,000	29,267,000	<b>98,817,000</b>	(88,058,757)	<b>(186,875,757)</b>	
Grants - operational	306,828,000	(5,133,000)	<b>301,695,000</b>	311,977,829	<b>10,282,829</b>	
Government - capital	209,225,000	63,108,000	<b>272,333,000</b>	262,464,056	<b>(9,868,944)</b>	
Other receipts	16,603,000	6,616,000	<b>23,219,000</b>	263,349,213	<b>240,130,213</b>	
Interest income	-	-	-	28,221,150	<b>28,221,150</b>	
	<b>602,206,000</b>	<b>93,858,000</b>	<b>696,064,000</b>	<b>777,953,491</b>	<b>81,889,491</b>	
<b>Payments</b>						
Employee costs	(164,940,000)	13,001,000	<b>(151,939,000)</b>	(157,301,110)	<b>(5,362,110)</b>	
Suppliers and other	(225,195,000)	11,900,000	<b>(213,295,000)</b>	(280,155,685)	<b>(66,860,685)</b>	
Finance costs	(1,311,000)	236,000	<b>(1,075,000)</b>	(2,465,418)	<b>(1,390,418)</b>	
	<b>(391,446,000)</b>	<b>25,137,000</b>	<b>(366,309,000)</b>	<b>(439,922,213)</b>	<b>(73,613,213)</b>	
<b>Net cash flows from operating activities</b>	<b>210,760,000</b>	<b>118,995,000</b>	<b>329,755,000</b>	<b>338,031,278</b>	<b>8,276,278</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(223,288,000)	(150,443,000)	<b>(373,731,000)</b>	(308,513,896)	<b>65,217,104</b>	
Proceeds from sale of property, plant and equipment	-	-	-	(2,681,920)	<b>(2,681,920)</b>	
Other cash item	30,000,000	(30,000,000)	-	-	-	
<b>Net cash flows from investing activities</b>	<b>(193,288,000)</b>	<b>(180,443,000)</b>	<b>(373,731,000)</b>	<b>(311,195,816)</b>	<b>62,535,184</b>	
<b>Cash flows from financing activities</b>						
Repayment of other financial liabilities	(4,472,000)	(478,000)	<b>(4,950,000)</b>	(7,845,841)	<b>(2,895,841)</b>	
Movement in other liability	554,000	(384,000)	<b>170,000</b>	1,083,730	<b>913,730</b>	
Finance lease payments	-	-	-	(1,540,102)	<b>(1,540,102)</b>	
<b>Net cash flows from financing activities</b>	<b>(3,918,000)</b>	<b>(862,000)</b>	<b>(4,780,000)</b>	<b>(8,302,213)</b>	<b>(3,522,213)</b>	
Net increase/(decrease) in cash and cash equivalents	13,554,000	(62,310,000)	<b>(48,756,000)</b>	18,533,249	<b>67,289,249</b>	
Cash and cash equivalents at the beginning of the year	151,308,000	(24,754,000)	<b>126,554,000</b>	126,554,326	<b>326</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>164,862,000</b>	<b>(87,064,000)</b>	<b>77,798,000</b>	<b>145,087,575</b>	<b>67,289,575</b>	

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### References to statement of comparison of budget and actual amounts

#### Statement of financial performance.

**Note 1** - "Service charges" - Council did not achieve its target with regards to the budget on collection of service charges and has developed and implemented a revenue enhancement strategy to improve on the completeness of debtors and revenue collection.

**Note 2** - "Interest Received" - Interest on debtors were over budgeted as Council did not achieve its targets with regards to service charges budgeted for.

**Note 3** - "Other income" - Income was under budgeted.

**Note 4** - "Other income - donations" A Bergville sewerage project were donated to the Council by Okhahlamba municipality. This was not budgeted for.

**Note 5** - "Government grants - transfers recognized (operational)" - More Grants were received than anticipated.

**Note 6** - "Interest received - investments" - Due to a positive cash flow situation Council could invest more surplus funds therefore an increase on interest on investments.

**Note 7** - "Government grants - transfers recognised (capital)" - This is as a result of 100% expenditure on capital grants which includes the roll over amounts from the 2013/2014 financial year.

**Note 8** - "Personal Cost" - this is as a result of staff appointed in vacant positions as per the organogram, overtime payments and the re-instatement of the Director Health and Environmental services.

**Note 9** - "Remuneration of Councillors" - Councillors have not received increments for the past two financial years due to a disclaimer, provision was made for an increment and backpay in the 2014/2015 financial year.

**Note 10** - "Depreciation and amortization" - Provision were made for the additional assets Council purchased in the 2014/2015 financial year.

**Note 11** - "Finance costs" - Council redeemed all DBSA loans and finance leases during the financial year. When the budget was compiled it was not anticipated that the positive cash flow situation would allow redemption off all external loans.

**Note 12** - "Lease rentals on operating leases" - This is a new line item on the statement of financial performance and was budgeted for under general expenditure.

**Note 13** - "Provision for bad debt" - The provision for bad debt had to be reduced at year end. This was as a result of indigent debt being written off. This was not anticipated when the budget was compiled.

**Note 14** - "Bad debt Written off" - Council has implemented its indigent policy and indigent debt has been written off. This was not anticipated when the budget was compiled.

**Note 15** - "Repairs and maintenance" - Council did not achieve their target on the maintenance of assets as the Asset and Maintenance Manager retired and there are no maintenance plan in place.

**Note 16** - "Bulk purchases" - In the 2013/2015 financial year a provision was made in respect of bulk purchases however in the 2014/2015 financial year actual invoices received from DWA were paid. The budget therefore was not based on a provision but on anticipated actual billing from DWA.

**Note 17** - "Contracted services" - Council bought its own water tankers and did not budget for the contractual appointments of water tankers therefore a decrease in contracted services.

**Note 18** - "Government grant expenditure" - Is included in general expenditure.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

**Note 19** - "General Expenditure" - Were under budgeted for.

**Note 20** - "Loss on disposal of assets and liabilities" - This was not budgeted for.

**Note 21** - "Actuarial gain/losses" - This is as a result of the actuarial valuation on long service awards and post retirement medical aid and was not budgeted for.

### Statement of financial position.

**Note 22** - "Inventories" - Inventory items are no longer kept at the plants and all items required must be obtained from the stores. As the budget was based on the trend of the 2013/2014 financial year which included inventory items kept at the plants, inventory were over budgeted for.

**Note 23** - "Receivables from exchange transactions" - more consumers were anticipated to open water accounts as developments are expanding all over the district. This however did not seem to realize.

**Note 24** - "Receivables from non-exchange transactions" - mainly due to salary fraude. This was not budgeted for.

**Note 25** - "Prepayments" - this is in respect of rental of offices and parking space paid in advance. This was not budgeted for.

**Note 26** - "Consumer debtors from exchange transactions" - When the budget were prepared provision for bad debt were not taken into account therefore variance between budget and actual amount.

**Note 27** - "Cash and cash equivalents" - Was under budgeted for. Due to a positive cash flow situation Council could invest more surplus funds.

**Note 28** - "Property plant & equipment" - The variance between the budget and actual amount is due to over budgeting. One of the reasons is that depreciation was not taken into account.

**Note 29** - "Intangible assets" - The variance is the result of the purchase of new computer software from Microsoft etc. which had to be paid in US dollars.

**Note 30** - "Borrowings (DBSA loans)" - When the budget was compiled it was not anticipated that the cash flow situation would allow for DBSA loans to be redeemed in full during the 2014/2015 financial year.

**Note 31** - "Operating lease liability" - the liability in respect of rental of offices and parking space. This was not budgeted for.

**Note 32** - "Payables from exchange transactions" - Consist of Trust funds, DWA accrual in respect of raw water purchases and increase in retentions on capital expenditure.

**Note 33** - "Other accruals" - Consiste of leave pay and bonus accruals which were not budgeted for.

**Note 34** - "Consumer deposits" - The variance is as a result of increases in consumer deposits due to non payment and new connections.

**Note 35** - "Employee benefit obligation" - In respect of post retirement medical aid and long service awards. Were not budgeted for.

**Note 36** - "Unspent conditional grants and receipts" - Represents the unspent liability at financial year end 30 June 2015 not budgeted for.

**Note 37** - "Other Liabilities" - Represents VAT payable and was under budgeted.

**Note 38** - "Borrowings (DBSA loans)" - DASA loans were redeemed in full during the 2014/2015 financial year therefore no actual amount for comparison.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

**Note 39** - " Provisions retirement benefit obligation" - Medical aid and long service award obligation as at 30 June 2015 were under budgeted.



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Appropriation Statement

	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
	R	R	R	R	R	R	R	R	R	R	R
<b>2015</b>											
<b>Financial Performance</b>											
Service charges	151,506,000	-	151,506,000	-	-	151,506,000	126,221,743	-	(25,284,257)	83 %	83 %
Investment revenue	9,471,000	(2,298,000)	7,173,000	-	-	7,173,000	9,072,588	-	1,899,588	126 %	96 %
Transfers recognised - operational	306,828,000	(5,133,000)	301,695,000	-	-	301,695,000	311,977,828	-	10,282,828	103 %	102 %
Other own revenue	37,031,000	(1,034,000)	35,997,000	-	-	35,997,000	28,709,607	-	(7,287,393)	80 %	78 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>504,836,000</b>	<b>(8,465,000)</b>	<b>496,371,000</b>	<b>-</b>	<b>-</b>	<b>496,371,000</b>	<b>475,981,766</b>	<b>-</b>	<b>(20,389,234)</b>	<b>96 %</b>	<b>94 %</b>
Employee costs	(160,321,000)	18,673,000	(141,648,000)	-	-	(141,648,000)	(150,427,087)	-	(8,779,087)	106 %	94 %
Remuneration of councillors	(4,619,000)	(5,672,000)	(10,291,000)	-	-	(10,291,000)	(5,795,952)	-	4,495,048	56 %	125 %
Debt impairment	(30,452,000)	892,000	(29,560,000)	-	-	(29,560,000)	71,148,947	-	100,708,947	(241)%	(234)%
Depreciation and asset impairment	(44,689,000)	(451,000)	(45,140,000)	-	-	(45,140,000)	(45,064,849)	-	75,151	100 %	101 %
Finance charges	(1,311,000)	236,000	(1,075,000)	-	-	(1,075,000)	(2,465,418)	-	(1,390,418)	229 %	188 %
Bulk purchases	(6,085,000)	-	(6,085,000)	-	-	(6,085,000)	(5,304,471)	-	780,529	87 %	87 %
Transfers and grants	(11,900,000)	1,420,000	(10,480,000)	-	-	(10,480,000)	-	-	10,480,000	- %	- %
Other expenditure	(207,210,000)	(27,221,000)	(234,431,000)	-	-	(234,431,000)	(419,828,700)	-	(185,397,700)	179 %	203 %
<b>Total expenditure</b>	<b>(466,587,000)</b>	<b>(12,123,000)</b>	<b>(478,710,000)</b>	<b>-</b>	<b>-</b>	<b>(478,710,000)</b>	<b>(557,737,530)</b>	<b>-</b>	<b>(79,027,530)</b>	<b>117 %</b>	<b>120 %</b>
<b>Surplus/(Deficit)</b>	<b>38,249,000</b>	<b>(20,588,000)</b>	<b>17,661,000</b>	<b>-</b>	<b>-</b>	<b>17,661,000</b>	<b>(81,755,764)</b>	<b>-</b>	<b>(99,416,764)</b>	<b>(463)%</b>	<b>(214)%</b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Appropriation Statement

	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
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	209,225,000	63,108,000	272,333,000	-		272,333,000	296,017,066		23,684,066	109 %	141 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>247,474,000</b>	<b>42,520,000</b>	<b>289,994,000</b>	-		<b>289,994,000</b>	<b>214,261,302</b>		<b>(75,732,698)</b>	<b>74 %</b>	<b>87 %</b>
Gain / (loss) on disposal of assets	-	-	-	-		-	2,681,920		2,681,920	DIV/0 %	DIV/0 %
Gain / (loss) actuarial valuations	-	-	-	-		-	1,078,071		1,078,071	DIV/0 %	DIV/0 %
<b>Surplus/(Deficit) for the year</b>	<b>247,474,000</b>	<b>42,520,000</b>	<b>289,994,000</b>	-		<b>289,994,000</b>	<b>210,501,311</b>		<b>(79,492,689)</b>	<b>73 %</b>	<b>85 %</b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### 1.1 Presentation currency

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

### 1.2 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:

#### Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

### 1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value 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 entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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:

<b>Item</b>	<b>Average useful life</b>
Land	Infinite
Buildings	
• Offices/Buildings	30 years
•	
Plant and machinery	
• Compressors	2 years
• Lawnmowers	5 years
• Radio equipment	5 years
• Telecommunication equipment	5 years
• Irrigation systems	10 years
• Latches and milling equipment	5 years
• Tools	5 years
• General	5 years
Motor vehicles	
• Motor vehicles	5 years
• Bakkies	5 years
• Trucks	5 years
• Tippers	5 years
Office equipment	
• Office machines	3-5 years
• Air conditioners	3 years
• Furniture and fittings	7 years
• Emergency equipment	5 years
• Security equipment	5 years
IT equipment	
• Computer equipment	3 years
Laboratory equipment	
• Laboratory equipment	5 years

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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

#### Specialised vehicles

- Graders 5 years
- Tractors 5 years
- Mechanical horse 5 years

#### Wastewater network

- Sewers 30 years
- Outfall sewers 40 years
- Purification works 30 years
- Sewerage pumps 5 years
- Sludge machines 15 years

#### Water network

- Meters 10 years
- Dams 80 years
- Supply / Reticulation 20 years
- Reservoirs 30 years
- Water pumps 5 years
- Mains 30 years
- Water rights 30 years
- Boreholes 15 years

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

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

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

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

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.

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.4 Intangible assets

An asset is identifiable if it either:

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

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.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### 1.4 Intangible assets (continued)

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Water rights	30 years
Computer software, other	3 Years

Intangible assets are derecognised:

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

The additions to intangible assets relates to computer software purchased for the intercom system in the Board room.

### 1.5 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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.

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 entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### 1.5 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

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

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

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

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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 entity 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;



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### 1.5 Financial instruments (continued)

- 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 entity'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 entity.

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

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

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

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

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

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

### Classification

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

<b>Class</b>	<b>Category</b>
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at fair value
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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

<b>Class</b>	<b>Category</b>
Payables from Exchange Transactions	Financial liability measured at amortised cost
Other accruals	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
VAT payable	Financial liability measured at amortised cost
Purchase of office building	Financial liability measured at fair value

### Initial recognition

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

The entity recognises financial assets using trade date accounting.

# Uthukela District Municipality

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### 1.5 Financial instruments (continued)

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

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

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

# Uthukela District Municipality

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## Accounting Policies

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### 1.5 Financial instruments (continued)

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

The entity 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.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

### 1.6 Leases

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

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

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### 1.6 Leases (continued)

#### Finance leases - lessee

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

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

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.

