



UTHUKELA
UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY

Uthukela District Municipality
Unaudited Annual financial statements
for the year ended June 30, 2015

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

General Information

Legal form of entity	District Municipality
Nature of business and principal activities	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.
Municipal Demarcation Code	DC23
Executive Committee	
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.)
Grading of local authority	Grade 4 Medium Capacity
Accounting Officer	S.N. kunene
Chief Finance Officer	MS. P.H. Z. Kubheka
Registered office	33 Forbes Street Ladysmith

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

General Information

	Tel: 036-6385100
	Fax: 036-6385126
	municipalmanager@uthukeladm.co.za
Postal address	PO Box 116 Ladysmith Kwazulu Natal 3370
Bankers	First National Bank
Auditors	Auditor General - South Africa
Attorneys	Ramkhelewan Incorporated Ladysmith, 3370

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

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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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited 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 unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited 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 unaudited 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 unaudited 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 unaudited annual financial statements set out on page 1 to 93, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed by him:

Accounting Officer
S.N. Kunene

Uthukela District Municipality

Unaudited 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
Assets			
Current Assets			
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	5,976,441	5,221,157
Prepayments	7	556,012	-
Consumer debtors	11	124,087,951	126,138,227
Cash and cash equivalents	12	157,505,064	126,554,326
		297,514,586	268,102,891
Non-Current Assets			
Property, plant and equipment	4	1,717,596,797	1,492,561,924
Intangible assets	5	238,202	108,870
		1,717,834,999	1,492,670,794
Total Assets		2,015,349,585	1,760,773,685
Liabilities			
Current Liabilities			
Other financial liabilities	17	-	2,904,571
Finance lease obligation	15	-	2,069,400
Operating lease liability	34	634,124	-
Payables from exchange transactions	19	148,908,551	98,813,850
Other Accruals	20	14,791,777	13,666,738
Consumer deposits	21	10,473,849	9,390,119
Employee benefit obligation	6	899,126	937,667
Unspent conditional grants and receipts	16	9,735,531	40,552,038
VAT Payable	18	29,822,368	(7,565,642)
		215,265,326	160,768,741
Non-Current Liabilities			
Other financial liabilities	17	-	4,941,270
Finance lease obligation	15	-	104,826
Employee benefit obligation	6	12,494,245	10,266,293
		12,494,245	15,312,389
Total Liabilities		227,759,571	176,081,130
Net Assets		1,787,590,014	1,584,692,555
Reserves			
Donations and public contributions	13	223,453	223,453
Accumulated surplus	14	1,787,366,561	1,584,469,102
Total Net Assets		1,787,590,014	1,584,692,555

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Statement of Financial Performance

	Note(s)	2015 R	2014 Restated* R
Revenue			
Service charges	23	126,221,743	132,770,897
Interest received - trading services	22	19,148,562	33,283,515
Other income	25	3,122,394	1,919,154
Interest received - investment	22	9,072,588	10,761,064
Government grants & subsidies	24	617,675,882	619,389,681
Total revenue		775,241,169	798,124,311
Expenditure			
Employee related costs	27	(150,427,087)	(124,822,829)
Remuneration of councillors	28	(5,795,952)	(4,775,422)
Depreciation and amortisation	31	(44,781,755)	(38,999,385)
Finance costs	32	(2,465,418)	(2,548,678)
Lease rentals on operating lease	34	(6,611,544)	(8,681,683)
Debt Impairment	29	(90,109,032)	(16,027,558)
Repairs and maintenance	36	(25,362,170)	(23,757,878)
Bulk purchases	37	(5,304,471)	(7,232,242)
Contracted services	35	(27,549,667)	(48,714,528)
General Expenses	26	(141,491,554)	(88,106,458)
Government grant expenditure	26	(68,521,311)	(88,726,573)
Total expenditure		(568,419,961)	(452,393,234)
Operating surplus		206,821,208	345,731,077
Gain (Loss) on disposal of assets		(2,845,680)	(5,420,887)
Gain (loss) on actuarial valuations		(1,078,071)	935,407
		(3,923,751)	(4,485,480)
Surplus for the year		202,897,457	341,245,597

Uthukela District Municipality

Unaudited 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
Balance at July 1, 2013	-	1,240,059,622	1,240,059,622
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	1,581,305,219	1,581,528,672
Adjustments			
Prior year adjustments	-	3,163,885	3,163,885
Restated* Balance at July 1, 2014 as restated*	223,453	1,584,469,104	1,584,692,557
Changes in net assets			
Surplus for the year	-	202,897,456	202,897,456
Total changes	<u>-</u>	<u>202,897,456</u>	<u>202,897,456</u>
Balance at 30 June 2015	223,453	1,787,366,560	1,787,590,013

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Cash Flow Statement

	Note(s)	2015 R	2014 Restated* R
Cash flows from operating activities			
Receipts			
Service charges		126,221,743	(106,687,351)
Grants		617,675,882	526,551,825
Interest income		9,072,588	-
interest income		19,148,562	44,044,579
Other receipts		3,122,394	(95,617,639)
		<u>775,241,169</u>	<u>368,291,414</u>
Payments			
Employee and councillor costs		(157,301,110)	(129,598,251)
Suppliers and others		(223,811,115)	(22,243,605)
Finance costs		(2,465,418)	(2,548,678)
Other cash item		(45,392,393)	(185,998,513)
		<u>(428,970,036)</u>	<u>(340,389,047)</u>
Net cash flows from operating activities	38	<u>346,271,133</u>	<u>27,902,367</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(341,738,895)	(222,576,727)
Sale of property, plant and equipment	4	33,236	(5,420,887)
Donated assets		(223,453)	(223,453)
		<u>(341,929,112)</u>	<u>(228,221,067)</u>
Cash flows from financing activities			
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		(2,174,226)	(2,065,885)
Other cash item		35,545,054	183,272,018
		<u>26,608,717</u>	<u>179,209,742</u>
Net cash flows from financing activities		<u>26,608,717</u>	<u>179,209,742</u>
Net increase in cash and cash equivalents		30,950,738	(22,218,615)
Cash and cash equivalents at the beginning of the year		<u>126,554,326</u>	<u>148,772,941</u>
Cash and cash equivalents at the end of the year	12	<u>157,505,064</u>	<u>126,554,326</u>

Uthukela District Municipality

Unaudited 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	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	151,506,000	-	151,506,000	126,221,743	(25,284,257)	
Interest received	35,660,000	-	35,660,000	19,148,562	(16,511,438)	
Other income	1,372,000	(1,034,000)	338,000	3,122,394	2,784,394	
Government grants-Transfers recognised (operational)	306,828,000	(5,133,000)	301,695,000	311,977,828	10,282,828	
Interest received - investment	9,471,000	(2,299,000)	7,172,000	9,072,588	1,900,588	
Total revenue from exchange transactions	504,837,000	(8,466,000)	496,371,000	469,543,115	(26,827,885)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants-Transfers recognised (capital)	209,225,000	63,108,000	272,333,000	305,698,054	33,365,054	
Total revenue	714,062,000	54,642,000	768,704,000	775,241,169	6,537,169	
Expenditure						
Personnel	(160,321,000)	18,673,000	(141,648,000)	(150,427,087)	(8,779,087)	
Remuneration of councillors	(4,619,000)	(5,672,000)	(10,291,000)	(5,795,952)	4,495,048	
Depreciation and amortisation	(44,689,000)	(451,000)	(45,140,000)	(44,781,755)	358,245	
Finance costs	(1,311,000)	236,000	(1,075,000)	(2,465,418)	(1,390,418)	
Lease rentals on operating lease	-	-	-	(6,611,544)	(6,611,544)	
Bad debts written off	(30,452,000)	892,000	(29,560,000)	(90,109,032)	(60,549,032)	
Repairs and maintenance	(54,450,000)	(5,899,000)	(60,349,000)	(25,362,170)	34,986,830	
Bulk purchases	(6,085,000)	-	(6,085,000)	(5,304,471)	780,529	
Contracted Services	(37,658,000)	(4,594,000)	(42,252,000)	(27,549,667)	14,702,333	
Government Grant Expenditure	(11,900,000)	1,420,000	(10,480,000)	(68,521,311)	(58,041,311)	
General Expenses	(115,103,000)	(16,728,000)	(131,831,000)	(141,491,554)	(9,660,554)	
Total expenditure	(466,588,000)	(12,123,000)	(478,711,000)	(568,419,961)	(89,708,961)	
Operating surplus	247,474,000	42,519,000	289,993,000	206,821,208	(83,171,792)	
Loss on disposal of assets and liabilities	-	-	-	(2,845,680)	(2,845,680)	
Loss on non-current assets held for sale or disposal groups	-	-	-	(1,078,071)	(1,078,071)	
	-	-	-	(3,923,751)	(3,923,751)	
Surplus before taxation	247,474,000	42,519,000	289,993,000	202,897,457	(87,095,543)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	247,474,000	42,519,000	289,993,000	202,897,457	(87,095,543)	
Reconciliation						