# Uthukela District Municipality

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## Accounting Policies

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### 1.6 Leases (continued)

#### 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.

#### 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.

### 1.7 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

### 1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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.

# Uthukela District Municipality

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## Accounting Policies

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

#### Identification

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

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

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

#### Value in use

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

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

#### Discount rate

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

# Uthukela District Municipality

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## Accounting Policies

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of impairment loss

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

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

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

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

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

# Uthukela District Municipality

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## Accounting Policies

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

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 held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:  
[Specify criteria]

### 1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.11 Employee benefits

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.



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## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Defined benefit plans

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

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

### 1.12 Provisions and contingencies

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

# Uthukela District Municipality

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### 1.12 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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

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

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

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

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

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

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

### 1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 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.

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### 1.14 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

### 1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity 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.

#### 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 entity. 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-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

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

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### 1.17 Borrowing costs (continued)

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

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

### 1.18 Comparative figures

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

Comparative figures in the Statement of Financial Position has been reclassified in respect of prior year adjustments.

Comparative figures in the Statement of Financial Performance have been reclassified in respect of prior year adjustments.

### 1.19 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.

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

### 1.20 Fruitless and wasteful expenditure

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

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

### 1.21 Irregular expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### 1.21 Irregular expenditure (continued)

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

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

### 1.22 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 functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2014 to 6/30/2015.

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

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

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.

### 1.23 Related parties

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

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

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

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

### 1.24 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).

# **Uthukela District Municipality**

Annual Financial Statements for the year ended June 30, 2015

## **Accounting Policies**

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### **1.24 Events after reporting date (continued)**

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

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

### **1.25 Going concern assumption**

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

2015	2014
R	R

### 2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year. The following standards were adopted for the first time in the 2014 annual financial statements.

- Grap 1 (as revised 2012): Presentation of financial statements
- Grap 3 (as revised 2012): Accounting policies, changes in accounting estimates and errors
- Grap 9 (as revised 2012): Revenue from exchange transactions
- Grap 12 (as revised 2012): Inventories
- Grap 13 (as revised 2012): Leases
- Grap 17 (as revised 2012): Property, plant and equipment
- Grap 31 (as revised 2012): Intangible assets (Replaces Grap 102)
- IGRAP 16: Intangible assets website costs
- Grap 20: Related parties
- IGRAP 1 (as revised 2012): Applying the probability test on initial recognition of revenue
- Grap 25: Employee benefits

### 3. New standards and interpretations

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2015 or later periods:

- |                                  |               |   |
|----------------------------------|---------------|---|
| • GRAP108: Statutory Receivables | April 1, 2016 | The impact of the amendment is set out in note 2 changes in accounting policy |
|----------------------------------|---------------|---|

#### 3.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2015 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	April 1, 2015	None
• GRAP 106: Transfers of functions between entities not under common control	April 1, 2015	None
• GRAP 107: Mergers	April 1, 2015	None
• IGRAP 11: Consolidation – Special purpose entities	April 1, 2015	None
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	April 1, 2015	None
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	April 1, 2015	None
• GRAP 7 (as revised 2010): Investments in Associates	April 1, 2015	None
• GRAP 8 (as revised 2010): Interests in Joint Ventures	April 1, 2015	None
• GRAP32: Service Concession Arrangements: Grantor	April 1, 2016	None
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	April 1, 2016	None
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	April 1, 2016	None

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,037,872	-	1,037,872	1,037,872	-	1,037,872
Buildings	31,932,857	(495,408)	31,437,449	1,932,857	(416,663)	1,516,194
Infrastructure	1,980,833,998	(276,657,421)	1,704,176,577	1,735,608,337	(242,010,061)	1,493,598,276
Other property, plant and equipment	53,368,464	(14,888,219)	38,480,245	25,321,047	(11,055,095)	14,265,952
Leased assets	9,337,089	(6,694,594)	2,642,495	9,337,089	(5,300,460)	4,036,629
<b>Total</b>	<b>2,076,510,280</b>	<b>(298,735,642)</b>	<b>1,777,774,638</b>	<b>1,773,237,202</b>	<b>(258,782,279)</b>	<b>1,514,454,923</b>



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Awaiting write off	Transfers	Depreciation	Total
Land	1,037,872	-	-	-	-	1,037,872
Buildings	1,516,194	30,000,000	-	-	(78,745)	31,437,449
Infrastructure	1,181,945,393	91,037,772	(1,342,272)	-	(36,610,440)	1,235,030,453
Other property, plant and equipment	14,265,952	32,520,222	(1,372,901)	-	(6,933,028)	38,480,245
Leased assets	4,036,628	-	-	-	(1,394,133)	2,642,495
Other property plant and equipment "work in progress"	311,652,884	248,531,012	-	(91,037,772)	-	469,146,124
	<b>1,514,454,923</b>	<b>402,089,006</b>	<b>(2,715,173)</b>	<b>(91,037,772)</b>	<b>(45,016,346)</b>	<b>1,777,774,638</b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Awaiting write off	Transfers	Other changes, movements	Depreciation	Total
Land	1,037,872	-	-	-	-	-	1,037,872
Buildings	1,594,938	-	-	-	-	(78,744)	1,516,194
Infrastructure	1,190,895,341	26,076,047	-	-	-	(35,025,995)	1,181,945,393
Other property, plant and equipment	11,919,335	10,041,199	(6,645,491)	-	-	(1,049,091)	14,265,952
Leased assets	5,697,002	-	(140,674)	-	-	(1,519,700)	4,036,628
Other property, plant and equipment "work in progress"	129,653,714	179,977,343	-	(21,938,137)	23,959,964	-	311,652,884
	<b>1,340,798,202</b>	<b>216,094,589</b>	<b>(6,786,165)</b>	<b>(21,938,137)</b>	<b>23,959,964</b>	<b>(37,673,530)</b>	<b>1,514,454,923</b>

The amounts of R6,786,165 (2013/2014) and R2,715,173 (2014/2015) represents asset which could not be verified during the asset verification process and is awaiting Council resolution for write off.

#### Assets subject to finance lease (Net carrying amount)

Ancillary fleet equipment and security	2,642,495	4,036,628
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#### Reconciliation of Work-in-Progress 2015

	Included within Other PPE	Total
Opening balance	311,652,883	311,652,883
Additions/capital expenditure	242,092,362	242,092,362
Other movements (donated assets)	6,438,651	6,438,651
Transferred to completed projects	(91,037,773)	(91,037,773)
	<b>469,146,123</b>	<b>469,146,123</b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>4. Property, plant and equipment (continued)</b>		
<b>Reconciliation of Work-in-Progress 2014</b>		
	Included within Other PPE	Total
Opening balance	129,653,713	129,653,713
Additions/capital expenditure	203,937,307	203,937,307
Transferred to completed projects	(21,938,137)	(21,938,137)
	<b>311,652,883</b>	<b>311,652,883</b>

### 5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Water rights	297,957	(59,755)	238,202	120,122	(11,252)	108,870

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

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Figures in Rand

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### 5. Intangible assets (continued)

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Water rights	108,870	177,835	(48,503)	238,202

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# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

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Figures in Rand

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### 5. Intangible assets (continued)

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Water rights	55,000	65,122	(3,462)	108,870

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# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>6. Employee benefit obligation</b>		
<b>Post retirement medical aid plan and long service awards</b>		
Independent valuers, Arch Actuarial Consulting, carried out the statutory valuation.		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Medical aid post retirement obligation	(3,466,305)	(3,127,838)
Long service awards obligation	(9,927,066)	(8,076,122)
	<b>(13,393,371)</b>	<b>(11,203,960)</b>
Non-current liabilities	(12,494,245)	(10,266,293)
Current liabilities	(899,126)	(937,667)
	<b>(13,393,371)</b>	<b>(11,203,960)</b>
<b>Changes in the present value of the post retirement medical aid plan obligation are as follows:</b>		
Opening balance	3,127,838	3,859,789
Net expense recognised in the statement of financial performance	338,467	(731,951)
	<b>3,466,305</b>	<b>3,127,838</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	166,809	188,894
Interest cost	271,297	339,127
Actuarial (gains) losses	11,517	(1,085,937)
Expected return on plan assets	(111,156)	(174,035)
	<b>338,467</b>	<b>(731,951)</b>
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) losses – Obligation	11,517	(1,085,937)
<b>Movement in the retirement medical aid obligation are as follows:</b>		
Opening balance	3,127,838	3,859,789
Expected return	166,809	188,894
Actuarial gains (losses)	271,297	339,127
Assets distributed on settlements	(111,156)	(174,035)
Benefits paid	11,517	(1,085,937)
	<b>3,466,305</b>	<b>3,127,838</b>

The municipality expects to contribute R340,755 to its defined benefit plans in the 2015/2016 financial year and R374,805 in the 2016/2017 financial year.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>6. Employee benefit obligation (continued)</b>		
<b>Key assumptions used</b>		
The principal actuarial assumptions were as follows;		
Discount rates used	8.64 %	8.83 %
Expected rate of return on assets	7.94 %	8.10 %
Expected rate of return on reimbursement rights	0.65 %	0.67 %
Examples of mortality rates used were as follows;		
<b>Retirement age and mortality</b>	Age	Age
Average retirement age	65 Years	65 Years
Mortality during employment	SA 85-90	SA 85-90
Members withdraw from service: (average for males and females)		
<b>Average for males and females</b>	Males	Females
Age 20	15%	24%
Age 30	7%	7%
Age 40	2%	2%
Age 50+	0%	0%
<b>Long service awards</b>		
The municipality offers employees long service awards for every five years of service completed, from ten years of service to 45 years of service, inclusive		
<b>Changes in present value of long service awards are as follows</b>		
	8,076,122	6,742,248
	1,850,944	1,333,874
	<b>9,927,066</b>	<b>8,076,122</b>
Independent valuers, ARCH Actuarial Consulting, carried out the statutory valuations for the 2013/2014 and 2014/2015 financial years.		
The total liability has increased by 23% or (R1,850,944) due to due to the increase in salaries and more eligible employees.		
The principal actuarial assumptions used were as follows		
<b>Rates</b>	2015	2014
Discount rate per annum	8.23%	8.31%
General inflation	6.22%	6.29%
Salary Inflation	7.22%	7.30%
Real rate	0.94%	1.12%
<b>Examples of mortality rates</b>	2015	2014
Average retirement age	65	65
Mortality during employment	SA 85-90	SA 85-90
Members withdrawn from services: (average for males and females).		
<b>Heading</b>	Males	Females
Age 20	15%	24%

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>6. Employee benefit obligation (continued)</b>		
Age 30	7%	7%
Age 40	2%	2%
Age 50+	0%	0%
The amounts recognised in the statement of financial position were determined as follows;		
<b>Value</b>	2015	2014
Present value of funded obligation	9,927,066	8,076,122
Fair value of plan assets	-	-
<b>Liability in the statement of financial position</b>	<b>9,927,066</b>	<b>8,076,122</b>
<b>Movement in the long service obligation are as follows;</b>		
	2015	2014
Balance at beginning of year	8,076,122	6,742,248
Current service costs	973,145	872,737
Interest cost	637,756	513,865
Benefit payments	(826,511)	(203,258)
Actuarial loss / (gain)	1,066,554	150,530
<b>Balance at end of year</b>	<b>9,927,066</b>	<b>8,076,122</b>
The amounts recognized in the statement of financial performance were as follows;		
In conclusion		
<b>Statement of financial position obligation</b>	2015	2014
Long service award	9,927,066	8,076,122
<b>Statement of financial performance obligation</b>	2015	2014
Long service award loss / (gain)	1,066,554	150,530
<b>7. Prepayments</b>		
Rental in respect of offices and parking space is payable in advance.		
Operating leases are disclosed in note 40.		
Enambithi Construction - rental offices	523,012	-
Itabiro Investments - rental for parking space - Municipal vehicles	33,000	-
	<b>556,012</b>	<b>-</b>
<b>8. Inventories</b>		
Plant materials ( plumbing)	-	1,258,087
Chemicals	983,521	1,076,028
Purified water stock	424,585	438,239
Stores	3,808,921	1,816,636
	<b>5,217,027</b>	<b>4,588,990</b>
<b>9. Receivables from exchange transactions</b>		
Deposits	1,658,406	1,451,206
Sundry debtors	2,513,685	4,148,985
	<b>4,172,091</b>	<b>5,600,191</b>



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>10. Receivables from non-exchange transactions</b>		
Promotional items	-	29,044
Receivables from non exchange transactions	5,765,783	5,110,031
Other receivables from non exchange transaction	-	82,082
	<u>5,765,783</u>	<u>5,221,157</u>

The municipality expects to realize these debtors within 12 months.

Receivables from non-exchange transactions includes an amount of R4,592,424 in respect of salary fraud which are not included in the employee related cost disclosed in the statement of financial performance

The ACIP grant funding is not received up front as is the case with other National transfers but is received on a reimbursive nature. The municipality incurred expenditure to the amount of R992,435 during the year in respect of this grant however as at 30 June 2015 this has not been reimbursed.

Refer to note 50 "Fruitless and wastefulll expenditure" for futher disclosure on salary fraud.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>11. Consumer debtors</b>		
<b>Gross balances</b>		
Water and sanitation	<u>496,462,229</u>	<u>567,238,845</u>
<b>Less: Allowance for impairment</b>		
Water and sanitation	<u>(372,374,278)</u>	<u>(441,100,619)</u>
<b>Net balance</b>		
Water and sanitation	<u>124,087,951</u>	<u>126,138,227</u>
<b>Water</b>		
Current (0 -30 days)	4,837,967	2,354,402
31 - 60 days	2,809,021	1,258,123
61 - 90 days	2,123,019	1,924,344
91 - 120 days	1,920,780	2,917,221
121 - 365 days	112,397,164	117,684,137
	<u><b>124,087,951</b></u>	<u><b>126,138,227</b></u>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>11. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Domestic consumers</b>		
Current (0 -30 days)	16,781,284	8,787,191
31 - 60 days	10,153,219	3,679,966
61 - 90 days	7,982,590	8,057,573
91 - 120 days	6,246,656	12,463,237
121 - 365 days	433,029,541	509,868,369
	<u>474,193,290</u>	<u>542,856,336</u>
Less: Allowance for impairment	(355,673,372)	(422,151,503)
	<b><u>118,519,918</u></b>	<b><u>120,704,833</u></b>
<b>Industrial / commercial</b>		
Current (0 -30 days)	1,069,389	740,777
31 - 60 days	447,122	1,164,498
61 - 90 days	333,949	337,989
91 - 120 days	649,883	421,810
121 - 365 days	13,109,209	16,194,949
	<u>15,609,552</u>	<u>18,860,023</u>
Less: Allowance for impairment	(11,706,604)	(14,657,260)
	<b><u>3,902,948</u></b>	<b><u>4,202,763</u></b>
<b>National and provincial government</b>		
Current (0 -30 days)	1,498,424	1,037,482
31 - 60 days	634,131	801,401
61 - 90 days	355,922	239,988
91 - 120 days	785,480	206,069
121 - 365 days	3,385,429	3,237,545
	<u>6,659,386</u>	<u>5,522,485</u>
Less: Allowance for impairment	(4,994,301)	(4,291,855)
	<b><u>1,665,085</u></b>	<b><u>1,230,630</u></b>
<b>Total</b>		
Current (0 -30 days)	19,349,097	10,565,451
31 - 60 days	11,234,473	5,645,865
61 - 90 days	8,672,462	8,635,550
91 - 120 days	7,682,019	13,091,116
121 - 365 days	449,524,178	529,300,864
	<u>496,462,229</u>	<u>567,238,846</u>
Less: Allowance for impairment	(372,374,278)	(441,100,619)
	<b><u>124,087,951</u></b>	<b><u>126,138,227</u></b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(14,511,129)	(8,211,048)
31 - 60 days	(8,425,452)	(4,387,742)
61 - 90 days	(6,549,444)	(6,711,206)
91 - 120 days	(5,761,239)	(10,173,895)
121 - 365 days	(337,127,014)	(411,616,728)
	<u>(372,374,278)</u>	<u>(441,100,619)</u>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>11. Consumer debtors (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(441,100,619)	(481,693,052)
Contributions to allowance	67,536,493	40,592,433
Debt impairment written off against allowance - Limehill debtors	1,189,848	-
	<b><u>(372,374,278)</u></b>	<b><u>(441,100,619)</u></b>

At the end of June 2014 (2013/2014 financial year) consumer debtors amounted to R567,238,845 which consisted of the Limehill Complex consumer debtors R1,189,848 and other consumer debtors R566,048,997.

A provision for bad debt was made during the 2013/2014 financial year to the amount of R441,100,619 which was made up of R1,189,848 in respect of the Limehill debtors and R439,910,771 in respect of other consumer debtors.

The debt in respect of the Limehill debtors of R1,189,848 was written off against the provision during the 2014/2015 financial year.

### Fair value of consumer debtors

Consumer debtors	<u>124,087,951</u>	<u>126,138,227</u>
------------------	--------------------	--------------------

The municipality appointed TransUnion Credit Bureau to perform a full analysis, through their debtors ranking module, of the municipality' debtors data base to assist the municipality with the provision of doubtful debt.

The municipality also performed its own exercise in terms of Grap 104 to establish;

1. How much of the debt is recoverable
2. When will this amount be recovered
3. And the present value of the debt that is to be recovered

By using the above measures the impairment provision calculated is R372, 374, 278 as at 30 June 2015.

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	12,100	7,100
Cash Bank	41,689,016	24,218,881
Short-term deposits	103,386,459	102,328,345
	<b><u>145,087,575</u></b>	<b><u>126,554,326</u></b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R			2014 R		
<b>12. Cash and cash equivalents (continued)</b>						
<b>The municipality had the following bank accounts</b>						
Account number / description	Bank statement balances			Cash book balances		
	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2015	June 30, 2014	June 30, 2013
FNB current account 62252306280	41,181,646	25,071,495	1,468,189	41,181,646	25,052,921	685,433
FNB Current account 62253072385	-	-	-	507,370	(834,040)	(4,527,234)
FNB Business money account 62283176644	239,080	229,455	221,426	-	-	-
FNB Call account 62402906484	16,847	22,090,980	1,013,835	-	-	-
FNB Non standard fixed deposit 74361109934	-	-	151,372,381	-	-	152,607,642
FNB Short term deposit account 74448698347	22,325,074	25,567,497	-	-	-	-
FNB Short term deposit account 74448699204	4,823,758	4,559,571	-	-	-	-
FNB Short term deposit account 74448700168	-	6,440,900	-	-	-	-
FNB Short term deposit account 74448701124	-	5,874,018	-	-	-	-
FNB Short term deposit account 74509856587	41,348,746	-	-	-	-	-
Nedbank call deposit account 7881108134	479,904	455,464	-	-	-	-
Nedbank call deposit account 7881108142	33,457	31,753	-	-	-	-
Nedbank call deposit account 7881108150	36,218	34,374	-	-	-	-
Nedbank call deposit account 7881108185	170,832	162,132	-	-	-	-
Nedbank call deposit account 7881108207	114,321	108,499	-	-	-	-
Nedbank call deposit account 7881108215	11,427	10,845	-	-	-	-
Nedbank call deposit account 7881108223	662	628	-	-	-	-
Nedbank call deposit account 7881108258	14,728	13,978	-	-	-	-
Nedbank call deposit account 7881108266	400,738	380,329	-	-	-	-
Nedbank call deposit account 7881108274	881	836	-	-	-	-
Nedbank call deposit account 7881108282	6,233	5,915	-	-	-	-
Nedbank call deposit account 7881113375	1,903,475	-	-	-	-	-
Investec call deposit account 50007868808	1,303,904	26,999,882	-	-	-	-
Investec call deposit account 50007609828	6,467,861	6,138,473	-	-	-	-
Investec call deposit account 50007621328	880,601	835,755	-	-	-	-
Investec call deposit account 50007621342	24	24	-	-	-	-
Investec call deposit account 50007621374	116,742	110,797	-	-	-	-

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

				2015 R	2014 R
<b>12. Cash and cash equivalents (continued)</b>					
Investec call deposit account	21,713,468	-	-	-	-
50008183042					
Investec call deposit account	977,478	-	-	-	-
50008274324					
ABSA call deposit account	-	39,709	-	-	-
9290741801					
ABSA call deposit account	-	370,394	-	-	-
9290742506					
ABSA call deposit account	-	35,507	-	-	-
9290743609					
ABSA call deposit account	-	269,549	-	-	-
9290743895					
ABSA call deposit account	-	61,528	-	-	-
9290744299					
ABSA call deposit account	-	115,831	-	-	-
9290744443					
ABSA call deposit account	-	69,826	-	-	-
9290744655					
ABSA call deposit account	-	17,520	-	-	-
9290745025					
ABSA call deposit account	-	11,094	-	-	-
9290739945					
ABSA call deposit account	-	130,665	-	-	-
9290740295					
ABSA call deposit account	-	40,569	-	-	-
9290740902					
ABSA call deposit account	-	110,700	-	-	-
9290749524					
ABSA call deposit account	-	946,223	-	-	-
9290740627					
ABSA call deposit account	-	3,569	-	-	-
9290741186					
ABSA call deposit account	-	12,332	-	-	-
9290744118					
ABSA call deposit account	-	41,224	-	-	-
9290744809					
<b>Total</b>	<b>144,568,105</b>	<b>127,399,840</b>	<b>154,075,831</b>	<b>41,689,016</b>	<b>24,218,881</b>
				<b>24,218,881</b>	<b>148,765,841</b>

Investments were done in terms of section Chapter 3, Part 2 section 13 "Cash Managements and Investments"

Interest was earned at an average interest rate of **4.62%** for the period ending 30 June 2015.

### 13. Donations and public contributions

The donations disclosed refers to furniture and equipment which were donated to the Council during the 2013/2014 financial year by the Department of Health

Okhahlamba Municipality donated Bergville sewerage to the municipality as work in progress during the 2014/2015 financial year.

Office furniture and equipment donated during the 2013/2014 financial year	-	223,453
Bergville sewerage - donated during the 2014/2015 financial year	(465,190)	-
	<b>(465,190)</b>	<b>223,453</b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>14. Accumulated surplus</b>		
<b>Ring-fenced internal funds and reserves within accumulated surplus - 2015</b>		
	Accumulated surplus	Total
Opening balance 1/07/2014	1,606,362,100	1,606,362,100
Donated/contributed property, plant and equipment	223,453	223,453
Operating surplus / deficit for the year ending 30 June 2015	210,501,311	210,501,311
Unidentified difference in accumulated surplus in the 2012/2013 financial year	(210,654)	(210,654)
	<b>1,816,876,210</b>	<b>1,816,876,210</b>

### Ring-fenced internal funds and reserves within accumulated surplus - 2014

	Accumulated surplus	Total
Opening balance	1,240,059,620	1,240,059,620
Operating surplus / deficit for the year ending 30 June 2014	341,245,597	341,245,597
Prior year adjustments in respect of 2013/2014 financial year	25,056,883	25,056,883
	<b>1,606,362,100</b>	<b>1,606,362,100</b>

## 15. Finance lease obligation

### Minimum lease payments due

- within one year	-	2,053,777
- in second to fifth year inclusive	-	221,152
	-	2,274,929
less: future finance charges	-	(100,703)
<b>Present value of minimum lease payments</b>	-	<b>2,174,226</b>

### Present value of minimum lease payments due

- within one year	-	2,069,400
- in second to fifth year inclusive	-	104,826
	-	<b>2,174,226</b>

Non-current liabilities	-	104,826
Current liabilities	-	2,069,400
	-	<b>2,174,226</b>

It was the municipality policy to lease motor vehicles under finance leases.

The average lease term was 3-5 year.

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

The municipality has fulfilled its finance lease obligations and as at 30 June 2015 there is no vehicles under finance lease.

## 16. Unspent conditional grants and receipts

Unspent conditional grants are disclosed as a current liability on the statement of financial position.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>16. Unspent conditional grants and receipts (continued)</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Rural Household Infrastructure	1,435,021	4,000,000
Masibumbaneni Co-op	305,993	305,993
Municipal Infrastructure Grant (MIG)	-	21,769,868
Municipal Water Infrastructure (MWIG)	-	2,786,882
KZN Infrastructure Sportsfields	33,964	33,964
LGSETA Training Grant	83,680	59,338
Water Services Oprtating Grant	742,512	836,515
IGR Grant	98,126	107,850
LED Strategic Review	-	10,734
Distric Disaster Centre	1,393,461	5,009,853
KZN Backlog Study	14,197	626
KZN District Development	-	13,921
KZN Integrated Transport Plan	-	378,755
KZN Secreterial MFC	-	820
KZN ST Chads Emergency	-	5,891
KZN Assessment Water	-	3,499
KZN Assessment Warer & Electricity	-	38,927
KZN Implement Technical & Cientific Support	-	251,231
KZN Water Services Delivery	-	35,359
KZN Institutional Support	-	12,281
Local Government SETA Grant	-	61,272
KZN Social Pilot Project	-	6,860
KZN Social Emabhekazi	-	69,535
Waste Management Plan	-	41,053
KZN DPSS	881,034	2,651,524
DIMMS Grant Funding	-	30,120
Environmental Management Plan	61,859	800,874
Department Water Affairs & Forestry	-	1,140,252
KZN Councillors Training Grant	-	40,400
Municipal Governance And Administration	-	47,841
Water infrastructure maintenance	270,417	-
District Disaster Relief	1,678,765	-
	<b>6,999,029</b>	<b>40,552,038</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	40,552,038	133,389,894
Additional grants received	286,487,451	267,544,602
Income recognition during the year	(320,040,460)	(360,382,458)
	<b>6,999,029</b>	<b>40,552,038</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 25 for reconciliation of grants from National/Provincial Government.

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



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>17. Other financial liabilities - Development Bank of South Africa</b>		
<b>Designated at fair value</b>		
DBSA Loan - account 61000915	-	445,632
Loan 10346/202 - Period 20 years - redemption date 31/03/2018	-	
DBSA Loan - account 61003249	-	174,360
Loan 13674/101 - Period 20 years - redemption date 30/09/2020	-	
DBSA Loan - account 61004120	-	1,452,096
Loan 9631/101 - Period 20 years - redemption date 31/03/2015	-	
DBSA Loan - account 61004121	-	739,271
Loan 9631/201 - Period 20 years - redemption date 31/03/2017	-	
DBSA Loan - account 61004122	-	77,712
Loan 9631/401 - Period 20 years - redemption date 31/03/2019	-	
DBSA Loan - account 61004123	-	15,500
Loan 9631/502 - Period 20 years - redemption date 30/09/2019	-	
	<u>-</u>	<u>2,904,571</u>
<p>For the 2013/2014 financial year loan account 61003249 reflects no change from the 2012/2013 financial year as the repayments is fixed.</p> <p>The municipality has redeemed all the Development Bank loans in full during the 2014/2015 financial year.</p>		
<b>At amortised cost</b>		
Development Bank of South Africa	-	7,845,841
Terms and conditions	-	
	<u>-</u>	<u>7,845,841</u>
<b>Non-current liabilities</b>		
At amortised cost	-	4,941,270
	<u>-</u>	<u>4,941,270</u>
<b>Current liabilities</b>		
At amortised cost	-	2,904,571
	<u>-</u>	<u>2,904,571</u>
<b>18. Vat Payable</b>		
Vat payable	26,882,368	(7,565,642)

The municipality is on a payment bases for VAT purposes. The vat payable at year end (2014/2015) is a result of the unpaid debt due by municipal consumers. The amount will only be payable to SARS on receipt of payments received from consumers.

Return have been submitted to SARS which is in favour of the municipality and has been included as part of the receivables as at 30 June 2015

The municipality has appointed OMA Chartered Accountants to perform a vat audit. They have identified adjustments to the amount of R903,277 in respect of output vat for the 2009/2010 financial year which had to be adjusted. Vat payable therefore has been restated (R6,662,365 restated as R7,565,642).

### 19. Purchase of office building

The Municipality has entered into a sale agreement with Enambithi Construction CC to purchasing the office building which it is currently occupying at 33 Forbes Street / 36 Lyell Street. in Ladysmith.

The purchase price agreed upon was R30,000,000 excluding VAT and it was agreed that it will be paid in three instalments.

The first instalment of R9,000,000 excluding VAT was due and payable on the 30th of June 2015.