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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	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	7,798,000	-	7,798,000	5,217,027	(2,580,973)	
Receivables from exchange transactions	15,768,000	-	15,768,000	4,172,091	(11,595,909)	
Receivables from non-exchange transactions	-	-	-	5,976,441	5,976,441	
Prepayments	-	-	-	556,012	556,012	
Consumer debtors from exchange transactions	287,227,000	4,072,000	291,299,000	124,087,951	(167,211,049)	
Cash and cash equivalents	164,861,000	(103,486,000)	61,375,000	157,505,064	96,130,064	
	475,654,000	(99,414,000)	376,240,000	297,514,586	(78,725,414)	
Non-Current Assets						
Property, plant and equipment	1,191,410,000	922,431,000	2,113,841,000	1,717,596,797	(396,244,203)	
Intangible assets	45,000	64,000	109,000	238,202	129,202	
	1,191,455,000	922,495,000	2,113,950,000	1,717,834,999	(396,115,001)	
Total Assets	1,667,109,000	823,081,000	2,490,190,000	2,015,349,585	(474,840,415)	
Liabilities						
Current Liabilities						
Borrowings (DBSA loans)	3,543,000	(1,804,000)	1,739,000	-	(1,739,000)	
Operating lease liability	-	-	-	634,124	634,124	
Payables from exchange transactions	132,486,000	(54,187,000)	78,299,000	148,908,551	70,609,551	
Other accruals	-	-	-	14,791,777	14,791,777	
Consumer deposits	9,784,000	-	9,784,000	10,473,849	689,849	
Employee benefit obligation	-	-	-	899,126	899,126	
Unspent conditional grants and receipts	-	-	-	9,735,531	9,735,531	
Other liabilities	23,450,000	-	23,450,000	29,822,368	6,372,368	
	169,263,000	(55,991,000)	113,272,000	215,265,326	101,993,326	
Non-Current Liabilities						
Borrowings (DBSA loans)	6,051,000	(2,720,000)	3,331,000	-	(3,331,000)	
Provisions (Retirement benefit obligation)	4,031,000	-	4,031,000	12,494,245	8,463,245	
	10,082,000	(2,720,000)	7,362,000	12,494,245	5,132,245	
Total Liabilities	179,345,000	(58,711,000)	120,634,000	227,759,571	107,125,571	
Net Assets	1,487,764,000	881,792,000	2,369,556,000	1,787,590,014	(581,965,986)	

Uthukela District Municipality

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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	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Donations and public contributions	-	-	-	223,453	223,453	
Accumulated surplus	1,487,764,000	881,792,000	2,369,556,000	1,787,366,561	(582,189,439)	
Total Net Assets	1,487,764,000	881,792,000	2,369,556,000	1,787,590,014	(581,965,986)	

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Unaudited 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	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	69,550,000	29,267,000	98,817,000	126,221,743	27,404,743	
Government - operating	306,828,000	(5,133,000)	301,695,000	311,977,829	10,282,829	
Government - capital	209,225,000	63,108,000	272,333,000	305,698,054	33,365,054	
Other receipts	16,603,000	6,616,000	23,219,000	31,343,543	8,124,543	
	602,206,000	93,858,000	696,064,000	775,241,169	79,177,169	
Payments						
Employee costs	(164,940,000)	13,001,000	(151,939,000)	(157,301,110)	(5,362,110)	
Suppliers and other	(11,900,000)	11,900,000	-	(223,811,115)	(223,811,115)	
Finance costs	(1,311,000)	236,000	(1,075,000)	(2,465,418)	(1,390,418)	
Other payments	-	-	-	(45,392,393)	(45,392,393)	
Other cash item	(213,295,000)	(16,422,000)	(229,717,000)	-	229,717,000	
	(391,446,000)	8,715,000	(382,731,000)	(428,970,036)	(46,239,036)	
Net cash flows from operating activities	210,760,000	102,573,000	313,333,000	346,271,133	32,938,133	
Cash flows from investing activities						
Purchase of property, plant and equipment	(223,288,000)	(150,443,000)	(373,731,000)	(341,738,895)	31,992,105	
Proceeds from sale of property, plant and equipment	-	-	-	33,236	33,236	
Donated assets	-	-	-	(223,453)	(223,453)	
Other cash item	30,000,000	(30,000,000)	-	35,545,054	35,545,054	
Net cash flows from investing activities	(193,288,000)	(180,443,000)	(373,731,000)	(306,384,058)	67,346,942	
Cash flows from financing activities						
Repayment of other financial liabilities	(4,472,000)	(478,000)	(4,950,000)	(7,845,841)	(2,895,841)	
Movement in other liability	554,000	(384,000)	170,000	1,083,730	913,730	
Finance lease payments	-	-	-	(2,174,226)	(2,174,226)	
Net cash flows from financing activities	(3,918,000)	(862,000)	(4,780,000)	(8,936,337)	(4,156,337)	
Net increase/(decrease) in cash and cash equivalents	13,554,000	(78,732,000)	(65,178,000)	30,950,738	96,128,738	
Cash and cash equivalents at the beginning of the year	151,308,000	(24,754,000)	126,554,000	126,554,326	326	
Cash and cash equivalents at the end of the year	164,862,000	(103,486,000)	61,376,000	157,505,064	96,129,064	

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Appropriation Statement

	R	R	R	R	R	R	R	R	R	R	R
2015											
Financial Performance											
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	22,270,956		(13,726,044)	62 %	60 %
Total revenue (excluding capital transfers and contributions)	504,836,000	(8,465,000)	496,371,000	-		496,371,000	469,543,115		(26,827,885)	95 %	93 %
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)	(90,109,032)		(60,549,032)	305 %	296 %
Depreciation and asset impairment	(44,689,000)	(451,000)	(45,140,000)	-		(45,140,000)	(44,781,755)		358,245	99 %	100 %
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)	(68,521,311)		(58,041,311)	654 %	576 %
Other expenditure	(207,210,000)	(27,221,000)	(234,431,000)	-		(234,431,000)	(201,014,935)		33,416,065	86 %	97 %
Total expenditure	(466,587,000)	(12,123,000)	(478,710,000)	-		(478,710,000)	(568,419,961)		(89,709,961)	119 %	122 %
Surplus/(Deficit)	38,249,000	(20,588,000)	17,661,000	-		17,661,000	(98,876,846)		(116,537,846)	(560)%	(259)%
Transfers recognised - capital	209,225,000	63,108,000	272,333,000	-		272,333,000	305,698,054		33,365,054	112 %	146 %
Surplus (Deficit) after capital transfers and contributions	247,474,000	42,520,000	289,994,000	-		289,994,000	206,821,208		(83,172,792)	71 %	84 %
Gain / (loss) on disposal of assets	-	-	-	-		-	2,845,680		2,845,680	DIV/0 %	DIV/0 %
Gain / (loss) actuarial valuations	-	-	-	-		-	1,078,071		1,078,071	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	247,474,000	42,520,000	289,994,000	-		289,994,000	202,897,457		(87,096,543)	70 %	82 %

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

The unaudited 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 unaudited 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 unaudited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.1 Presentation currency

These unaudited 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 unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited 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 unaudited 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.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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:

Item	Average useful life
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

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.3 Property, plant and equipment (continued)

Laboratory equipment	
• Laboratory equipment	5 years
Specialised vehicles	
• Graders	5 years
• Tracktors	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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

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

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.5 Financial instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

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

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.5 Financial instruments (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

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.

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.

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.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.7 Inventories (continued)

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.

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.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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.

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.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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).