The second instalment of R10,000,000 plus Vat is due and payable on the 30th of September 2015 and the third and final payment of R11,000,000 plus VAT is due and payable on the 30th of November 2015.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>19. Purchase of office building (continued)</b>		
The instalments due on the 30th of September and 30th of November 2015 is reflected as a current liability in the statement of financial position.		
The building is included in property, plant and equipment in the statement of financial position for the amount of R30,000,000.		
<b>Purchase of office building</b>		
Current liability created in respect of the payments due on the 30th of September and the 30th of November 2015	23,940,000	-
<b>20. Payables from exchange transactions</b>		
Trade payables	99,491,080	45,798,247
Department of water affairs (DWAF) Accrual	24,926,703	36,672,736
DBSA accrued interest	-	222,587
Trust funds- late estates	3,134,284	3,070,978
Retentions	21,310,335	12,550,669
Sundry creditors	511,339	498,633
	<b>149,373,741</b>	<b>98,813,850</b>
<b>21. Other accruals</b>		
Bonus accrual	3,594,022	3,275,964
Leave pay accrual	11,197,755	10,390,774
	<b>14,791,777</b>	<b>13,666,738</b>
The amount of liabilities forgiven is R14,791,777 (2014: R13,666,738).		
<b>22. Consumer deposits</b>		
Water	10,473,849	9,390,119
<b>23. Revenue</b>		
Service charges	126,221,743	132,770,897
Interest received	19,148,562	33,283,515
Other income	3,122,394	1,919,154
Other income - donations	6,438,651	-
Interest received - investment	9,072,588	10,761,064
Government grants & subsidies	607,994,894	619,389,681
	<b>771,998,832</b>	<b>798,124,311</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	126,221,743	132,770,897
Interest received	19,148,562	33,283,515
Other income	3,122,394	1,919,154
Other income - donations	6,438,651	-
Interest received - investment	9,072,588	10,761,064
	<b>164,003,938</b>	<b>178,734,630</b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>23. Revenue (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	<u>607,994,894</u>	<u>619,389,681</u>
<b>24. Service charges</b>		
Sale of water	110,520,518	118,571,642
Sewerage and sanitation charges	15,701,225	14,199,255
	<u><b>126,221,743</b></u>	<u><b>132,770,897</b></u>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>25. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	286,962,000	257,902,233
Finance Management Grant	1,250,000	1,581,000
EPWP Integrated Grant	3,299,000	3,200,000
KZN Projects	9,446,390	6,197,108
Municipal Systems Improvement Grant	934,000	890,000
ACIP Grant	992,435	-
Water Services Operating Subsidy	9,094,003	5,163,486
	<u>311,977,828</u>	<u>274,933,827</u>
<b>Capital grants</b>		
Regional Bulk Infrastructure Grant	83,741,726	75,274,468
Municipal Infrastructure Grant	199,088,868	233,808,580
Rural Household Infrastructure Grant	6,688,979	-
Municipal Water infrastructure Grant	4,182,493	11,738,118
Masification Grant	-	20,401,973
New Pumps	-	1,232,751
Rural Transport Services Plan	2,315,000	1,999,964
	<u>296,017,066</u>	<u>344,455,854</u>
	<b><u>607,994,894</u></b>	<b><u>619,389,681</u></b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	321,032,894	361,487,448
Unconditional grants received	286,962,000	257,902,233
	<u>607,994,894</u>	<u>619,389,681</u>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent consumers.		
Indigent consumers received a subsidy of R175,464 as at 30 June 2015 which is funded by the grant.		
Rural communities received free basic services to the amount of R11,837,617 as at 30 June 2015 which is also funded by the grant.		
In total R12,013,081 from the equity share allocation was allocated to the funding of free basic services for the 2014/2015 financial year.		
<b>Rural Household Infrastructure</b>		
Balance unspent at beginning of year	4,000,000	-
Current-year receipts	4,124,000	4,000,000
Conditions met - transferred to revenue	(6,688,979)	-
	<u>1,435,021</u>	<u>4,000,000</u>
Conditions still to be met - remain liabilities (see note 16).		
<b>Masibumbaneni Co-op</b>		
Balance unspent at beginning of year	305,993	840,166
Conditions met - transferred to revenue	-	(534,173)
	<u>305,993</u>	<u>305,993</u>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>25. Government grants and subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 16).		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	21,769,868	81,318,448
Current-year receipts	177,319,000	174,260,000
Conditions met - transferred to revenue	(199,088,868)	(233,808,580)
	<u>-</u>	<u>21,769,868</u>
<b>Municipal Water Infrastructure</b>		
Balance unspent at beginning of year	2,786,882	-
Current-year receipts	1,395,611	14,525,000
Conditions met - transferred to revenue	(4,182,493)	(11,738,118)
	<u>-</u>	<u>2,786,882</u>
Conditions still to be met - remain liabilities (see note 16).		
<b>Regional Bulk Infrastructure</b>		
Balance unspent at beginning of year	-	5,905,360
Current-year receipts	83,741,726	63,620,602
Conditions met - transferred to revenue	(83,741,726)	(69,525,962)
	<u>-</u>	<u>-</u>
<b>Infrastructure Sports Fields</b>		
Balance unspent at beginning of year	33,964	194,598
Conditions met - transferred to revenue	-	(160,634)
	<u>33,964</u>	<u>33,964</u>
Conditions still to be met - remain liabilities (see note 16).		
<b>LGSETA Grant - Training</b>		
Balance unspent at beginning of year	59,338	830,834
Current-year receipts	174,114	-
Conditions met - transferred to revenue	(211,044)	(771,496)
Unspent liability transferred from Local Government SETA Grant	61,272	-
	<u>83,680</u>	<u>59,338</u>
Conditions still to be met - remain liabilities (see note 16).		
<b>Water Services Operating Subsidy</b>		
Balance unspent at beginning of year	836,515	-
Current-year receipts	9,000,000	6,000,000
Conditions met - transferred to revenue	(9,094,003)	(5,163,485)
	<u>742,512</u>	<u>836,515</u>
Conditions still to be met - remain liabilities (see note 16).		

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>25. Government grants and subsidies (continued)</b>		
<b>IGR Grant</b>		
Balance unspent at beginning of year	107,850	371,086
Conditions met - transferred to revenue	(9,724)	(263,236)
	<u>98,126</u>	<u>107,850</u>
Conditions still to be met - remain liabilities (see note 16).		
<b>LED Strategic Review</b>		
Balance unspent at beginning of year	10,734	10,734
Conditions met - transferred to revenue	(10,734)	-
	<u>-</u>	<u>10,734</u>
<b>District Disaster Centre</b>		
Balance unspent at beginning of year	5,009,853	6,495,017
Conditions met - transferred to revenue	(3,616,392)	(1,485,164)
	<u>1,393,461</u>	<u>5,009,853</u>
Conditions still to be met - remain liabilities (see note 16).		
<b>KZN Backlog Study</b>		
Balance unspent at beginning of year	626	626
Transfers	13,571	-
	<u>14,197</u>	<u>626</u>
Conditions still to be met - remain liabilities (see note 16).		
The following grants has been consolidated into one, Backlog study R626 - Secreterial MFC R820 - ST Chads Emergency R5,891 and Social Pilot Project R6,860.		
<b>District Development</b>		
Balance unspent at beginning of year	13,921	13,921
Conditions met - transferred to revenue	(13,921)	-
	<u>-</u>	<u>13,921</u>
<b>KZN Integrated Transport Plan</b>		
Balance unspent at beginning of year	378,755	381,755
Conditions met - transferred to revenue	(378,755)	(3,000)
	<u>-</u>	<u>378,755</u>
<b>KZN Secreterial MFC</b>		
Balance unspent at beginning of year	820	7,660
Conditions met - transferred to revenue	-	(6,840)
Unspent liability has been transferred to the Backlog Study Grant	(820)	-
	<u>-</u>	<u>820</u>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>25. Government grants and subsidies (continued)</b>		
<b>KZN St Chads Emergency</b>		
Balance unspent at beginning of year	5,891	5,891
Unspent liability has been transferred to the Backlog Study Grant	(5,891)	-
	<u>-</u>	<u>5,891</u>
<b>KZN Assessment Water Services Delivery Plan</b>		
Balance unspent at beginning of year	3,499	3,499
Unspent liability has been transferred to Water Infrastructure Maintenance Grant	(3,499)	-
	<u>-</u>	<u>3,499</u>
<b>KZN Assessment Water and Electricity</b>		
Balance unspent at beginning of year	38,927	38,927
Unspent liability has been transferred to Water Infrastructure Maintenance Grant	(38,927)	-
	<u>-</u>	<u>38,927</u>
<b>KZN Implement Technical &amp; Scientific Support</b>		
Balance unspent at beginning of year	251,231	465,581
Conditions met - transferred to revenue	(251,231)	(214,350)
	<u>-</u>	<u>251,231</u>
<b>KZN Water Services Delivery Plan</b>		
Balance unspent at beginning of year	35,359	35,359
Unspent liability has been transferred to Water Infrastructure Maintenance Grant	(35,359)	-
	<u>-</u>	<u>35,359</u>
<b>KZN Capacity Building Water Staff</b>		
Balance unspent at beginning of year	-	268,587
Conditions met - transferred to revenue	-	(268,587)
	<u>-</u>	<u>-</u>
<b>KZN WSA Institutional Support</b>		
Balance unspent at beginning of year	12,281	12,281
Unspent liability has been transferred to Water Infrastructure Maintenance Grant	(12,281)	-
	<u>-</u>	<u>12,281</u>
<b>Local Government SETA Grant</b>		
Balance unspent at beginning of year	61,272	61,272
Unspent liability has been transferred to LGSETA Training Grant	(61,272)	-
	<u>-</u>	<u>61,272</u>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>25. Government grants and subsidies (continued)</b>		
<b>Social Pilot Projects</b>		
Balance unspent at beginning of year	6,860	856,860
Conditions met - transferred to revenue	-	(850,000)
Unspent liability has been transferred to Backlog Study Grant	(6,860)	-
	<u>-</u>	<u>6,860</u>
<b>KZN Social Emabhekazi</b>		
Balance unspent at beginning of year	69,535	69,535
Conditions met - transferred to revenue	(69,535)	-
	<u>-</u>	<u>69,535</u>
<b>KZN Waste Management Plan</b>		
Balance unspent at beginning of year	41,053	41,053
Conditions met - transferred to revenue	(41,053)	-
	<u>-</u>	<u>41,053</u>
<b>KZN DPSS Shared Services</b>		
Balance unspent at beginning of year	2,651,524	2,651,524
Current-year receipts	250,000	-
Conditions met - transferred to revenue	(2,020,490)	-
	<u>881,034</u>	<u>2,651,524</u>
Conditions still to be met - remain liabilities (see note 16).		
<b>DIMMS Grant Funding</b>		
Balance unspent at beginning of year	30,120	130,120
Conditions met - transferred to revenue	(30,120)	(100,000)
	<u>-</u>	<u>30,120</u>
<b>KZN Environment Management</b>		
Balance unspent at beginning of year	800,874	942,280
Conditions met - transferred to revenue	(739,015)	(141,406)
	<u>61,859</u>	<u>800,874</u>
Conditions still to be met - remain liabilities (see note 16).		
<b>Department Water Affairs</b>		
Balance unspent at beginning of year	1,140,252	1,139,941
Unspent liability has been transferred to Water Infrastructure Maintenance Grant	(1,140,252)	311
	<u>-</u>	<u>1,140,252</u>
<b>KZN Councillors Training</b>		
Balance unspent at beginning of year	40,400	200,000



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>25. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(40,400)	(159,600)
	<u>-</u>	<u>40,400</u>
<b>KZN Municipal Governance &amp; Admin</b>		
Balance unspent at beginning of year	47,841	674,855
Conditions met - transferred to revenue	(47,841)	(627,014)
	<u>-</u>	<u>47,841</u>
<b>Rural Road Asset Management</b>		
Balance unspent at beginning of year	-	963
Current-year receipts	2,315,000	1,999,000
Conditions met - transferred to revenue	(2,315,000)	(1,999,963)
	<u>-</u>	<u>-</u>
<b>Finance Management Grant</b>		
Balance unspent at beginning of year	-	461,308
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,581,000)
Roll over disallowed - recognized under equity share revenue in 2013/2014	-	(130,308)
	<u>-</u>	<u>-</u>
<b>Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	-	324,109
Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)
Roll over disallowed - recognized under equity share revenue in 2013/2014	-	(324,109)
	<u>-</u>	<u>-</u>
<b>EPWP Integrated Grant</b>		
Balance unspent at beginning of year	-	5,037,815
Current-year receipts	3,299,000	1,000,000
Conditions met - transferred to revenue	(3,299,000)	(3,200,000)
Roll over disallowed - recognized under equity share in 2013/2014	-	(2,837,815)
	<u>-</u>	<u>-</u>
<b>Water Infrastructure Maintenance</b>		
Conditions met - transferred to revenue	(959,901)	-
Consolidation of grants	1,230,318	-
	<u>270,417</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 16).

The following grants has been consolidated into one, KZN Assessment R3,499 - KZN Assessment water R38,927 - KZN Water Services Delivery R35,359 - KZN Institutional Support R 12,281 - WDA Grant R1,140,252.

### KZN Growth and Development

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>25. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	-	494,371
Conditions met - transferred to revenue	-	(494,371)
	<u>-</u>	<u>-</u>
<b>DMA Buffer Support</b>		
Balance unspent at beginning of year	-	100,104
Conditions met - transferred to revenue	-	(100,104)
	<u>-</u>	<u>-</u>
<b>KZN Masification Grant</b>		
Balance unspent at beginning of year	-	20,401,973
Conditions met - transferred to revenue	-	(20,401,973)
	<u>-</u>	<u>-</u>
<b>Tugela Fish project</b>		
Balance unspent at beginning of year	-	406,567
The grant was spent in full in the 2012/2013 financial year, however it was not recognized as revenue. This has been rectified as prior year adjustments in the 2013/2014 financial year.	-	(406,567)
	<u>-</u>	<u>-</u>
<b>Department of Land Affairs (DLA)</b>		
Balance unspent at beginning of year	-	1,237,080
The grant was spent in full in the 2012/2013 financial year, however it was not recognized as revenue. This has been rectified as prior year adjustments in 2013/2014	-	(1,237,080)
	<u>-</u>	<u>-</u>
<b>New Pumps</b>		
Balance unspent at beginning of year	-	1,232,751
Conditions met - transferred to revenue	-	(1,232,751)
	<u>-</u>	<u>-</u>
<b>Data Cleansing</b>		
Balance unspent at beginning of year	-	(292,364)
Other	-	292,364
	<u>-</u>	<u>-</u>
<b>KZN GIS</b>		
Balance unspent at beginning of year	-	17,447
Conditions met - transferred to revenue	-	(17,447)
	<u>-</u>	<u>-</u>
<b>District Disaster Relief</b>		

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>25. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	2,685,000	-
Conditions met - transferred to revenue	(1,006,235)	-
	<b>1,678,765</b>	<b>-</b>

Conditions still to be met remains liabilities.

### ACIP Grant

Conditions met - transferred to revenue	992,435	-
Reimbursement in respect of the expenditure accrued has not been received at year end	(992,435)	-
	<b>-</b>	<b>-</b>

The ACIP grant is not received up front as is the case with other National transfer, but is received on a reimbursive nature. Once expenditure has accrued it is claimed back from the department. R992,435 has been spent at year end however the Municipality has not been reimbursed.

ACIP has been raised as a debtor and the total amount spent (R992,435) is included in receivables from non exchange transactions in the statement of financial performance at year end.

### 26. Other revenue

Other income	3,122,394	1,919,154
Other income - donations	6,438,651	-
	<b>9,561,045</b>	<b>1,919,154</b>

#### The amount included in other revenue arising from exchanges of goods or services are as follows:

Sundry income	598,273	1,099,909
Donations received	-	40,000
Tender deposits	164,199	63,290
Maps GIS	191	525
Connections water	1,089,276	506,402
Clearance certificates	169,541	161,455
Insurance claims received	180,526	212,795
Connections sewerage	49,862	70,946
Trade effluent income	870,478	(236,168)
Sewer disposal	48	-
Donated asset received from Okhahlamba municipality - Bergville sewer	6,438,651	-
	<b>9,561,045</b>	<b>1,919,154</b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>27. General expenses</b>		
Advertising	481,556	227,947
Auditors remuneration	2,572,121	2,936,816
Bank charges	336,466	387,894
Cleaning	202,096	124,066
Commission paid	151,478	348,686
Computer expenses	1,442,316	1,519,889
Consulting and professional fees	15,502,665	4,441,102
Consumables	5,753	4,071
Entertainment	346,677	126,983
Insurance	-	194,780
Conferences and seminars	123,624	75,909
IT expenses	389,956	881,757
Fleet	399,702	239,693
Magazines, books and periodicals	24,846	101,949
Motor vehicle expenses	542,114	294,100
Fuel and oil	8,770,898	7,326,564
Postage and courier	5,601	5,422
Printing and stationery	1,621,338	1,365,954
Protective clothing	467,464	381,447
Security (Guarding of municipal property)	673,700	402,578
Subscriptions and membership fees	1,722,913	3,626,277
Telephone and fax	2,411,639	2,282,216
Training	2,242,522	375,462
Assets expensed	11,820,327	196,030
Electricity	52,233,612	45,213,950
Water	10,737,681	3,076,752
Audit committee	168,126	214,617
Government grant expenditure	66,555,786	88,726,573
Other expenses	17,094,364	11,733,551
	<b>199,047,341</b>	<b>176,833,035</b>

Consulting and professional fees which are included in general expenditure relates to the following.