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.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

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

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.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.12 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

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.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

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-imburement 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.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

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 unaudited 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 unaudited annual financial statements as the recommended disclosure when the unaudited 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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

2015	2014
R	R

2. Changes in accounting policy

The unaudited 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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited 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	1,932,857	(495,408)	1,437,449	1,932,857	(416,663)	1,516,194
Infrastructure	1,950,897,858	(277,548,647)	1,673,349,211	1,714,076,373	(242,371,096)	1,471,705,277
Other property, plant and equipment	53,287,179	(14,157,409)	39,129,770	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
Total	2,016,492,855	(298,896,058)	1,717,596,797	1,751,705,238	(259,143,314)	1,492,561,924

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Difference	Additions	Disposals	Transfers	Depreciation	Total
Land	1,037,872	-	-	-	-	-	1,037,872
Buildings	1,516,194	-	-	-	-	(78,745)	1,437,449
Infrastructure	1,184,012,359	-	67,077,808	(3,305,352)	-	(34,723,501)	1,213,061,314
Other property, plant and equipment	14,265,952	297,870,512	32,568,725	(4,472,788)	-	(301,102,631)	39,129,770
Leased assets	4,036,629	-	-	-	-	(1,394,134)	2,642,495
Work in progress	287,692,919	-	242,092,362	-	(67,077,808)	-	462,707,473
	1,492,561,925	297,870,512	341,738,895	(7,778,140)	(67,077,808)	(337,299,011)	1,720,016,373

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	1,037,872	-	-	-	-	-	1,037,872
Buildings	4,901,195	-	-	-	(1,616,633)	(1,768,368)	1,516,194
Infrastructure	1,686,990,836	184,115,253	-	-	(374,356,592)	(34,662,226)	1,471,705,277
Other property, plant and equipment	10,552,423	12,283,598	(12,524,764)	(2,242,399)	7,246,185	(1,049,091)	14,265,952
Leased assets	6,368,126	-	-	-	(811,797)	(1,519,700)	4,036,629
	1,709,850,452	196,398,851	(12,524,764)	(2,242,399)	(369,538,837)	(38,999,385)	1,492,561,924

Assets subject to finance lease (Net carrying amount)

Ancillary fleet equipment and security	9,337,089	9,337,089
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Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Total
Opening balance	286,249,236	286,249,236

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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

Figures in Rand

5. Intangible assets (continued)

Reconciliation of intangible assets - 2015

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

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

Figures in Rand

5. Intangible assets (continued)

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Water rights	45,376	65,122	(3,462)	108,870

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
6. Employee benefit obligation		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Medical aid post retirement obligation	(3,466,305)	(3,127,838)
Long service awards obligation	(9,927,066)	(8,076,122)
	(13,393,371)	(11,203,960)
Non-current liabilities	(12,494,245)	(10,266,293)
Current liabilities	(899,126)	(937,667)
	(13,393,371)	(11,203,960)
Changes in the present value of the post retirement medical aid plan obligation are as follows:		
Opening balance	3,127,838	3,859,789
Net expense recognised in the statement of financial performance	338,467	(731,951)
	3,466,305	3,127,838
Net expense recognised in the statement of financial performance		
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)
	338,467	(731,951)
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	11,517	(1,085,937)
Movement in the retirement medical aid obligation are as follows:		
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)
	3,466,305	3,127,838

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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
6. Employee benefit obligation (continued)		
Key assumptions used		
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;		
Retirement age and mortality	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)		
Average for males and females	Males	Females
Age 20	15%	24%
Age 30	7%	7%
Age 40	2%	2%
Age 50+	0%	0%
Long service awards		
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		
Changes in present value of long service awards are as follows		
	8,076,122	6,742,248
	1,850,944	1,333,874
	9,927,066	8,076,122
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		
Rates	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%
Examples of mortality rates	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).		
Heading	Males	Females
Age 20	15%	24%

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
6. Employee benefit obligation (continued)		
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;		
Value	2015	2014
Present value of funded obligation	9,927,066	8,076,122
Fair value of plan assets	-	-
Liability in the statement of financial position	9,927,066	8,076,122
Movement in the long service obligation are as follows;		
	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
Balance at end of year	9,927,066	8,076,122
The amounts recognized in the statement of financial performance were as follows;		
In conclusion		
Statement of financial position obligation	2015	2014
Long service award	9,927,066	8,076,122
Statement of financial performance obligation	2015	2014
Long service award loss / (gain)	1,066,554	150,530
7. Prepayments		
Rental in respect of offices and parking space is payable in advance.		
Operating leases are disclosed in note 38.		
Enambithi Construction - rental offices	523,012	-
Itabiro Investments - rental for parking space - Municipal vehicles	33,000	-
	556,012	-
8. Inventories		
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
	5,217,027	4,588,990
9. Receivables from exchange transactions		
Deposits	1,658,406	1,451,206
Sundry debtors	2,513,685	4,148,985
	4,172,091	5,600,191

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
10. Receivables from non-exchange transactions		
Promotional items	-	29,044
Receivables from non exchange transactions	4,984,006	5,110,031
Other receivables from non exchange transaction	-	82,082
ACIP Grant Funding	992,435	-
	5,976,441	5,221,157

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 48 "Fruitless and wastefull expenditure" for futher disclosure on salary fraud.

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
11. Consumer debtors		
Gross balances		
Water and sanitation	<u>496,462,229</u>	<u>567,238,845</u>
Less: Allowance for impairment		
Water and sanitation	<u>(372,374,278)</u>	<u>(441,100,619)</u>
Net balance		
Water and sanitation	<u>124,087,951</u>	<u>126,138,227</u>
Water		
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>124,087,951</u>	<u>126,138,227</u>

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
11. Consumer debtors (continued)		
Summary of debtors by customer classification		
Domestic consumers		
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)
	<u>118,519,918</u>	<u>120,704,833</u>
Industrial / commercial		
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)
	<u>3,902,948</u>	<u>4,202,763</u>
National and provincial government		
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)
	<u>1,665,085</u>	<u>1,230,630</u>
Total		
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)
	<u>124,087,951</u>	<u>126,138,227</u>
Less: Allowance for impairment		
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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
11. Consumer debtors (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(441,100,619)	(481,693,052)
Contributions to allowance	(89,275,993)	40,592,433
Debt impairment written off against allowance	158,002,334	-
	<u>(372,374,278)</u>	<u>(441,100,619)</u>

Fair value of consumer debtors

Consumer debtors	124,087,951	126,138,227
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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	54,106,505	24,218,881
Short-term deposits	103,386,459	102,328,345
	<u>157,505,064</u>	<u>126,554,326</u>

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R			2014 R		
12. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
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	-	-	-	12,924,859	(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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

				2015 R	2014 R
12. Cash and cash equivalents (continued)					
Investec call deposit account 50008183042	21,713,468	-	-	-	-
Investec call deposit account 50008274324	977,478	-	-	-	-
ABSA call deposit account 9290741801	-	39,709	-	-	-
ABSA call deposit account 9290742506	-	370,394	-	-	-
ABSA call deposit account 9290743609	-	35,507	-	-	-
ABSA call deposit account 9290743895	-	269,549	-	-	-
ABSA call deposit account 9290744299	-	61,528	-	-	-
ABSA call deposit account 9290744443	-	115,831	-	-	-
ABSA call deposit account 9290744655	-	69,826	-	-	-
ABSA call deposit account 9290745025	-	17,520	-	-	-
ABSA call deposit account 9290739945	-	11,094	-	-	-
ABSA call deposit account 9290740295	-	130,665	-	-	-
ABSA call deposit account 9290740902	-	40,569	-	-	-
ABSA call deposit account 9290749524	-	110,700	-	-	-
ABSA call deposit account 9290740627	-	946,223	-	-	-
ABSA call deposit account 9290741186	-	3,569	-	-	-
ABSA call deposit account 9290744118	-	12,332	-	-	-
ABSA call deposit account 9290744809	-	41,224	-	-	-
Total	144,568,105	127,399,840	154,075,831	54,106,505	24,218,881
				148,765,841	

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

Office furniture and equipment donated	<u>223,453</u>	<u>223,453</u>
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Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
14. Accumulated surplus		
Ring-fenced internal funds and reserves within accumulated surplus - 2015		
	Accumulated surplus	Total
Opening balance 1/07/2014	1,584,469,104	1,584,469,104
Operating surplus / deficit for the year ending 30 June 2015	202,879,457	202,879,457
	1,787,366,561	1,787,366,561
Ring-fenced internal funds and reserves within accumulated surplus - 2014		
	Accumulated surplus	Total
Opening balance	1,240,059,622	1,240,059,622
Operating surplus / deficit for the year ending 30 June 2014	341,245,597	341,245,597
Prior year adjustments in respect of 2012/2013 financial year	3,163,885	3,163,885
	1,584,469,104	1,584,469,104
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)
Present value of minimum lease payments	-	2,174,226
Present value of minimum lease payments due		
- within one year	-	2,069,400
- in second to fifth year inclusive	-	104,826
	-	2,174,226
Non-current liabilities	-	104,826
Current liabilities	-	2,069,400
	-	2,174,226

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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
16. Unspent conditional grants and receipts (continued)		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
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)	2,736,502	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	-
	9,735,531	40,552,038
Movement during the year		
Balance at the beginning of the year	40,552,038	133,389,894
Additional grants received	298,904,940	267,544,602
Income recognition during the year	(329,721,447)	(360,382,458)
	9,735,531	40,552,038

The nature and extent of government grants recognised in the unaudited 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 24 for reconciliation of grants from National/Provincial Government.

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

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
17. Other financial liabilities - Development Bank of South Africa		
Designated at fair value		
DBSA Loan - account 61000915	-	445,632
Loan 10346/202 - Period 20 years - redemption date 31/03/2018	-	174,360
DBSA Loan - account 61003249	-	174,360
Loan 13674/101 - Period 20 years - redemption date 30/09/2020	-	1,452,096
DBSA Loan - account 61004120	-	1,452,096
Loan 9631/101 - Period 20 years - redemption date 31/03/2015	-	739,271
DBSA Loan - account 61004121	-	739,271
Loan 9631/201 - Period 20 years - redemption date 31/03/2017	-	77,712
DBSA Loan - account 61004122	-	77,712
Loan 9631/401 - Period 20 years - redemption date 31/03/2019	-	15,500
DBSA Loan - account 61004123	-	15,500
Loan 9631/502 - Period 20 years - redemption date 30/09/2019	-	15,500
	<u>-</u>	<u>2,904,571</u>
For the 2013/2014 financial year loan account 61003249 reflects no change from the 2012/2013 financial year as the repayments is fixed.		
The municipality has redeemed all the Development Bank loans in full during the 2014/2015 financial year.		
At amortised cost		
Development Bank of South Africa	-	7,845,841
Terms and conditions	-	7,845,841
	<u>-</u>	<u>7,845,841</u>
Non-current liabilities		
At amortised cost	-	4,941,270
	<u>-</u>	<u>4,941,270</u>
Current liabilities		
At amortised cost	-	2,904,571
	<u>-</u>	<u>2,904,571</u>
18. Vat Payable		
Vat payable	29,822,368	(7,565,642)
	<u>29,822,368</u>	<u>(7,565,642)</u>
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. Payables from exchange transactions		
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	20,845,145	12,550,669
Sundry creditors	511,339	498,633
	<u>148,908,551</u>	<u>98,813,850</u>

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
20. Other accruals		
Bonus accrual	3,594,022	3,275,964
Leave pay accrual	11,197,755	10,390,774
	14,791,777	13,666,738
The amount of liabilities forgiven is R14,791,777 (2014: R13,666,738).		
21. Consumer deposits		
Water	10,473,849	9,390,119
22. Revenue		
Service charges	126,221,743	132,770,897
Interest received	19,148,562	33,283,515
Other income	3,122,394	1,919,154
Interest received - investment	9,072,588	10,761,064
Government grants & subsidies	617,675,882	619,389,681
	775,241,169	798,124,311
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	126,221,743	132,770,897
Interest received	19,148,562	33,283,515
Other income	3,122,394	1,919,154
Interest received - investment	9,072,588	10,761,064
	157,565,287	178,734,630
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	617,675,882	619,389,681
23. Service charges		
Sale of water	110,520,518	118,571,642
Sewerage and sanitation charges	15,701,225	14,199,255
	126,221,743	132,770,897

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
24. Government grants and subsidies		
Operating grants		
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>
Capital grants		
Regional Bulk Infrastructure Grant	85,137,337	75,274,468
Municipal Infrastructure Grant	199,088,868	233,808,580
Rural Household Infrastructure Grant	6,688,979	-
Municipal Water infrastructure Grant	12,467,870	11,738,118
Masification Grant	-	20,401,973
New Pumps	-	1,232,751
Rural Transport Services Plan	2,315,000	1,999,964
	<u>305,698,054</u>	<u>344,455,854</u>
	<u>617,675,882</u>	<u>619,389,681</u>
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	330,713,882	361,487,448
Unconditional grants received	286,962,000	257,902,233
	<u>617,675,882</u>	<u>619,389,681</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
The indigent policy has been applied and indigent consumers received a subsidy of R131,437 as at 30 June 2015 which is funded by the grant.		
Rural Household Infrastructure		
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).		
Masibumbaneni Co-op		
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>
Conditions still to be met - remain liabilities (see note 16).		
Municipal Infrastructure Grant		

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
24. Government grants and subsidies (continued)		
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>
Municipal Water Infrastructure		
Balance unspent at beginning of year	2,786,882	-
Current-year receipts	12,417,489	14,525,000
Conditions met - transferred to revenue	(12,467,869)	(11,738,118)
	<u>2,736,502</u>	<u>2,786,882</u>
Conditions still to be met - remain liabilities (see note 16).		
Regional Bulk Infrastructure		
Balance unspent at beginning of year	-	5,905,360
Current-year receipts	85,137,337	63,620,602
Conditions met - transferred to revenue	(85,137,337)	(69,525,962)
	<u>-</u>	<u>-</u>
Infrastructure Sports Fields		
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).		
LGSETA Grant - Training		
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).		
Water Services Operating Subsidy		
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).		
IGR Grant		
Balance unspent at beginning of year	107,850	371,086
Conditions met - transferred to revenue	(9,724)	(263,236)

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
24. Government grants and subsidies (continued)		
	98,126	107,850
Conditions still to be met - remain liabilities (see note 16).		
LED Strategic Review		
Balance unspent at beginning of year	10,734	10,734
Conditions met - transferred to revenue	(10,734)	-
	-	10,734
District Disaster Centre		
Balance unspent at beginning of year	5,009,853	6,495,017
Conditions met - transferred to revenue	(3,616,392)	(1,485,164)
	1,393,461	5,009,853
Conditions still to be met - remain liabilities (see note 16).		
KZN Backlog Study		
Balance unspent at beginning of year	626	626
Transfers	13,571	-
	14,197	626
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.		
District Development		
Balance unspent at beginning of year	13,921	13,921
Conditions met - transferred to revenue	(13,921)	-
	-	13,921
KZN Integrated Transport Plan		
Balance unspent at beginning of year	378,755	381,755
Conditions met - transferred to revenue	(378,755)	(3,000)
	-	378,755
KZN Secreterial MFC		
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)	-
	-	820
KZN St Chads Emergency		
Balance unspent at beginning of year	5,891	5,891
Unspent liability has been transferred to the Backlog Study Grant	(5,891)	-
	-	5,891

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
24. Government grants and subsidies (continued)		
KZN Assessment Water Services Delivery Plan		
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>
KZN Assessment Water and Electricity		
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>
KZN Implement Technical & Scientific Support		
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>
KZN Water Services Delivery Plan		
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>
KZN Capacity Building Water Staff		
Balance unspent at beginning of year	-	268,587
Conditions met - transferred to revenue	-	(268,587)
	<u>-</u>	<u>-</u>
KZN WSA Institutional Support		
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>
Local Government SETA Grant		
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>
Social Pilot Projects		
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>-</u>

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
24. Government grants and subsidies (continued)	-	6,860
KZN Social Emabhekazi		
Balance unspent at beginning of year	69,535	69,535
Conditions met - transferred to revenue	(69,535)	-
	-	69,535
KZN Waste Management Plan		
Balance unspent at beginning of year	41,053	41,053
Conditions met - transferred to revenue	(41,053)	-
	-	41,053
KZN DPSS Shared Services		
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)	-
	881,034	2,651,524
Conditions still to be met - remain liabilities (see note 16).		
DIMMS Grant Funding		
Balance unspent at beginning of year	30,120	130,120
Conditions met - transferred to revenue	(30,120)	(100,000)
	-	30,120
KZN Environment Management		
Balance unspent at beginning of year	800,874	942,280
Conditions met - transferred to revenue	(739,015)	(141,406)
	61,859	800,874
Conditions still to be met - remain liabilities (see note 16).		
Department Water Affairs		
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
	-	1,140,252
KZN Councillors Training		
Balance unspent at beginning of year	40,400	200,000
Conditions met - transferred to revenue	(40,400)	(159,600)
	-	40,400
KZN Municipal Governance & Admin		

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
24. Government grants and subsidies (continued)		
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>
Rural Road Asset Management		
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>
Finance Management Grant		
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>
Municipal Systems Improvement Grant		
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>
EPWP Integrated Grant		
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>
Water Infrastructure Maintenance		
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		
Balance unspent at beginning of year	-	494,371
Conditions met - transferred to revenue	-	(494,371)
	<u>-</u>	<u>-</u>
DMA Buffer Support		

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
24. Government grants and subsidies (continued)		
Balance unspent at beginning of year	-	100,104
Conditions met - transferred to revenue	-	(100,104)
	<u>-</u>	<u>-</u>
KZN Masification Grant		
Balance unspent at beginning of year	-	20,401,973
Conditions met - transferred to revenue	-	(20,401,973)
	<u>-</u>	<u>-</u>
Tugela Fish project		
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>
Department of Land Affairs (DLA)		
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>
New Pumps		
Balance unspent at beginning of year	-	1,232,751
Conditions met - transferred to revenue	-	(1,232,751)
	<u>-</u>	<u>-</u>
Data Cleansing		
Balance unspent at beginning of year	-	(292,364)
Other	-	292,364
	<u>-</u>	<u>-</u>
KZN GIS		
Balance unspent at beginning of year	-	17,447
Conditions met - transferred to revenue	-	(17,447)
	<u>-</u>	<u>-</u>
District Disaster Relief		
Balance unspent at beginning of year	2,685,000	-
Conditions met - transferred to revenue	(1,006,235)	-
	<u>1,678,765</u>	<u>-</u>

Conditions still to be met remains liabilities.