### Consultants and professional fees

Legal fees	7,784,668	910,882
Professional fees	774,629	493,820
Asset verification	3,000,000	3,036,400
VAT audit	3,943,368	-
	<b>15,502,665</b>	<b>4,441,102</b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>28. Employee related costs</b>		
Basic	92,762,487	77,214,831
Bonus	6,735,688	5,504,609
Medical aid - employers contribution	3,748,303	3,340,971
UIF	813,160	741,458
SDL	1,235,139	1,061,622
Salga BC	35,765	34,851
Leave pay accrual	1,105,493	(2,761,943)
Leave pay	1,229,361	1,104,451
Other short term costs	-	31,190
Defined contribution plans	202,287	684,338
Travel, motor car, accommodation, subsistence and other allowances	3,896,904	4,877,256
Overtime payments	18,037,650	15,997,120
Car allowance	7,678,905	5,653,649
Housing benefits and allowances	745,729	571,514
Pension contributions	-	110,625
Surcharge Pension Fund	12,195,716	10,656,287
Sitting allowances traditional leaders	4,500	-
	<b>150,427,087</b>	<b>124,822,829</b>

### Remuneration of Municipal Manager

Annual Remuneration	937,044	780,173
Car Allowance	540,000	450,000
Contributions to UIF, Medical and Pension Funds	1,785	12,506
SDL	12,988	-
Travelling and subsistence	63,809	9,811
	<b>1,555,626</b>	<b>1,252,490</b>

The Municipal Manager was appointed as from 14 August 2013

### Remuneration of Chief Finance Officer

Annual Remuneration	431,299	202,868
Car Allowance	377,387	177,509
Contributions to UIF, Medical and Pension Funds	1,785	5,609
SDL	10,028	-
Housing subsidy	269,562	126,792
Travelling & subsistence	51,216	10,723
	<b>1,141,277</b>	<b>523,501</b>

The Chief Financial Officer was appointed as from 6 January 2014

### Remuneration of Manager Technical Services

Annual Remuneration	888,809	761,355
Car Allowance	130,351	111,656
Contributions to UIF, Medical and Pension Funds	1,785	12,523
Back pay	-	45,274
Standby allowance	188,916	-
SDL	11,820	-
Travelling & subsistence	6,259	5,742
	<b>1,227,940</b>	<b>936,550</b>

The Manager Technical Services was appointed as from 6 February 2012

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>28. Employee related costs (continued)</b>		
<b>Remuneration of Executive Director Health and Environmental Services</b>		
Annual Remuneration	172,069	-
Car Allowance	617,101	-
Contributions to UIF, Medical and Pension Funds	467	-
Housing subsidy	22,088	-
Back pay	1,465,868	-
SDL	21,537	-
Travelling & subsistence	1,753	-
	<b>2,300,883</b>	<b>-</b>

The Executive Director Health and Environmental Services was reinstated as from 1 April 2015 as per Labour Court judgement.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>28. Employee related costs (continued)</b>		
<b>Remuneration of Manager Social and Economic Services</b>		
Annual Remuneration	1,019,160	909,934
Car Allowance	-	7,756
Contributions to UIF, Medical and Pension Funds	1,785	17,844
Annual Bonus	-	18,123
Housing subsidy	-	478
Leave paid out	-	49,841
Travelling & subsistence	47,746	21,746
SDL	9,834	-
	<b>1,078,525</b>	<b>1,025,722</b>

The Manager Social and Economic services was appointed as from 1 August 2013

### Remuneration of Manager Corporate Services

Annual Remuneration	869,160	928,722
Car Allowance	150,000	-
Contributions to UIF, Medical and Pension Funds	1,784	11,072
SDL	9,892	-
Subsistence & travelling	1,479	-
	<b>1,032,315</b>	<b>939,794</b>

The Manager Corporate Services has been appointed as from 1 July 2013

### Remuneration of Manager Water Services

Annual Remuneration	509,580	713,248
Contributions to UIF, Medical and Pension Funds	892	8,976
Subsistence & travelling	-	7,992
SDL	6,156	-
Backpay	-	20,702
Leave paid out	105,993	-
	<b>622,621</b>	<b>750,918</b>

The Manager Water Services was appointed as from 1 August 2013 and resigned with effect from 31 December 2014

### 29. Remuneration of councillors

Executive Mayor	559,522	476,508
Deputy Executive Mayor	207,106	330,993
Mayoral Committee Members	881,247	752,012
Speaker	447,617	381,206
Councillors	3,660,196	2,763,656
Councillors' pension contribution	-	1,075
SDL	40,264	69,972
	<b>5,795,952</b>	<b>4,775,422</b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>29. Remuneration of councillors (continued)</b>		
<b>In-kind benefits</b>		
The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor, Deputy Mayor and Speaker each have the use of separate Council owned vehicles for official duties.		
The Mayor has three full-time bodyguards . The Deputy Mayor and speaker has two full-time bodyguards.		
<b>30. Debt impairment</b>		
Debt impairment - Consumer debtors	(67,536,493)	(40,592,433)
Debts impairment - Sundry Debtors	(3,612,454)	-
	<u>(71,148,947)</u>	<u>(40,592,433)</u>
The total debt impairment provision for consumer debtors is R372,374,278 as at 30 June 2015.		
The total debt impairment provision for sundry debtors is R698,582 as at 30 June 2015.		
<b>31. Investment revenue</b>		
<b>Interest revenue</b>		
Interest received - Investments	<u>9,072,588</u>	<u>10,761,064</u>
The amount included in Investment revenue arising from non-exchange transactions amounted to R10,761,064 (2013/2014 and R9,072,588 (2014/2015).		
<b>32. Depreciation and amortisation</b>		
Property, plant and equipment	<u>45,064,849</u>	<u>38,999,385</u>
Depreciation and amortisation is done at financial year end - 30 June 2015		
<b>33. Finance costs</b>		
Bank	<u>2,465,418</u>	<u>2,548,678</u>
<b>34. Auditors' remuneration</b>		
Fees	<u>2,740,248</u>	<u>2,936,816</u>
<b>35. Lease rentals on operating leases</b>		
<b>Agreement of Lease - Lessors</b>		
Enambithi Construction - rental offices Ladysmith	5,989,202	8,260,658
Itabiro Investment CC - rental parking space Ladysmith	231,000	-
Beukes JC - rental office Colenso	18,900	19,878
Sarjoo VR - rental office Weenen	34,176	27,648
Rashid Suleman Trust - rental office Estcourt	22,542	34,511
Moon magic Investments - rental office Estcourt	32,481	338,988
Konica Minolta - rental office machines (photo copiers)	283,243	-
	<u>6,611,544</u>	<u>8,681,683</u>



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>35. Lease rentals on operating leases (continued)</b>		
The lease agreement with Enambithi Construction CC is for the office space at 36 Lyell Street and 33 Forbes Street and is for the period 1 July 2014 to 30 June 2016.		
The lease agreement with Itabiro Investments CC is for a parking area for Council vehicles at 24/28 Murchison Street and was for the period 1 November 2014 to 31 January 2015. Thereafter on a month to month bases.		
The lease agreement with Beukes JC is for the satellite office at 63/69 Sir George Street Colenso and is for the period 1 September 2013 to 31 August 2015.		
The lease agreement with Sarjoo VR is for the satellite office in Weenen which is on a month to month bases..		
The lease agreement with Rashid Suleman Trust is for the satellite office at 127 Albert Street Estcourt and was for the period 1 December 2014 to 1 January 2015		
Rashid Suleman Trust is now known as Moon Magic Investments (PTY) LTD and the lease agreement is for the satellite office at 127 Albert Street Estcourt and is for the period 1 February 2015 to 31 January 2016		
Office equipment is hired from Konica Minolta for a period of 36 months which started in November 2013.		
<b>Operating lease liabilities</b>		
Rental offices	634,124	-
<b>36. Contracted services</b>		
Water tankering	1,121,800	25,147,710
Plant and equipment hire	7,009,382	6,755,537
Insurance	1,718,029	1,073,807
Chemicals	5,854,797	5,896,860
Security (Guarding Municipal Property)	11,845,659	962,905
uThukela civil defence	-	8,877,709
	<b>27,549,667</b>	<b>48,714,528</b>
The municipality has purchased its own water tankers therefore the decrease in the amount expenced in respect of water tankering.		
The amount of R11,845,659 is in respect of security guards required to guard municipal property which includes the water treatment and waste water treatment plants.		
<b>37. Repairs and maintenance</b>		
The following repairs and maintenance were performed to maintain municipal assets and were internally funded.		
<b>Repairs and maintenance performed on</b>		
Buildings and offices	238,486	125,047
Office furniture and equipment	1,855	26,167
Vehicles	3,300,658	4,092,139
Pipelines and reservoirs	8,940,701	9,643,786
Plant (water treatment and waste water treatment works)	3,771,510	29,309
Pumps	3,582,754	6,461,540
Roads	-	2,307,393
Blue drop and green drop	5,185,271	-
Refurbishment of existing schemes	-	138,340
Electrical	333,951	919,777
Disaster management vehicle	6,984	14,380
	<b>25,362,170</b>	<b>23,757,878</b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>38. Bulk purchases</b>		
Water	5,304,471	7,232,242
<p>The Department of Water Affairs bills the municipality for raw water extracted from rivers and dams which is then purified and distributed to the community "consumers"</p> <p>The Municipality is in the process of installing it's own bulk meters which will assist the Municipality to monitor the volume of raw water extracted and verify the accounts received from the department.</p>		
<b>39. Cash generated from operating activities</b>		
Surplus	210,501,311	341,245,597
<b>Adjustments for:</b>		
Depreciation and amortisation	45,064,849	38,999,385
Loss on sale of assets	2,681,920	5,420,887
Debt impairment	90,109,032	16,027,558
Changes accumulated surplus	(675,845)	(373,880,523)
<b>Changes in working capital:</b>		
Increased/ (decrease) in inventories	(628,037)	1,263,809
Increase/ (decrease) Trade and other receivables from exchange transactions	(88,058,757)	(106,687,351)
Increase/ (decrease) other receivables from non-exchange transactions	(544,625)	(4,120,201)
Donated furniture	(688,643)	223,453
Contributions to provisions - current	(38,541)	770,430
Increase/(decrease) in payables from exchange transactions	75,624,930	31,563,519
Increase/ (decrease) in VAT	34,448,010	(27,247,917)
Increase unspent conditional grants and receipts	(33,553,009)	(92,837,856)
Contribution to provisions - non-current	2,227,952	(168,507)
Other financial liabilities	1,560,731	357,782
	<b>338,031,278</b>	<b>(169,069,935)</b>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>40. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	<u>194,294,062</u>	<u>267,715,381</u>
<b>Municipal Infrastructure Grant (MIG)</b>		
Driefontein Indaka / Matiwanoskop	91,061	91,061
Driefontein Hopsland reservoir	-	1,449,811
Driefontein bulk water feeder	-	2,818,946
Driefontein western bulk	-	491,317
Driefontein professional fees	15,954,955	13,162,422
Driefontein eastern bulk	2,151,024	4,465,943
Bhekuzulu phase 1	-	2,656,732
Bhekuzulu phase 2	1,420,126	2,971,899
Bhekuzulu phase 3	11,033,545	11,033,545
Bhekuzulu phase 4	-	466,345
Bhekuzulu phase 5	-	26,720,854
Bhekuzulu phase 6	3,296,998	11,986,212
Bhekuzulu consultant fees	20,031,113	9,369,645
Kwanobamba / Ezitendeni consultants	18,207,142	21,986,217
Kwanobamba / Ezitendeni 1A	4,585	1,790,651
Kwanobamba / Ezitendeni 1B	8,541,445	24,368,251
Kwanobamba / Ezitendeni 1C	153,464	7,022,980
Kwanobamba / Ezitendeni 1D	-	12,358,500
Kwanobamba / Ezitendeni 1E	17,196,777	-
Ntabamhlophe water scheme phase 4	149,856	149,856
Ntabamhlophe water scheme phase 8	3,336,967	3,336,967
Ntabamhlophe water scheme phase 10	-	17,246,008
Ntabamhlophe consultants	4,226,421	9,460,346
Upgrade W&WTP Ladysmith & Ezakheni	6,661,306	-
Bergville phase 1	4,221,987	14,098,364
Bergville phase 2	3,727,306	6,358,375
Bergville sewer	3,622,373	7,524,947
Ezakheni treatment plant	1,136,714	1,136,714
Ezakheni / Emnambithi refurbishment	5,555,385	-
Ezakheni water reticulation consultants	851,959	-
Ezakheni water reticulation	2,932,105	5,173,608
Umhlumayo project	24,777,711	25,658,792
Distric disaster centre	11,430,355	16,766,548
Archie Rodel Colenso	2,649,145	2,649,145
Rural road asset management	1,930,195	2,272,454
Jononoskop community water supply scheme	24,794	24,794
Kethani refurbishment & upgrade of WWTW	1,351	1,351
Spioenkop to Ladysmith pipeline	213,498	213,498
Hobsland to Indaka	2,691,961	-
Moyeni Zwelisha	180,719	432,283
Mimosadale	15,889,719	-
	<u><b>194,294,062</b></u>	<u><b>267,715,381</b></u>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Property, plant and equipment	<u>46,815</u>	<u>-</u>
<b>Heading</b>		
Creditors orders issued on 30 June 2015	<u>46,815</u>	<u>-</u>
<b>Total capital commitments</b>		

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>40. Commitments (continued)</b>		
Already contracted for but not provided for	194,294,062	267,715,381
Not yet contracted for and authorised by accounting officer	46,815	-
	<b>194,340,877</b>	<b>267,715,381</b>
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Rental Offices	2,685,423	5,463,177
• Rental Office Machines	228,385	228,384
• Red Sipe Security Guarding of Municipal Property	592,000	-
• Bonakude consulting - asset verification	1,207,216	-
	<b>4,713,024</b>	<b>5,691,561</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Creditors orders issued on 30 June	2,608,999	1,197,091
<b>Total operational commitments</b>		
Already contracted for but not provided for	4,713,024	5,691,561
Not yet contracted for and authorised by accounting officer	2,608,999	1,197,091
	<b>7,322,023</b>	<b>6,888,652</b>
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	194,340,877	267,715,381
Authorised operational expenditure	7,322,023	6,888,652
	<b>201,662,900</b>	<b>274,604,033</b>

This committed expenditure relates to property plant and equipment as well as operational expenditure and will be financed by Grant funding, retained surpluses, existing cash resources, funds internally generated, etc.

### Operating leases - as lessee (expense)

#### Minimum lease payments due

- within one year	7,251,695	4,322,904
- in second to fifth year inclusive	76,128	8,645,807
	<b>7,327,823</b>	<b>12,968,711</b>

Operating lease payments represents;

Rentals payable by the municipality in respect of buildings rented for office space. Leases are negotiated for an average term of three years. No contingent rent is payable.

Parking space for Council vehicles. This is negotiated on a month to month bases.