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
24. Government grants and subsidies (continued)		
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)	-
	<u>-</u>	<u>-</u>

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.

25. Other revenue

Other income	<u>3,122,394</u>	<u>1,919,154</u>
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	-
	<u>3,122,394</u>	<u>1,919,154</u>

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
26. General expenses		
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	20,820,327	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	68,521,311	88,726,573
Other expenses	17,094,364	11,733,551
	210,012,866	176,833,035

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	-
	15,502,665	4,441,102

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
27. Employee related costs		
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	-
	150,427,087	124,822,829

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
	1,555,626	1,252,490

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
	1,141,277	523,501

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
	1,227,940	936,550

The Manager Technical Services was appointed as from 6 February 2012

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015	2014
	R	R
27. Employee related costs (continued)		
Remuneration of Executive Director Health and Environmental Services		
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	-
	2,300,883	-

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

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
27. Employee related costs (continued)		
Remuneration of Manager Social and Economic Services		
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	-
	1,078,525	1,025,722

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	-
	1,032,315	939,794

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	-
	622,621	750,918

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

28. 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
	5,795,952	4,775,422

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
28. Remuneration of councillors (continued)		
In-kind benefits		
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 and the Deputy Mayor 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.		
29. Debt impairment		
Debt impairment - Consumer debtors	89,768,257	(40,592,433)
Debts impairment - Other	340,775	56,619,991
	<u>90,109,032</u>	<u>16,027,558</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.		
30. Investment revenue		
Interest revenue		
Interest received - Investments	9,072,588	10,761,064
The amount included in Investment revenue arising from non-exchange transactions amounted to R10,761,064 (2013/2014 and R9,072,588 (2014/2015).		
31. Depreciation and amortisation		
Property, plant and equipment	<u>44,781,755</u>	<u>38,999,385</u>
32. Finance costs		
Bank	<u>2,465,418</u>	<u>2,548,678</u>
33. Auditors' remuneration		
Fees	<u>2,740,248</u>	<u>2,936,816</u>
34. Lease rentals on operating leases		
Agreement of Lease - Lessors		
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>

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.

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
34. Lease rentals on operating leases (continued)		
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.		
Operating lease liabilities		
Rental offices	634,124	-
35. Contracted services		
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
	27,549,667	48,714,528
The municipality has purchased its own water tankers therefore the decrease in the amount expensed 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.		
36. Repairs and maintenance		
The following repairs and maintenance were performed to maintain municipal assets and were internally funded.		
Repairs and maintenance performed on		
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
	25,362,170	23,757,878

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
37. Bulk purchases		
Water	<u>5,304,471</u>	<u>7,232,242</u>
<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>		
38. Cash generated from operating activities		
Surplus	202,897,456	341,245,597
Adjustments for:		
Depreciation and amortisation	44,781,755	38,999,385
(Loss) gain on actuarial valuations	1,078,071	(935,407)
Interest income	(28,221,150)	-
Debt impairment	90,109,032	16,027,558
Movements in retirement benefit assets and liabilities	2,189,411	601,923
Prior Year Adjustments	54,393,909	40,800,588
Movement in leave pay accrual	11,408,410	11,714,412
Other non-cash items	-	4,848,691
Changes in working capital:		
Increased/ (decrease) in inventories	(628,037)	(1,161,878)
Increase/ (decrease) Trade and other receivables from exchange transactions	1,428,100	581,235
Decrease in consumer debtors	(88,119,297)	(317,115,512)
Increase/ (decrease) other receivables from non-exchange transactions	(757,877)	(5,160,537)
Increase/ (decrease) prepayments	(556,012)	1,188,000
Decrease in payables from exchange transactions	58,460,133	34,345,365
Increase/ (decrease) in VAT	22,057,823	(26,298,543)
Increase/ (decrease) in other accruals	1,125,039	(1,454,213)
Increase unspent conditional grants and receipts	(30,816,507)	(106,141,466)
Increase/(decrease) in retirement benefit obligation	2,189,411	(186,250)
Other financial liabilities	(7,845,841)	276,963
Consumer deposits	1,083,730	631,214
Other financial liabilities	10,013,574	(4,904,758)
	<u>346,271,133</u>	<u>27,902,367</u>

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
39. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	<u>289,585,762</u>	<u>481,115,548</u>
Municipal Infrastructure Grant (MIG)		
Okhahlamba ward 12 - duration 8 months	-	15,740,608
Umtshezi ward 3 - duration 8 months	-	15,715,105
Indaka ward 3 - duration 8 months	-	30,910,242
Bergville sewerage scheme - duration 11 months	-	11,982,822
Kwanobamba / Ezitendeni water supply phase 1A - duration 10 months	-	19,953,661
Bhekuzulu / Ephangweni phase 1 - duration 15 months	-	14,568,706
Bhekuzulu / Ephangweni phase 2 - duration 15 months	-	13,614,573
Bhekuzulu / Ephangweni phase 4 - duration 12 months	-	14,449,562
Bhekuzulu / Ephangweni phase 5 - duration 18 months	-	77,709,814
Bhekuzulu / Ephangweni phase 6 - duration 9 months	-	9,138,378
Bhekuzulu / Ephangweni community water scheme - duration 36 months	41,234,200	-
Fitty Park community water supply - duration 19 months	18,683,362	38,683,362
Kwanobamba / Ezitendeni water supply phase 1B - duration 18 months	53,250,000	37,250,000
Kwanobamba / Ezitendeni water supply phase 1C - duration 10 months	-	8,991,357
Kwanobamba / Ezitendeni water supply phase 1D - duration 10 months	-	15,000,000
Ntabamhlope water scheme phase 10 - duration 10 months	-	13,800,000
Ntabamhlope water scheme phase 11 - duration 10 months	-	12,957,291
Ntabamhlope community water supply - duration 24 months	42,080,000	-
Upgrade waste water treatment works - duration 14 months	-	14,098,364
Ezakheni E water supply - duration 14 months	4,038,200	-
Ezakheni E sanitation - duration 14 months	11,000,000	-
Ezakheni E sewer upgrade - duration 12 months	7,000,000	-
Zwelisha / Bergville water supply - duration 12 months	4,028,000	-
	<u>181,313,762</u>	<u>364,563,845</u>
Municipal Water Infrastructure Grant (MWIG)		
Ezakheni / Ladysmith bulk meters - duration 6 months	-	4,454,217
Ezakheni E Section (642 houses) - duration 6 months	-	7,330,652
Indaka / Okhahlamba boreholes - duration 12 months	6,500,000	6,500,000
Wembezi WCDM - duration 18 months	14,000,000	-
Mimosadale upgrade - duration 14 months	17,330,000	-
Lombardskop pipe line - duration 16 months	12,170,000	-
	<u>50,000,000</u>	<u>18,284,869</u>
Regional Bulk Infrastructure Grant (RBIG)		
Driefontein bulk feeder main water supply - duration 6 months	-	44,336,810
Okhombe water supply - duration 4 months	-	1,041,317
Hopesland to Indaka water supply - duration 15 months	-	52,888,707
Matiwane bulk feeder main water supply - duration 12 months	50,000,000	-
	<u>50,000,000</u>	<u>98,266,834</u>
Rural household infrastructure grant		
Ward 16 sanitation - duration 7 months	4,382,000	-
Accelerated community infrastructure project		
Ladysmith waste treatment works refurbishment - duration 6 months	3,890,000	-
Not yet contracted for and authorised by accounting officer		

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
39. Commitments (continued)		
• Property, plant and equipment	<u>46,815</u>	<u>68,249,642</u>
Heading		
Infrastructure development - water and sanitation	-	3,500,000
TLB's	-	5,712,000
Tipper trucks	-	2,250,000
Vacuum tankers	-	5,600,000
Sewer jets	-	1,500,000
Office furniture	-	660,000
Office equipment	-	450,000
Water tankers	-	8,000,000
Bakkies	-	5,740,000
Sedans	-	860,000
Pipelines - potable water replacement	-	13,248,642
Renewal - pumps	-	3,500,000
Land and buildings	-	10,000,000
Fire fighting equipment	-	300,000
Disaster building	-	5,000,000
Environmental health services equipment	-	459,000
IT equipment	-	300,000
Lab equipment	-	200,000
Replace Mayoral car	-	800,000
Tools of trade	-	170,000
Creditors orders issued on 30 June 2015	46,815	-
	<u>46,815</u>	<u>68,249,642</u>
Total capital commitments		
Already contracted for but not provided for	289,585,762	481,115,548
Not yet contracted for and authorised by accounting officer	46,815	68,249,642
	<u>289,632,577</u>	<u>549,365,190</u>
Authorised operational expenditure		
Already contracted for but not provided for		
• Rental Offices	7,023,310	-
• Rental Office Machines	228,385	-
• Red Spike Security - Mayoral Cup	56,100	-
• Red Sipe Security Guarding of Municipal Property	592,000	-
• Bonakude consulting - asset verification	1,207,216	-
	<u>9,107,011</u>	<u>-</u>
Not yet contracted for and authorised by accounting officer		
• Creditors orders issued on 30 June 2015	2,608,999	-
	<u>2,608,999</u>	<u>-</u>
Total operational commitments		
Already contracted for but not provided for	9,107,011	-
Not yet contracted for and authorised by accounting officer	2,608,999	-
	<u>11,716,010</u>	<u>-</u>
Total commitments		
Total commitments		
Authorised capital expenditure	289,632,577	549,365,190
Authorised operational expenditure	11,716,010	-

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
39. Commitments (continued)		
	<u>301,348,587</u>	<u>549,365,190</u>
<p>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.</p>		
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
	<u>7,327,823</u>	<u>12,968,711</u>

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

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Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
40. Contingencies		
Contingent liabilities		
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	-
	23,170,865	22,495,808

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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

2015	2014
R	R

40. 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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
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41. 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.

42. Prior period errors

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment	9,618,006	(410,945,086)
Payables from exchange transactions	(8,365,432)	-
Leave provision	1,323,638	-
Unspent grants	1,008,040	-
VAT payable	903,268	-
Opening Accumulated Surplus or Deficit	-	4,426,845
	4,487,520	(406,518,241)

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
42. Prior period errors (continued)		
Statement of Financial Performance		
Chemicals	(269,560)	(342,855)
Grants - Recognition of revenue	1,008,040	(1,643,647)
Grant - Expenditure	(920,167)	292,364
Professional fees	-	(4,976)
Legal costs	(183,371)	(3,229,303)
Repairs and maintenance	(1,661,203)	(241,667)
Telephone	(11,898)	132,924
Credit card expences	-	(33,910)
Raw water purchases - DWA	-	2,246,416
Subsistance and travelling	(48,307)	(390)
Cashier shortages	-	47,461
Security services	-	(4,160)
Trust funds	-	10,166
Salaries and allowances	-	(65,369)
Other general expences	(282,128)	324,552
Retentions	-	481,203
Long service awards	-	6,742,248
Staff debt - payroll fraude	-	(284,213)
Fuel & Oil	(51,300)	-
Computer software	(886,098)	-
Training	(14,974)	-
Rental Office Machines	(17,287)	-
Rental offices	(2,333,333)	-
Plant & Equipment hire	(387,318)	-
Water tankering	(1,285,807)	-
Inventort / Loose tools	(2,475)	-
Advertising	(10,198)	-
Provision for leave	1,323,638	-
	<u>(6,033,746)</u>	<u>(406,518,241)</u>

43. 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 R4,487,520 (Non-current assets of R9,618,006 less Current liabilities of R5,130,486 the total net assets (R1,580,205,035) has increased to (R1,584,692,555) 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)

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
43. Comparative figures (continued)		
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.		
The effects of the reclassification are as follows:		
Statement of financial position		
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
Total nett assets restated as at 30 June 2014	-	1,584,692,555
Statement of Financial Performance		
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
44. Risk management		
Financial risk management		
The municipality has adopted and implemented a risk management policy to minimise potential adverse effects on the municipalities financial performance.		
Liquidity risk		
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.		
Credit risk		
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Trade receivables comprise a widespread customer base. Management 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	157,505,064	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	5,976,441	5,221,158
45. Going concern		
Accumulated surplus	<u>1,502,161,082</u>	<u>1,573,527,462</u>

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
45. Going concern (continued)		
<p>We draw attention to the fact that at June 30, 2015, the municipality had accumulated surplus of R 1,787,366,560 and that the municipality's total assets exceed its liabilities by R 1,787,590,014.</p> <p>The unaudited 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.</p>		
46. Events after the reporting date		
<p>On the 30th of March 2015 Council resolved to purchase the current offices at 33 Forbes Street voetstoots, after a qualified Structural Engineer has assessed and certified that structurally the building can stand the test of time.</p> <p>The purchase must also include the two open spaces next to the building in order to provide additional space for parking of all municipal vehicles.</p> <p>A purchase price was negotiated taking into account the state of the building and a sale agreement was signed between Enambithi Construction CC and the municipality on the 30th of June 2015.</p> <p>The purchase price of the property agreed upon amounts to R34,200,000 and the sum shall be paid as follows;</p> <ul style="list-style-type: none">• R10,260,000 was paid on the 30th of June 2015.• R11,400,000 shall be paid to the seller on or before 30 September 2015.• R12,540,000 shall be paid to the seller on or before 30 November 2015.		
47. 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)
	9,983,109	9,983,109

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
47. Unauthorised expenditure (continued)		
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 & Economic 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.

48. 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

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Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
48. Fruitless and wasteful expenditure (continued)		
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.		
Fraudulent activities		
Payroll fraud	<u>4,592,424</u>	<u>4,592,424</u>

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
49. Irregular expenditure		
Opening balance	83,632,571	40,830,229
Add: Irregular Expenditure - current year	46,121,941	42,802,342
Less: Amounts condoned	(83,632,571)	-
	46,121,941	83,632,571

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
49. Irregular expenditure (continued)		
Analysis of expenditure awaiting condonation per age classification		
Section 114 deviations		
Nokunotha	-	69,000
Amukelwe	-	71,000
Sunay Trading	-	114,998
Iziko Trading	-	42,000
Brignoly Trading	-	59,000
Inkhlankhli Trading	-	133,875
Qina Umsibindi	-	80,000
Zulu NC	-	20,000
Lanzy	-	33,750
Break Through Investments	-	37,200
Fundakahle	-	61,000
Nambithi Pumps & Equipment	-	2,659
Nambithi Pumps & Equipment	-	117,216
Nambithi Pumps & Equipment	-	18,594
Nambithi Pumps & Equipment	-	25,308
Mercon CC	-	5,892,745
Zufi	-	544,981
Natal Power Tools	26,944	-
Supa Quick	39,672	-
Universal Water Solutions	34,194	-
Universal Water Solutions	37,869	-
Insimbi Auto Services	76,000	-
Insimbi Auto Services	148,000	-
Supa Quick	39,672	-
ITNA	112,626	-
Judy Magwaza	155,040	-
Magnavolt Trading	153,000	-
	823,017	7,323,326
Section 36 deviations		
Hire of TLB's - Blue Sands Trading	-	199,500
Pump repairs - Vivah Technologies	119,583	6,821,587
Pump repairs - Hydraulic & Automotive Repairs	-	168,517
Hire of sewer jet machine - Indlovujosi Trading	-	400,130
Plumbing material - Ladysmith Trading	479,377	295,915
Supply and delivery of 5000 liter jojo tanks - JOJO Tanks Limited	-	1,596,780
Plumbing material - Bill Arm Trading	-	620,010
Pumps - Aquatec Pumps	-	114,967
Ian Dickie	-	105,860
KD Products & Services	-	47,880
Vehicle maintenance - KZN Service Centre	-	41,097
Ingonyama Nikon	-	205,833
Professional fees - Deloitte	-	419,538
Fahama Trading	-	594,000
Aveng Manufacturing	-	63,441
TLMZ Guest House	-	1,000,000
Hear The Drum	-	6,500
Insimbi Auto Services	-	24,700
Insimbi Auto Services	24,700	-
Insimbi Auto Services	76,000	-
Insimbi Auto Services	24,700	-
Plumbing material - Estcourt Plumbing	-	111,271
Supa Quick	24,966	-
Supa Quick	8,995	-