Office machines rented from Konika Minolta. The rental is negotiated for a term of three years.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>41. Contingencies</b>		
<b>Contingent liabilities</b>		
D Kistado	15,240	15,240
AMJ Hlongwane	174,261	174,261
Aurecon	378,607	378,607
J Potgieter	4,534	4,534
Telkom	-	23,694
Telkom	-	49,448
Jeffares & Green	576,484	576,484
Nambithi Pumps	2,795,972	2,795,972
Andile Thwala	100,000	100,000
Shepstone & Wylie - Abajabuli Project Services CC	15,190,398	15,190,398
Shepstone & Wylie - RASP Consultants CC	-	187,170
Shepstone & Wylie- A Sewepersad	3,000,000	3,000,000
Shepstone & Wykie - Dass & Associates Attorneys	869,512	-
Justin Heunis & Company - RASP Consultants CC	65,857	-
	<b>23,170,865</b>	<b>22,495,808</b>

The following Contingent Liabilities are being attended to by Councils Legal representative - Ramkhelewan Inc.

**D. Kistado - Collison** - Claim amount R15, 240.00 - The matter was set down for trial and postponed, There is a very good prospect of succeeding with the defence and Council's legal representative believe that the plaintiff's claim should have been against the Emnambithi/Ladysmith Municipality and not Uthukela.

**A.M.J. Hlongwane - Eradication of Bucket Latrines in Ekuwukeni "Contract 19/2005"** - Claim amount R174, 261.20 The matter is in the High Court and are awaiting for the plaintiff to take the next step. The prospect of success hererin is good and Council's Legal representative suggest that they continue defending the matter.

**Aurecon** - Claim amount R378, 606.54 The matter has been defended and must proceed. Prospects of success are good considering previous consultations Councils Legal representative had with S. Mthethwa and B.H. khoza. for now the matter is pending as the plaintiff is negotiating settlement with the Municipality directly

**J. Potgieter** - Claim amount R4, 534.10 The matter has been defended and Council's Legal representative is awaiting a trial date. Plaintiff's claim is against the Municipality for damages to his wall and pawing when a water pipe was repaired. Prospects of success are good.

**Telkom** - Claim 1 amount R23, 693.59 and claim amount 2 amount R49, 447.93 In both these matters Council's employees damaged the Telkom cables whilst repairing the water pipes. Unfortunately a similar matter was heard in Court and the ruling was against the Municipality of Pietermaritzburg in consequence of them failing to adhere to the way-leave agreement. Council's Legal representative has from a very early stage of these matters suggested to Council to refer these matters to Councils Insurance for settlement as he has little or no prospect of succeeding at trial. These claims were settled in full during the financial year

**Jeffares And Green** - Claim amount R576, 483.75 The matter was setdown for trial but removed from the roll as the plaintiff intends amending its papers. Council's Legal representative will inform Council once a new trial date has been set.

**IPTCO** - No claim amount as the plaintiff brought an application to reassess the property rates amount levied by the municipality on a farm. The matter is current and proceeding to trial.

**Nambithi Pumps** - Claim amount R2, 795, 972.00 The plaintiff issued summons based on a breach of contract. The matter is being defended and will proceed to trial.

**Andile Thwala** - Claim amount R100,000.00 The claim arised from injuries suffered by her child by falling into an exposed manhole. The matter is being defended and the Municipality's Insurers has contacted Councils Legal representative in this regard.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

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2015	2014
R	R

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### 41. Contingencies (continued)

**Contingencies arising from pending litigations on wage curve agreement** - On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (Wage Curve Agreement) with IMATU and SAMWU on behalf of Municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees., based on the evaluation of employees jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered the ruling on 22 June 2012 that employees receive a salary increase backdated with effect 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date the Labour Court of appeal case has not been finalized.

The municipality completed jobs descriptions for all employees and submitted this information to the job evaluation committee (appointed by the Bargaining Council) for evaluation. The Municipality did not receive correspondence on the results of the evaluation. In effect, the Municipality was not able to implement the terms of the wage curve agreement and in consequence is not able to quantify the amount due or possibly even owed to the Municipality by it's employees.

**Abajabuli Project Services CC** - Claim amount R15, 190, 397.97 - This is a claim brought against the municipality by Abajabuli Project Services for breach of contract. Pleadings have closed this matter and a Rule 37 conference has been set down for 31 July 2015 before the Judge of the Pietermaritzburg High Court.

**RASP Consultants CC T/A Vivah Technologies** - Original claim amount was R3, 563, 790.88 - In this matter the municipality has been sued for contractual debt. The municipality has settled the claim in full during the financial year.

**A Sewepersad** - Claim amount R3, 000, 000.00 - In this matter a notice was sent to the municipality in terms of Sec 2 of Act 40 of 2002 by Viren Naidoo & Associates advising of their client's claim (A Sewepersad) against the municipality for the sum of R3, 000, 000 arising from the death of his wife and injuries to himself which were allegedly caused when the vehicle they were travelling in plunged into a deep trench which was allegedly dug by the municipality's employees and was not cordoned off. The municipality has referred this to its insurers who are in the process of investigating the matter.

**Dass & Associates** - Claim amount R869, 011.92 - Dass & Associates issued summons against the municipality on the 22nd of December 2014 claiming R869, 811.92 in respect of legal fees which were alleged to have been unpaid by the municipality. This was denied by the municipality and Shepstone & Wylie were instructed to defend the action. No further steps have been taken by Dass & Associates to prosecute the matter further.

**RASP Consultants CC T/A Vivah Technologies** - Claim amount R65, 857.23 - Justin Heunis & Co has issued summons on the 18th of June 2015 against the municipality for an outstanding balance of R65, 857.23 due, owing and payable for goods sold, delivered and services rendered.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
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### 42. Related parties

Post employment benefit plan for employees of entity and/or other related parties	Keyhealth Bonitas Samvumed Natal Joint Municipal Pension Fund
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In respect of a municipality, the accounting authority or all the members (eg. Mayor, Speaker and Council members) and their close family relatives, are related parties of the municipality.

The senior management team of entities across all spheres of government (including the chief executive or permanent head of the entity) also forms part of management.

### Key management information

Class	Description	Number
Board Members	Executive Committee	4
Senior Management	Municipal Manager	1
Senior Management	Chief Financial Officer	1
Senior Management	Manager Corporate Services	1
Senior Management	Manager Technical and Infrastructural Services	1
Senior Management	Executive Director Health and Environmental Services	1
Senior Management	Manager Social and Economic Services	1
Senior Management	Manager Water Services	1
Board Member	Mayor	1
Board Member	Deputy Mayor	1
Board Members	Councillors	23
Board Member	Speaker	1
Senior Management	Municipal Manager - Accounting Officer	1

The remuneration of key management is disclosed in note 28 and note 29.

### 43. Prior period errors

The correction of the error(s) which relates to the 2013/2014 financial year results in adjustments as follows:

#### Statement of financial position

Property, plant and equipment - increased	-	31,511,005
Payables from exchange transactions - increased	-	(8,365,432)
Leave provision - decreased	-	1,323,638
Unspent conditional grants & receipts - decreased	-	1,008,040
VAT payable - Increased	-	903,268
Total net assets on the statement of financial position increased	-	26,380,519

#### Statement of Financial Performance

Other income	-	9,225
Government grants and subsidies	-	1,008,040
Employee related costs	-	1,278,084
Remuneration of councillors	-	(2,752)
Lease rentals on operating leases (new line item)	-	(2,350,620)
Repairs and maintenance	-	(1,675,584)
Contracted services	-	(1,942,685)
General expenditure	-	2,637,293
Government grant expenditure	-	(4,994,747)
Total surplus for the year on the statement of financial performance decreased	-	(6,033,746)

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

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2015	2014
R	R

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### 44. Comparative figures

Certain comparative figures have been reclassified.

Prior year adjustments to the amount of R8,365,432 (expenditure incurred in the 2014/2015 financial year which relates to the 2013/2014 financial year). Payables from exchange transactions increased from (R90,448,418) to (R98,813,850) in the statement of financial position.

Prior year adjustments to the amount of R1,008,040 (grant expenditure incurred in the 2014/2015 financial year which relates to the 2013/2014 financial year). Unspent grant liability reduced from (R41,560,078) to (R40,552,038) in the statement of financial position.

Lease rentals on operating leases which was included in general expenditure to the amount of R6,331,063 has been reclassified as a separate line item on the statement of financial performance. The disclosure on general expenditure has therefore been reduced by this amount.

Due to the prior year adjustments Of R6,033,746 (R1,017,265 revenue and R7,051,011 expenditure) the total operating surplus (R347,279,343) has been reduced to (R341,245,597) for the year ending 30 June 2014 in the statement of financial performance.

Due to the prior year adjustments of R26,380,519 (Non-current assets of R31,511,005 less Current liabilities of R5,130,486 the total net assets (R1,580,205,035) has increased to (R1,606,585,554) in the statement of financial position.

Grant expenditure was incurred in the 2014/2015 financial year which relates to the 2013/2014 financial year. This expenditure (R1,008,040) is recognized as revenue therefore Government grants & subsidies in the statement of financial performance (R618,381,641) has been restated as (R619,389,681)

Due to prior year adjustments of R903,268 VAT payable (R6,662,374) has been restated as (R7,565,642) in the statement of financial position.

Due to an asset overseen during the 2013/2014 financial year to the amount of R9,618,006, property plant and equipment has increased with this amount in the statement of financial position.

Due to an asset "Entokozweni reservoir" being duplicated in the fixed asset register during the 2013/2014 financial year to the amount of R1,929,632, property plant and equipment has been reduced by this amount in the statement of financial position.

Due to an asset "Winterton water treatment works" being duplicated in the fixed asset register during the 2013/2014 financial year to the amount of R137,333, property plant and equipment has been reduced by this amount in the statement of financial position.

Due to the misstatement of work in progress capitalized during the 2013/2014 financial year to the amount of R23,959,964, property plant and equipment has increased by this amount in the statement of financial position.

Property plant and equipment R1,482,943,918 has therefore been restated as R1,514,454,923 for the 2013/2014 financial year.

Provision for leave for the 2013/2014 financial year was overtdated by R1,323,638. Other accruals has therefore been reduced from R14,990,376 to R13,666,738 in the statement of financial position.

The effects of the reclassification are as follows:



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>44. Comparative figures (continued)</b>		
<b>Statement of financial position</b>		
Total nett assets as at 30 June 2014	-	1,580,205,035
Payables from exchange transactions (prior year adjustments) - increased	-	(8,365,432)
Unspent conditional grants and receipts (prior year adjustments) - decreased	-	1,008,040
Vat Payable (prior year adjustment) - increased	-	903,268
Other accruals - leave provision (prior year adjustments) - decreased	-	1,323,638
Plant omitted with asset verification - PPE increase	-	9,618,006
Entokozweni reservoir duplicated on fixed assets register in the 2013/2014 financial year	-	(1,929,632)
Winterton WTW duplicated in fixed asset register in the 2013/2014 financial year	-	(137,333)
Misstatement of work in progress capitalized in the 2013/2014 financial year	-	23,959,964
Total nett assets restated as at 30 June 2014	-	1,606,585,554
<b>Statement of Financial Performance</b>		
Operating surplus as at 30 June 2014	-	347,279,343
Prior year adjustments (expenditure incurred in 2014/2015 which relates to the 2013/2014 financial year) - increased	-	(7,051,011)
Prior year - other income restated	-	9,225
Prior year adjustments (grant expenditure incurred in 2014/2015 which relates to the 2013/2014 financial year) recognized as revenue increased	-	1,008,040
Operating Surplus restated as at 30 June 2014	-	341,245,597
<b>45. Risk management</b>		
<b>Financial risk management</b>		
The municipality has adopted and implemented a risk management policy to minimise potential adverse effects on the municipalities financial performance.		
<b>Liquidity risk</b>		
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.		
<b>Credit risk</b>		
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.		
Financial assets exposed to credit risk at year end were as follows:		
Financial instrument	2015	2014
Bank balances and cash	145,087,575	126,554,326
Consumer debtors from exchange transactions	124,087,951	126,138,226
Other receivables from exchange transactions	4,172,091	5,600,191
Receivables from non exchange transactions	5,765,784	5,221,158
<b>46. Going concern</b>		
Accumulated surplus	<u>1,816,876,210</u>	<u>1,606,362,101</u>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
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### 46. Going concern (continued)

We draw attention to the fact that at June 30, 2015, the municipality had accumulated surplus of R 1,816,876,210 and that the municipality's total assets exceed its liabilities by R 1,816,411,020.

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.

### 47. Events after the reporting date

No events has been identified at reporting date or after reporting date which will lead to any adjustments to the financial statements.

### 48. Bad debt written off

#### Heading

Sundry debtors	4,445,493	-
Consumer debtors	156,812,486	-
	<u>161,257,979</u>	<u>-</u>

Irrecoverable debt in respect of Sundry debtors account to the amount of R4,445,493 has been written off during the 2014/2015 financial year. Reference can be made to the Council minutes of the 26th of February 2014 - A5/02/14

Irrecoverable debt in respect of Consumer debtors accounts to the amount of R156,812,486 has been written off during the 2014/2015 financial year. Reference can be made to the Council minutes of the 26th of February 2014 - A12/02/14

The irrecoverable debt in respect of Consumer debtors relates to debt in respect of Indigent consumers.

### 49. Unauthorised expenditure

#### Reconciliation of unauthorised expenditure

Opening balance	9,983,109	270,891,135
Unauthorized expenditure current year	-	9,983,109
Less: amounts condoned - A2/02/14 Council resolution 26 February 2014	-	(270,891,135)
	<u>9,983,109</u>	<u>9,983,109</u>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>49. Unauthorised expenditure (continued)</b>		
Council - unemployment insurance	-	12
Council - VIP security	-	2,578
Council - pension contributions	-	1,076
Council - advertising	-	4,522
Council - telephone	-	26,968
Municipal Manager - gender aged & disability programs	-	29,424
Municipal Manager - sports programs	-	1,962
Corporate Services - subsistence & travelling	-	4,997
Corporate Services - staff study bursaries	-	7,928
Finance - interest	-	1,155,259
Finance - computer programs	-	65,590
Finance - rebates	-	246,517
Finance - straff service costs	-	684,338
Finance - training direct expences	-	5,446
Planning & Economic Services - subsistence and travelling	-	17,271
Planning & Econimic Services - training direct expences	-	2,948
Municipal Health - membership fees	-	1,721,402
Technical Infrastructure - Salga BC	-	4
Water Services - collection fees	-	74,142
Water Services - pipelines - portable water	-	2,218,214
Water Services - pumps	-	418,116
Water Services - electricity	-	2,084,351
Water Services - bank charges	-	25,089
Water Services - fuel and oil	-	55,116
Water Services - insurance claim expences	-	184,980
Water Services - Inventory / loose tools	-	48,583
Water Services - telephone	-	3,673
Water Services - water reearch levy	-	892,603
	<u>-</u>	<u>9,983,109</u>

Unauthorised expenditure is the total expenditure incurred against any budget line items were the annual expenditure exceeds the annual budget allocated to that line item.