Uthukela District Municipality

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Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
49. Irregular expenditure (continued)		
Supa Quick	9,109	-
Supa Quick	9,598	-
Supa Quick	9,471	-
Supa Quick	152,783	-
Yengweni Enterprise	74,703	-
Siyajuluka	25,650	-
Natal Power Tools	16,396	-
Natal Power Tools	10,290	-
Natal Power Tools	32,390	-
Mandlondlo Transport	22,685	-
Itabiro Investments	5,258	-
Itabiro Investments	112,860	-
Motor Factors	3,075	-
Abashana Investments	29,850	-
Maxode Trading	28,704	-
CHM Vuwani	7,923	-
Costal Hire	3,815	-
Esri SA	94,050	-
Esri SA	206,340	-
Mavezamahle Trading	28,100	-
Magnum Electrical	4,002	-
AS Nsele Physiotherapy	27,000	-
Vukile Jobe Trading	48,200	-
Vukile Jobe Trading	181,000	-
ABI	67,440	-
H & Z Transport	20,000	-
H & Z Transport	22,000	-
Amangwe Bhekuzulu Taxi Association	12,500	-
Bergville Taxi Association	18,000	-
Bringolgy Investments	54,800	-
BTI	91,000	-
Estcourt Taxi Association	10,200	-
Igamalenkosi Trading	11,400	-
Jaydons Towing	3,500	-
Jaydons Towing	8,379	-
Jaydons Towing	6,099	-
Jaydons Towing	5,700	-
Klipriver Motors	13,000	-
Majolide Trading	7,600	-
NCAW Newcastle	54,036	-
NCAW Newcastle	29,982	-
Rainbow Electrical	4,100	-
Servilex	195,000	-
Sizwe Taxi Association	13,500	-
Simanga Wonder	87,500	-
Simanga Wonder	446,500	-
Simanga Wonder	460,700	-
Steven & Lee Panel Beaters	4,332	-
Indlovujosi	81,442	-
Waaiohoek Taxi Association	14,190	-
Zengamele Trading	26,800	-
Universal Solutions	3,923	-
Blue Sands	26,676	-
Blue Sands	22,743	-
Blue Sands	28,899	-
Easy Sunday Productions	300,000	-
Mac TLB	24,700	-
Mercl Lab Supplies	28,320	-
Smiley Events	1,159,780	-

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
49. Irregular expenditure (continued)	5,266,314	12,837,526
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 - Iiungelo 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	-
	40,032,610	22,641,490

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.

Details of irregular expenditure condoned

Irregular expenditure for 2011/2012, 2012/2013 and 2013/2014	Condoned by (condoning authority) Council 5 June 2015	83,632,571
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50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

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

Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Current year subscription / fee	2,572,121	2,020,372
Amount paid - current year	(2,572,121)	(2,020,372)
	<u>-</u>	<u>-</u>
PAYE and UIF		
Current year subscription / fee	19,763,208	18,567,292
Amount paid - current year	(19,763,208)	(18,567,292)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	22,267,770	19,683,491
Amount paid - current year	(22,267,770)	(19,683,491)
	<u>-</u>	<u>-</u>
VAT		
VAT payable	<u>29,675,753</u>	<u>(7,565,642)</u>

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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015 R	2014 R
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50. 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
	6,838	245,073	251,911

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
	251,911	600

51. Actual operating expenditure versus budgeted operating expenditure

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

52. Water Losses

Estimated water losses for the year

Water losses - Quantity (kiloliters)	24,282,885	30,564,053
Water losses - Cost (rands)	122,553,224	111,405,973
	122,553,224	111,405,973

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 10,000 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

Unaudited Annual Financial Statements for the year ended June 30, 2015

Notes to the Unaudited Annual Financial Statements

	2015	2014
	R	R

52. Water Losses (continued)

This relates to (24 x 10,000 x 3 = 720,000 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	76

Uthukela District Municipality

Appendix A

June 2015

Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at Monday, June 30, 2014	Received during the period	Redeemed written off during the period	Balance at Tuesday, June 30, 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
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	-	-	-
		10,473,446	-	10,473,446	-	-	-
Total external loans							
Development Bank of South Africa		10,473,446	-	10,473,446	-	-	-
		10,473,446	-	10,473,446	-	-	-

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	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Land (Separate for AFS purposes)	1,037,872	-	-	-	-	-	1,037,872	-	-	-	-	-	-	1,037,872
Buildings (Separate for AFS purposes)	1,932,857	-	-	-	-	-	1,932,857	(416,663)	-	-	-	-	(416,663)	1,516,194
	2,970,729	-	-	-	-	-	2,970,729	(416,663)	-	-	-	-	(416,663)	2,554,066
Infrastructure														
Water purification	1,245,251,872	-	-	-	-	-	1,245,251,872	(181,006,736)	-	-	-	-	(181,006,736)	1,064,245,136
Sewerage purification	169,413,550	-	-	-	-	-	169,413,550	(59,264,333)	-	-	-	-	(59,264,333)	110,149,217
	1,414,665,422	-	-	-	-	-	1,414,665,422	(240,271,069)	-	-	-	-	(240,271,069)	1,174,394,353
Community Assets														

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
Heritage assets														
Specialised vehicles														
Fire	816,059	-	-	-	-	-	816,059	(584,529)	-	-	-	-	(584,529)	231,530
	816,059	-	-	-	-	-	816,059	(584,529)	-	-	-	-	(584,529)	231,530
Other assets														
General vehicles	15,431,933	-	-	-	-	-	15,431,933	(4,483,915)	-	-	-	-	(4,483,915)	10,948,018
Plant & equipment	581,475	-	-	-	-	-	581,475	(423,018)	-	-	-	-	(423,018)	158,457
Computer Equipment	4,642,852	-	-	-	-	-	4,642,852	(2,806,133)	-	-	-	-	(2,806,133)	1,836,719
Furniture & Fittings	2,290,171	-	-	-	-	-	2,290,171	(1,661,528)	-	-	-	-	(1,661,528)	628,643
Office Equipment	1,470,267	-	-	-	-	-	1,470,267	(1,013,599)	-	-	-	-	(1,013,599)	456,668
Radio Equipment	86,560	-	-	-	-	-	86,560	(81,150)	-	-	-	-	(81,150)	5,410
Lawnmowers	1,275	-	-	-	-	-	1,275	(1,148)	-	-	-	-	(1,148)	127
Other Water	2,000	-	-	-	-	-	2,000	(1,620)	-	-	-	-	(1,620)	380
Work in progress	287,692,919	-	-	-	-	-	287,692,919	-	-	-	-	-	-	287,692,919
Other Assets - Leased	9,337,089	-	-	-	-	-	9,337,089	(5,300,461)	-	-	-	-	(5,300,461)	4,036,628
	321,536,541	-	-	-	-	-	321,536,541	(15,772,572)	-	-	-	-	(15,772,572)	305,763,969

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
Total property plant and equipment														
Land and buildings	2,970,729	-	-	-	-	-	2,970,729	(416,663)	-	-	-	-	(416,663)	2,554,066
Infrastructure	1,414,665,422	-	-	-	-	-	1,414,665,422	(240,271,069)	-	-	-	-	(240,271,069)	1,174,394,353
Specialised vehicles	816,059	-	-	-	-	-	816,059	(584,529)	-	-	-	-	(584,529)	231,530
Other assets	321,536,541	-	-	-	-	-	321,536,541	(15,772,572)	-	-	-	-	(15,772,572)	305,763,969
	1,739,988,751	-	-	-	-	-	1,739,988,751	(257,044,833)	-	-	-	-	(257,044,833)	1,482,943,918
Agricultural/Biological assets														
Intangible assets														
Water Rights	120,122	-	-	-	-	-	120,122	(11,252)	-	-	-	-	(11,252)	108,870
	120,122	-	-	-	-	-	120,122	(11,252)	-	-	-	-	(11,252)	108,870
Investment properties														
Total														
Land and buildings	2,970,729	-	-	-	-	-	2,970,729	(416,663)	-	-	-	-	(416,663)	2,554,066
Infrastructure	1,414,665,422	-	-	-	-	-	1,414,665,422	(240,271,069)	-	-	-	-	(240,271,069)	1,174,394,353
Specialised vehicles	816,059	-	-	-	-	-	816,059	(584,529)	-	-	-	-	(584,529)	231,530
Other assets	321,536,541	-	-	-	-	-	321,536,541	(15,772,572)	-	-	-	-	(15,772,572)	305,763,969
Intangible assets	120,122	-	-	-	-	-	120,122	(11,252)	-	-	-	-	(11,252)	108,870
	1,740,108,873	-	-	-	-	-	1,740,108,873	(257,056,085)	-	-	-	-	(257,056,085)	1,483,052,788