### 50. Fruitless and wasteful expenditure

#### Reconcillation of fruitless and wasteful expenditure

Opening balance	4,277,878	3,447,062
Fruitless & wasetful expenditure - current year	405,873	830,816
	<u>4,683,751</u>	<u>4,277,878</u>
Eskom	95,023	120,325
South African Revenue services - SARS	213,784	679,823
Emnambithi / Ladysmith Municipality	37,584	17,733
Umtshezi Municipality	11,371	8,370
Telkom	1,855	3,827
Auditor General	-	738
Natal Joint Municipal pension Fund	3,488	-
Development Bank South Africa	42,768	-
	<u>405,873</u>	<u>830,816</u>

Council has identified fraudulent transactions on the payroll which took place over the period March 2012 to February 2014.

Internal audit has verified the fraudulent transactions which amounts to R4,592,424 in total.

Initially it was 27 employees whom were identified to be involved in these fraudulent activities. All 27 were dismissed.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>50. Fruitless and wasteful expenditure (continued)</b>		
The employees in question referred the matter to arbitration. Three of these cases have been finalized and the ruling was in favour of the Municipality.		
Two more employees were identified during the hearing process whom has stepped forward as Council witnesses.		
The arbitration hearings are expected to be finalized by the end of September 2015.		
Five of the 27 accused has been selected by the National Prosecuting Authority to witness against the two main accused "salary clerks" in a civil matter.		
Council is through a litigation process attempting to recover all moneys.		
<b>Fraudulent activities</b>		
Payroll fraud	<u>4,592,424</u>	<u>4,592,424</u>

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>51. Irregular expenditure</b>		
Opening balance	219,054,661	40,830,229
Add: Irregular Expenditure - current year	188,580,007	42,802,342
Add: Irregular expenditure - prior year - identified in current year (2014/2015)	-	135,422,090
Less: amounts condoned	(83,632,571)	-
	<b>324,002,097</b>	<b>219,054,661</b>

### Analysis of irregular expenditure per classification

#### Section 32 deviations

Supply and deliver two water tankers - Bates	-	2,140,863
Supply and deliver ten water tankers - Bates	-	10,704,310
Refurbish and upgrade of Arcie Rodel - WSSA	-	5,264,069
Compile GRAP compliant fixed asset register - Bonakude	-	1,949,807
Construction of water supply scheme - SBT Civils	-	1,184,959
Spacial Development Plan framework - liungelo Lami Trading	-	155,000
Provision of electrical and mechanical services - PK Valves & Electrical	-	606,362
Water reticulation within Uthukels - Khetwayo Construction	-	636,120
Supply and delivery of flight plant and equipment - UD Trucks Newcastle	4,378,188	-
Supply and delivery of various vehicles - Mortimer Toyota Ladysmith	13,970,633	-
Supply and delivery of 8 water tankers - CMH Fleet Solutions	10,747,778	-
Supply of optional extras to vehicles - Mortimer Toyota Ladysmith	1,070,820	-
Construction of VIP toilets - Stratcon Consortium	2,317,585	-
Develop and implement water conservation & water demand management programs	605,122	-
Refurbishment of Ezakheni raw water pump station - WSSA	6,627,484	-
Performance Management System - Sigmait	315,000	-
	<b>40,032,610</b>	<b>22,641,490</b>

Section 114 deviations - If a tender other than the one recommended in the normal course of implementing the supply chain management policy of a municipality or municipal entity is approved, the Accounting Officer of the municipality or municipal entity must, in writing, notify the Auditor General, the relevant Provincial Treasury and the National Treasury and, in the case of a municipal entity, also the parent municipality, of the reasons for deviating from such recommendations.

Section 36 deviations - The Accounting officer may dispense with the official procurement processes established by the policy and to procure goods or services through any convenient process, which may include direct negotiations, but only in an emergency, if such goods or services are produced or available from a single provider only, for the acquisition of special works of art or historical objects where specifications are difficult to compile, acquisition of animals for zoos and/or nature and game reserves, or in any other exceptional case where it is impractical or impossible to follow the official procurement processes.

Section 32 deviations - Regulation 32 of the supply chain management which reads "Procurement of Goods and Services under contract secured by other organs of state" . Only if the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state,

\* there is no reason to believe that such contract was not validly procured

\* there are demonstrable discount or benefits to do so

\* that other organ of state and the provider have consented to such procurement in writing.

#### Other irregular expenditure

Non Compliance with SCM regulations	33,283,458	27,760,162
Expired contracts	6,466,741	7,624,761
Contracts over 3 years	63,540,798	94,318,486
Less than 3 quotations obtained	45,256,400	25,879,533
	<b>148,547,397</b>	<b>155,582,942</b>

Management went as far back as practically possible to identify irregular expenditure incurred for the disclosure in the financial statements.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>51. Irregular expenditure (continued)</b>		
.		
<b>Details of irregular expenditure condoned</b>		
Irregular expenditure for 2011/2012, 2012/2013 and 2013/2014	Written of by Council Council 5 June 2015	83,632,571
<b>52. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	1,698,960	1,744,080
Amount paid - current year	(1,698,960)	(1,744,080)
	<u>-</u>	<u>-</u>
The contribution was in respect of annual subscription fees paid to SALGA		
<b>Audit fees</b>		
Current year subscription / fee	2,572,121	2,020,372
Amount paid - current year	(2,572,121)	(2,020,372)
	<u>-</u>	<u>-</u>
<b>PAYE and UIF</b>		
Current year subscription / fee	19,763,208	18,567,292
Amount paid - current year	(19,763,208)	(18,567,292)
	<u>-</u>	<u>-</u>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	22,267,770	19,683,491
Amount paid - current year	(22,267,770)	(19,683,491)
	<u>-</u>	<u>-</u>
<b>VAT</b>		
VAT payable	29,675,753	(7,565,642)

The Municipality is on a payment bases for VAT purposes. The Municipality debtors have not paid for services which have been rendered which has resulted in the municipality reporting a VAT payable at year end.

All VAT returns have been submitted and the municipality received VAT refunds to the amount of R99,446,020 during the financial year ending 30 June 2015.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
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### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

As at June 30, 2015 there are no Councillors which has arrear consumer accounts.

June 30, 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MG Hlubi	1,374	64,106	65,480
DCP Mazibuko	973	13,054	14,027
NW Sibiya	979	13,492	14,471
MA & AM Mkhize	228	-	228
AS Mazibuko	1,392	72,446	73,838
NM Hlomuka	1,322	70,705	72,027
DS Magubane	570	11,270	11,840
	<b>6,838</b>	<b>245,073</b>	<b>251,911</b>

June 30, 2014	Highest outstanding amount	Aging (in days)
AS Mazibuko	73,838	90
NM Hlomuka	72,027	90
MG Hlubi	65,480	90
NW Sibiya	14,471	90
DCP Mazibuko	14,027	90
SD Magubane	11,840	90
MA & AM Mkhize	228	60
	<b>251,911</b>	<b>600</b>

### 53. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E for the comparison of actual operating expenditure versus budgeted expenditure.

### 54. Water Losses

#### Estimated water losses for the year

Water losses - Quantity (kiloliters)	24,282,885	23,432,138
Water losses - Cost (rands)	122,553,224	103,694,960
	<b>122,553,224</b>	<b>103,694,960</b>

Water losses could not be accurately accounted for as the project of installing bulk meters is still in progress.

An independant party, Jeffares & Green Engineering and Environmental Consultants has been approached to obtain the production capacities of the water purification plants.

The estimation of water losses was done by comparing the production capacity of the water purification plants, obtained from Jeffares & Green, against the water consumption billed to consumers for the year.

It is important to recognize that the Municipality is responsible for the supply of purified water to large rural communities / areas where there is no piped water and water is therefore supplied to these areas by means of water tankers.

The municipality has 24 water tankers with the capacity of 15,000 liters each. These water tankers do an average of three trips per day supplying water to rural communities where there is no reticulation system.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

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	2015	2014
	R	R

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### 54. Water Losses (continued)

This relates to (24 x 15,000 x 3 = 1,080,000 liters) of water supplied daily to these communities. As the water for filling up the water tankers are not measured nor billed it is safe to say that this is the biggest contributing factor to the water losses disclosed.

The bulk of the consumers in these rural areas where water is supplied by water tankers qualifies as indigent consumers and are therefore entitled to free basic services.

The Municipality is in the process of installing bulk meters which will enable the Municipality to verify the quantities the Department Of Water Affairs is billing the municipality for and account for water losses more accurately.

The table below represents the water losses as a percentage of the production capacity of the water purification plants.

	%	%
Water losses as a percentage of the production capacity of the water purification plants	73	70

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The municipality has 24 of its own water tankers with a capacity of 15,000 liters each and 12 hired water tankers with a capacity of 10,000 liters each. These water tankers do an average of three trips per day which relates to 525,600,000 liters of water tankered over a period of a year. (525,600 kiloliters).

The municipality also has 69,738 households which receives free basic water supply at a basic level of service through unmetered communal stand pipes and through unmetered yard connections. Seeing that there are no meters installed to measure the amount of water supply delivered to each household, it is estimated that each household receives 200 liters of water per day. this relates to 5,090,874,000 liters of water over a period of a year. (5,090,874 kiloliters).

The estimation of water tankers (525,600) kiloliters and the unmetered households (5,090,874 kiloliters) equates to 5,616,474 kiloliters and R28,346,344 per annum.

Should the estimation of water tankers and communal standpipes be taken into account when calculating water losses the water losses would be reduced to 18,666,411 kiloliters and R94,205,880 for the 2014/2015 financial year.

Water losses would then represent 56% of the production capacity and not 73% as disclosed above.



**Uthukela District Municipality**

**Appendix A**

June 2015

**Schedule of external loans as at 30 June 2015**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at Monday, June 30, 2014</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at Tuesday, June 30, 2015</b>	<b>Carrying Value of Property, Plant &amp; Equip Rand</b>	<b>Other Costs in accordance with the MFMA Rand</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>Development Bank of South Africa</b>							
61000915		2,536,648	-	2,536,648	-	-	-
61003249		1,307,700	-	1,307,700	-	-	-
61004120		2,768,782	-	2,768,782	-	-	-
61004121		3,160,358	-	3,160,358	-	-	-
61004122		599,208	-	599,208	-	-	-
61004123		100,750	-	100,750	-	-	-
		<b>10,473,446</b>	<b>-</b>	<b>10,473,446</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total external loans</b>							
Development Bank of South Africa		10,473,446	-	10,473,446	-	-	-
		<b>10,473,446</b>	<b>-</b>	<b>10,473,446</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Uthukela District Municipality**  
**Uthukela District Municipality**  
**Appendix B**

June 2015

**Analysis of property, plant and equipment as at 30 June 2015**  
**Cost/Revaluation** **Accumulated depreciation**

	<b>Opening Balance Rand</b>	<b>Additions Rand</b>	<b>Disposals Rand</b>	<b>Transfers Rand</b>	<b>Revaluations Rand</b>	<b>Other changes, movements Rand</b>	<b>Closing Balance Rand</b>	<b>Opening Balance Rand</b>	<b>Disposals Rand</b>	<b>Transfers Rand</b>	<b>Depreciation Rand</b>	<b>Impairment loss Rand</b>	<b>Closing Balance Rand</b>	<b>Carrying value Rand</b>
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	1,037,872	-	-	-	-	-	<b>1,037,872</b>	-	-	-	-	-	-	1,037,872
Buildings (Separate for AFS purposes)	1,932,857	30,000,000	-	-	-	-	<b>31,932,857</b>	(416,663)	-	-	(78,745)	-	<b>(495,408)</b>	31,437,449
	<b>2,970,729</b>	<b>30,000,000</b>	-	-	-	-	<b>32,970,729</b>	<b>(416,663)</b>	-	-	<b>(78,745)</b>	-	<b>(495,408)</b>	<b>32,475,321</b>
<b>Infrastructure</b>														
Water purification	1,265,753,300	91,037,772	(2,797,852)	-	-	-	<b>1,353,993,220</b>	(186,637,147)	1,604,519	-	(30,873,670)	-	<b>(215,906,298)</b>	1,138,086,922
Sewerage purification	158,193,050	-	(507,500)	-	-	-	<b>157,685,550</b>	(55,363,810)	358,561	-	(5,736,771)	-	<b>(60,742,020)</b>	96,943,530
	<b>1,423,946,350</b>	<b>91,037,772</b>	<b>(3,305,352)</b>	-	-	-	<b>1,511,678,770</b>	<b>(242,000,957)</b>	<b>1,963,080</b>	-	<b>(36,610,441)</b>	-	<b>(276,648,318)</b>	<b>1,235,030,452</b>
<b>Community Assets</b>														

**Uthukela District Municipality**  
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**Appendix B**

June 2015

**Analysis of property, plant and equipment as at 30 June 2015**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
<b>Specialised vehicles</b>														
Fire	810,515	-	-	-	-	-	810,515	(581,545)	-	-	(70,920)	-	(652,465)	158,050
	<b>810,515</b>	-	-	-	-	-	<b>810,515</b>	<b>(581,545)</b>	-	-	<b>(70,920)</b>	-	<b>(652,465)</b>	<b>158,050</b>
<b>Other assets</b>														
General vehicles	15,431,932	31,066,719	(1,065,640)	-	-	-	45,433,011	(4,483,916)	980,471	-	(6,022,934)	-	(9,526,379)	35,906,632
Plant & equipment	581,475	-	(389,184)	-	-	-	192,291	(421,577)	288,472	-	(24,789)	-	(157,894)	34,397
Computer Equipment	4,639,683	745,284	(2,224,795)	-	-	-	3,160,172	(2,806,132)	1,287,506	-	(360,078)	-	(1,878,704)	1,281,468
Furniture & Fittings	2,290,171	343,719	(312,992)	-	-	-	2,320,898	(1,657,240)	203,563	-	(209,911)	-	(1,663,588)	657,310
Office Equipment	1,470,267	364,500	(386,342)	-	-	-	1,448,425	(1,013,599)	251,958	-	(244,398)	-	(1,006,039)	442,386
Radio Equipment	86,560	-	(86,560)	-	-	-	-	(81,150)	81,150	-	-	-	-	-
Lawnmowers	1,275	-	(1,275)	-	-	-	-	(1,148)	1,148	-	-	-	-	-
Other Water	2,000	-	(2,000)	-	-	-	-	(1,620)	1,620	-	-	-	-	-
Work in progress	311,652,883	248,531,013	-	(91,037,772)	-	-	469,146,124	-	-	-	-	-	-	469,146,124
Other Assets - Leased	9,337,089	-	-	-	-	-	9,337,089	(5,300,460)	-	-	(1,394,134)	-	(6,694,594)	2,642,495
	<b>345,493,335</b>	<b>281,051,235</b>	<b>(4,468,788)</b>	<b>(91,037,772)</b>	-	-	<b>531,038,010</b>	<b>(15,766,842)</b>	<b>3,095,888</b>	-	<b>(8,256,244)</b>	-	<b>(20,927,198)</b>	<b>510,110,812</b>

**Uthukela District Municipality**  
**Uthukela District Municipality**  
**Appendix B**

June 2015

**Analysis of property, plant and equipment as at 30 June 2015**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	2,970,729	30,000,000	-	-	-	-	<b>32,970,729</b>	(416,663)	-	-	(78,745)	-	<b>(495,408)</b>	32,475,321
Infrastructure	1,423,946,350	91,037,772	(3,305,352)	-	-	-	<b>1,511,678,770</b>	(242,000,957)	1,963,080	-	(36,610,441)	-	<b>(276,648,318)</b>	1,235,030,452
Specialised vehicles	810,515	-	-	-	-	-	<b>810,515</b>	(581,545)	-	-	(70,920)	-	<b>(652,465)</b>	158,050
Other assets	345,493,335	281,051,235	(4,468,788)	(91,037,772)	-	-	<b>531,038,010</b>	(15,766,842)	3,095,888	-	(8,256,244)	-	<b>(20,927,198)</b>	510,110,812
	<b>1,773,220,929</b>	<b>402,089,007</b>	<b>(7,774,140)</b>	<b>(91,037,772)</b>	-	-	<b>2,076,498,024</b>	<b>(258,766,007)</b>	<b>5,058,968</b>	-	<b>(45,016,350)</b>	-	<b>(298,723,389)</b>	<b>1,777,774,635</b>
<b>Agricultural/Biological assets</b>														
<b>Intangible assets</b>														
Water Rights	120,122	177,835	-	-	-	-	<b>297,957</b>	(11,252)	-	-	(48,503)	-	<b>(59,755)</b>	238,202
	<b>120,122</b>	<b>177,835</b>	-	-	-	-	<b>297,957</b>	<b>(11,252)</b>	-	-	<b>(48,503)</b>	-	<b>(59,755)</b>	<b>238,202</b>
<b>Investment properties</b>														
<b>Total</b>														
Land and buildings	2,970,729	30,000,000	-	-	-	-	<b>32,970,729</b>	(416,663)	-	-	(78,745)	-	<b>(495,408)</b>	32,475,321
Infrastructure	1,423,946,350	91,037,772	(3,305,352)	-	-	-	<b>1,511,678,770</b>	(242,000,957)	1,963,080	-	(36,610,441)	-	<b>(276,648,318)</b>	1,235,030,452
Specialised vehicles	810,515	-	-	-	-	-	<b>810,515</b>	(581,545)	-	-	(70,920)	-	<b>(652,465)</b>	158,050
Other assets	345,493,335	281,051,235	(4,468,788)	(91,037,772)	-	-	<b>531,038,010</b>	(15,766,842)	3,095,888	-	(8,256,244)	-	<b>(20,927,198)</b>	510,110,812
Intangible assets	120,122	177,835	-	-	-	-	<b>297,957</b>	(11,252)	-	-	(48,503)	-	<b>(59,755)</b>	238,202
	<b>1,773,341,051</b>	<b>402,266,842</b>	<b>(7,774,140)</b>	<b>(91,037,772)</b>	-	-	<b>2,076,795,981</b>	<b>(258,777,259)</b>	<b>5,058,968</b>	-	<b>(45,064,853)</b>	-	<b>(298,783,144)</b>	<b>1,778,012,837</b>

**Uthukela District Municipality**  
**Uthukela District Municipality**  
**Appendix B**

June 2015

**Analysis of property, plant and equipment as at 1 July 2014**  
**Cost/Revaluation** **Accumulated depreciation**

	<b>Opening Balance Rand</b>	<b>Additions Rand</b>	<b>Disposals Rand</b>	<b>Transfers Rand</b>	<b>Revaluations Rand</b>	<b>Other changes, movements Rand</b>	<b>Closing Balance Rand</b>	<b>Opening Balance Rand</b>	<b>Disposals Rand</b>	<b>Transfers Rand</b>	<b>Depreciation Rand</b>	<b>Impairment loss Rand</b>	<b>Closing Balance Rand</b>	<b>Carrying value Rand</b>
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	1,037,872	-	-	-	-	-	<b>1,037,872</b>	-	-	-	-	-	-	1,037,872
Buildings (Separate for AFS purposes)	1,932,857	-	-	-	-	-	<b>1,932,857</b>	(337,918)	-	-	(78,745)	-	<b>(416,663)</b>	1,516,194
	<b>2,970,729</b>	-	-	-	-	-	<b>2,970,729</b>	<b>(337,918)</b>	-	-	<b>(78,745)</b>	-	<b>(416,663)</b>	<b>2,554,066</b>
<b>Infrastructure</b>														
Water purification	1,240,225,213	23,833,649	-	1,694,398	-	-	<b>1,265,753,260</b>	(159,205,077)	-	(370,242)	(27,061,828)	-	<b>(186,637,147)</b>	1,079,116,151
Sewerage purification	157,645,050	-	-	548,000	-	-	<b>158,193,050</b>	(49,455,306)	-	(128,430)	(5,780,073)	-	<b>(55,363,809)</b>	102,829,241
	<b>1,397,870,263</b>	<b>23,833,649</b>	-	<b>2,242,398</b>	-	-	<b>1,423,946,310</b>	<b>(208,660,383)</b>	-	<b>(498,672)</b>	<b>(32,841,901)</b>	-	<b>(242,000,956)</b>	<b>1,181,945,392</b>
<b>Community Assets</b>														
Fire, safety & emergency	810,516	-	-	-	-	-	<b>810,516</b>	(468,073)	-	-	(113,472)	-	<b>(581,545)</b>	228,971
	<b>810,516</b>	-	-	-	-	-	<b>810,516</b>	<b>(468,073)</b>	-	-	<b>(113,472)</b>	-	<b>(581,545)</b>	<b>228,971</b>

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**Appendix B**

June 2015

**Analysis of property, plant and equipment as at 1 July 2014**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Other assets</b>														
General vehicles	5,507,823	11,517,403	(1,593,293)	-	-	-	<b>15,431,933</b>	(3,978,932)	1,183,021	-	(1,688,004)	-	<b>(4,483,915)</b>	10,948,018
Plant & equipment	2,914,455	-	(2,332,980)	-	-	-	<b>581,475</b>	(1,328,140)	972,364	-	(65,801)	-	<b>(421,577)</b>	159,898
Computer Equipment	5,095,263	501,544	(953,955)	-	-	-	<b>4,642,852</b>	(2,576,516)	595,596	-	(825,213)	-	<b>(2,806,133)</b>	1,833,550
Furniture & Fittings	2,380,472	261,555	(346,315)	-	-	-	<b>2,295,712</b>	(1,640,491)	221,561	-	(238,309)	-	<b>(1,657,239)</b>	632,932
Office Equipment	1,560,069	3,096	(92,898)	-	-	-	<b>1,470,267</b>	(795,736)	74,465	-	(292,328)	-	<b>(1,013,599)</b>	456,668
Electric Motors	676,500	-	(676,500)	-	-	-	-	(478,170)	478,170	-	-	-	-	-
Radio Equipment	86,560	-	-	-	-	-	<b>86,560</b>	(71,412)	-	-	(9,738)	-	<b>(81,150)</b>	5,410
Other Sewerage	148,000	-	-	(148,000)	-	-	-	(56,430)	-	56,430	-	-	-	-
Lawnmowers	1,275	-	-	-	-	-	<b>1,275</b>	(1,148)	-	-	-	-	<b>(1,148)</b>	127
Other Water	8,037,294	-	(5,940,895)	(2,094,399)	-	-	<b>2,000</b>	(2,211,042)	1,767,540	442,242	(360)	-	<b>(1,620)</b>	380
Work in progress	129,653,713	203,937,307	-	(21,938,137)	-	-	<b>311,652,883</b>	-	-	-	-	-	-	311,652,883
Lab Equipment	13,707	-	(13,707)	-	-	-	-	(12,336)	12,336	-	-	-	-	-
Other Assets - Leased	9,911,310	-	(574,221)	-	-	-	<b>9,337,089</b>	(4,214,307)	433,546	-	(1,519,700)	-	<b>(5,300,461)</b>	4,036,628
	<b>165,986,441</b>	<b>216,220,905</b>	<b>(12,524,764)</b>	<b>(24,180,536)</b>	-	-	<b>345,502,046</b>	<b>(17,364,660)</b>	<b>5,738,599</b>	<b>498,672</b>	<b>(4,639,453)</b>	-	<b>(15,766,842)</b>	<b>329,726,494</b>

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June 2015

**Analysis of property, plant and equipment as at 1 July 2014**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	2,970,729	-	-	-	-	-	2,970,729	(337,918)	-	-	(78,745)	-	(416,663)	2,554,066
Infrastructure	1,397,870,263	23,833,649	-	2,242,398	-	-	1,423,946,310	(208,660,383)	-	(498,672)	(32,841,901)	-	(242,000,956)	1,181,945,392
Community Assets	810,516	-	-	-	-	-	810,516	(468,073)	-	-	(113,472)	-	(581,545)	228,971
Other assets	165,986,441	216,220,905	(12,524,764)	(24,180,536)	-	-	345,502,046	(17,364,660)	5,738,599	498,672	(4,639,453)	-	(15,766,842)	329,726,494
	<b>1,567,637,949</b>	<b>240,054,554</b>	<b>(12,524,764)</b>	<b>(21,938,138)</b>	-	-	<b>1,773,229,601</b>	<b>(226,831,034)</b>	<b>5,738,599</b>	-	<b>(37,673,571)</b>	-	<b>(258,766,006)</b>	<b>1,514,454,923</b>
<b>Intangible assets</b>														
Water Rights	55,000	65,122	-	-	-	-	120,122	(7,791)	-	-	(3,461)	-	(11,252)	108,870
	<b>55,000</b>	<b>65,122</b>	-	-	-	-	<b>120,122</b>	<b>(7,791)</b>	-	-	<b>(3,461)</b>	-	<b>(11,252)</b>	<b>108,870</b>
<b>Total</b>														
Land and buildings	2,970,729	-	-	-	-	-	2,970,729	(337,918)	-	-	(78,745)	-	(416,663)	2,554,066
Infrastructure	1,397,870,263	23,833,649	-	2,242,398	-	-	1,423,946,310	(208,660,383)	-	(498,672)	(32,841,901)	-	(242,000,956)	1,181,945,392
Community Assets	810,516	-	-	-	-	-	810,516	(468,073)	-	-	(113,472)	-	(581,545)	228,971
Other assets	165,986,441	216,220,905	(12,524,764)	(24,180,536)	-	-	345,502,046	(17,364,660)	5,738,599	498,672	(4,639,453)	-	(15,766,842)	329,726,494
Intangible assets	55,000	65,122	-	-	-	-	120,122	(7,791)	-	-	(3,461)	-	(11,252)	108,870
	<b>1,567,692,949</b>	<b>240,119,676</b>	<b>(12,524,764)</b>	<b>(21,938,138)</b>	-	-	<b>1,773,349,723</b>	<b>(226,838,825)</b>	<b>5,738,599</b>	-	<b>(37,677,032)</b>	-	<b>(258,777,258)</b>	<b>1,514,563,793</b>

**Uthukela District Municipality**

**Appendix E(1)**

June 2015

**Year to Date**

	<b>Forecast # 1 2015 Adjusted budget Rand</b>	<b>Forecast # 1 2015 Act. Bal.  Rand</b>	<b>Variance  Rand</b>	<b>Var</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Revenue					
Sale of goods	-	-	-	-	
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	-	-	-	-	
Service charges	151,506,000	126,221,743	25,284,257	20.0	Revenue on billing was over budgeted
	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	-	-	-	-	
Interest received (trading)	35,660,000	19,148,562	16,511,438	86.2	Due to budgeted billing not realized
Dividends received (trading)	-	-	-	-	
Agency services	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Licences and permits	-	-	-	-	
	-	-	-	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	



**Uthukela District Municipality**

**Appendix E(1)**

June 2015

**Year to Date**

	<b>Forecast # 1 2015 Adjusted budget</b>	<b>Forecast # 1 2015 Act. Bal.</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Fees earned	-	-	-	-
Commissions received	-	-	-	-
Royalties received	-	-	-	-
Rental income	-	-	-	-
Discount received	-	-	-	-
Recoveries	-	-	-	-
Other income	338,000	9,561,045	(9,223,045)	(96.5) Under budgeted
Transfer recognised - operating	301,695,000	311,977,828	(10,282,828)	(3.3)
Financial instruments - Fee income	-	-	-	-
Other income - (rollup)	-	-	-	-
Other farming income 1	-	-	-	-
Other farming income 2	-	-	-	-
Other farming income 3	-	-	-	-
Other farming income 4	-	-	-	-
Other farming income	-	-	-	-
Transfers recognised capital	272,333,000	296,017,066	(23,684,066)	(8.0)
Interest received - investment	7,172,000	9,072,588	(1,900,588)	(20.9) positive cash flow resulted in more investments - interest therefore under budgeted
Interest received - other	-	-	-	-
Dividends received	-	-	-	-
	<b>768,704,000</b>	<b>771,998,832</b>	<b>(3,294,832)</b>	<b>(0.4)</b>
<b>Expenses</b>				
Personnel	(141,648,000)	(150,427,087)	8,779,087	(5.8) Under budgeted
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(10,291,000)	(5,795,952)	(4,495,048)	77.6 Anticipated backpay on upper limits
Administration	-	-	-	-
Transfer payments	-	-	-	-

**Uthukela District Municipality**

**Appendix E(1)**

June 2015

**Year to Date**

	<b>Forecast # 1 2015 Adjusted budget</b>	<b>Forecast # 1 2015 Act. Bal.</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Depreciation	(45,140,000)	(45,064,849)	(75,151)	0.2
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	(1,075,000)	(2,465,418)	1,390,418	(56.4) Under budgeted
Provision for bad debt	(29,560,000)	(90,109,032)	60,549,032	(67.2) The anticipated recoverability status of outstanding debtors is less than 50% therefore higher provision
Bad debt written off	-	-	-	-
Repairs and maintenance	-	-	-	-
- Manufacturing expenses	-	-	-	-
Repairs and maintenance	(60,349,000)	(25,362,170)	(34,986,830)	137.9
- General	-	-	-	-
Repairs and maintenance	-	-	-	-
- General	-	-	-	-
Bulk purchases	(6,085,000)	(5,304,471)	(780,529)	14.7 Payment to DWA in respect of raw water on actual invoices. 2013/2014 financial year a provision was made
Contracted Services	(42,252,000)	(27,549,667)	(14,702,333)	53.4 Termination of contracts for water tankers
Transfers and Subsidies	(10,480,000)	-	(10,480,000)	- Expenditure included in general expences
Cost of housing sold	-	-	-	-
General Expenses	(125,219,456)	(199,047,340)	73,827,884	(37.1) under budgeted
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	(6,611,544)	(6,611,544)	-	- Lease rentals on operating leases
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other revenue and costs	(478,711,000)	(557,737,530)	79,026,530	(14.2)

**Uthukela District Municipality**

**Appendix E(1)**

June 2015

**Year to Date**

	<b>Forecast # 1 2015 Adjusted budget</b>	<b>Forecast # 1 2015 Act. Bal.</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Gain or loss on disposal of assets and liabilities	-	(2,681,920)	2,681,920	(100.0) Not budgeted for
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-
Taxation	-	-	-	-
Gain (loss) on actuarial valuations	-	(1,078,071)	1,078,071	(100.0) As a result of the actuarial valuation of long service awards and post retirement medical aid
Net surplus/ (deficit) for the year	-	(3,759,991)	3,759,991	(100.0)
	<b>289,993,000</b>	<b>210,501,311</b>	<b>79,491,689</b>	<b>37.8</b>