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
Land and buildings														
Land (Separate for AFS purposes)	1,037,872	-	-	-	-	-	1,037,872	-	-	-	-	-	-	1,037,872
Buildings (Separate for AFS purposes)	1,932,857	-	-	-	-	-	1,932,857	(337,918)	-	-	(78,745)	-	(416,663)	1,516,194
	2,970,729	-	-	-	-	-	2,970,729	(337,918)	-	-	(78,745)	-	(416,663)	2,554,066
Infrastructure														
Water purification	1,219,175,825	4,137,910	-	21,938,137	-	-	1,245,251,872	(152,502,735)	-	-	(28,504,001)	-	(181,006,736)	1,064,245,136
Sewerage purification	169,413,550	-	-	-	-	-	169,413,550	(53,106,108)	-	(128,430)	(6,029,795)	-	(59,264,333)	110,149,217
	1,388,589,375	4,137,910	-	21,938,137	-	-	1,414,665,422	(205,608,843)	-	(128,430)	(34,533,796)	-	(240,271,069)	1,174,394,353
Community Assets														
Fire, safety & emergency	816,059	-	-	-	-	-	816,059	(470,336)	-	-	(114,193)	-	(584,529)	231,530
	816,059	-	-	-	-	-	816,059	(470,336)	-	-	(114,193)	-	(584,529)	231,530

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**

	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
Specialised vehicles														
Other assets														
General vehicles	5,507,823	11,517,403	(1,593,293)	-	-	-	15,431,933	(3,978,932)	1,183,021	-	(1,688,004)	-	(4,483,915)	10,948,018
Plant & equipment	2,914,455	-	(2,332,980)	-	-	-	581,475	(1,329,600)	972,364	-	(65,782)	-	(423,018)	158,457
Computer Equipment	5,095,263	501,544	(953,955)	-	-	-	4,642,852	(2,576,516)	595,596	-	(825,213)	-	(2,806,133)	1,836,719
Furniture & Fittings	2,374,931	261,555	(346,315)	-	-	-	2,290,171	(1,644,780)	221,561	-	(238,309)	-	(1,661,528)	628,643
Office Equipment	1,560,069	3,096	(92,898)	-	-	-	1,470,267	(795,736)	74,465	-	(292,328)	-	(1,013,599)	456,668
Electric Motors	676,500	(676,500)	-	-	-	-	-	(478,170)	478,170	-	-	-	-	-
Radio Equipment	86,560	-	-	-	-	-	86,560	(71,412)	-	-	(9,738)	-	(81,150)	5,410
Other Sewerage	148,000	-	-	(148,000)	-	-	-	(56,430)	-	56,430	-	-	-	-
Lawnmowers	1,275	-	-	-	-	-	1,275	(1,148)	-	-	-	-	(1,148)	127
Other Water	8,037,294	-	(5,940,895)	(2,094,399)	-	-	2,000	(2,211,042)	1,767,540	442,242	(360)	-	(1,620)	380
Work in progress	129,653,713	179,977,343	-	(21,938,137)	-	-	287,692,919	-	-	-	-	-	-	287,692,919
Lab Equipment	13,707	-	(13,707)	-	-	-	-	(12,336)	12,336	-	-	-	-	-
Other Assets - Leased	9,911,310	-	(574,221)	-	-	-	9,337,089	(4,214,307)	433,546	-	(1,519,700)	-	(5,300,461)	4,036,628
	165,980,900	191,584,441	(11,848,264)	(24,180,536)	-	-	321,536,541	(17,370,409)	5,738,599	498,672	(4,639,434)	-	(15,772,572)	305,763,969

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**

	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
Total property plant and equipment														
Land and buildings	2,970,729	-	-	-	-	-	2,970,729	(337,918)	-	-	(78,745)	-	(416,663)	2,554,066
Infrastructure	1,388,589,375	4,137,910	-	21,938,137	-	-	1,414,665,422	(205,608,843)	-	(128,430)	(34,533,796)	-	(240,271,069)	1,174,394,353
Community Assets	816,059	-	-	-	-	-	816,059	(470,336)	-	-	(114,193)	-	(584,529)	231,530
Other assets	165,980,900	191,584,441	(11,848,264)	(24,180,536)	-	-	321,536,541	(17,370,409)	5,738,599	498,672	(4,639,434)	-	(15,772,572)	305,763,969
	1,558,357,063	195,722,351	(11,848,264)	(2,242,399)	-	-	1,739,988,751	(223,787,506)	5,738,599	370,242	(39,366,168)	-	(257,044,833)	1,482,943,918
Intangible assets														
Water Rights	55,000	65,122	-	-	-	-	120,122	(7,791)	-	-	(3,461)	-	(11,252)	108,870
	55,000	65,122	-	-	-	-	120,122	(7,791)	-	-	(3,461)	-	(11,252)	108,870
Total														
Land and buildings	2,970,729	-	-	-	-	-	2,970,729	(337,918)	-	-	(78,745)	-	(416,663)	2,554,066
Infrastructure	1,388,589,375	4,137,910	-	21,938,137	-	-	1,414,665,422	(205,608,843)	-	(128,430)	(34,533,796)	-	(240,271,069)	1,174,394,353
Community Assets	816,059	-	-	-	-	-	816,059	(470,336)	-	-	(114,193)	-	(584,529)	231,530
Other assets	165,980,900	191,584,441	(11,848,264)	(24,180,536)	-	-	321,536,541	(17,370,409)	5,738,599	498,672	(4,639,434)	-	(15,772,572)	305,763,969
Intangible assets	55,000	65,122	-	-	-	-	120,122	(7,791)	-	-	(3,461)	-	(11,252)	108,870
	1,558,412,063	195,787,473	(11,848,264)	(2,242,399)	-	-	1,740,108,873	(223,795,297)	5,738,599	370,242	(39,369,629)	-	(257,056,085)	1,483,052,788

Uthukela District Municipality

Appendix E(1)

June 2015

Year to Date

	Forecast # 1 2015 Adjusted budget Rand	Forecast # 1 2015 Act. Bal. Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	151,506,000	126,221,743	25,284,257	20.0	Revenue on billing was over budgeted
Interest received (trading)	35,660,000	19,148,562	16,511,438	86.2	Due to budgeted billing not realized
Other income	338,000	3,122,394	(2,784,394)	(89.2)	Under budgeted
Transfer recognised - operating	301,695,000	311,977,828	(10,282,828)	(3.3)	
Transfers recognised capital	272,333,000	305,698,054	(33,365,054)	(10.9)	
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	-	-	-	-	
	768,704,000	775,241,169	(6,537,169)	(0.8)	
Expenses					
Personnel	(141,648,000)	(150,427,087)	8,779,087	(5.8)	Under budgeted
Remuneration of councillors	(10,291,000)	(5,795,952)	(4,495,048)	77.6	Anticipated backpay on upper limits
Depreciation	(45,140,000)	(44,781,755)	(358,245)	0.8	
Finance costs	(1,075,000)	(2,465,418)	1,390,418	(56.4)	Under budgeted
Debt impairment	(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
Repairs and maintenance - General	(60,349,000)	(25,362,170)	(34,986,830)	137.9	
Bulk purchases	(6,085,000)	(5,304,471)	(780,529)	14.7	Payment to DWA in respect of raw water
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)	(68,521,311)	58,041,311	(84.7)	Under budgeted
General Expenses	(125,219,456)	(141,491,554)	16,272,098	(11.5)	under budgeted
Other (taken out of General expenses)	(6,611,544)	(6,611,544)	-	-	Lease rentals on operating leases
	(478,711,000)	(568,419,961)	89,708,961	(15.8)	
Other revenue and costs					

Uthukela District Municipality

Appendix E(1)

June 2015

Year to Date

	Forecast # 1 2015 Adjusted budget	Forecast # 1 2015 Act. Bal.	Variance	Explanation of Significant Variances greater than 10% versus Budget
Gain or loss on disposal of assets and liabilities	-	(2,845,680)	2,845,680	(100.0) Not budgeted for
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-
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	-	(3,923,751)	3,923,751	(100.0)
	289,993,000	202,897,457	87,095,543	42.9