



**UMKHANYAKUDE DISTRICT MUNICIPALITY**

**Consolidated Annual Financial Statements  
for the year ended 30 June 2015**

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## General Information

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### Executive Committee

Cllr Vilane SJ ( Mayor)  
Cllr Swartz CG (Deputy Mayor)  
Cllr Mavimbela HGS (Speaker) - Ex Officio  
Cllr Nxumalo SH (Exco Member)  
Cllr Moodley GP (Exco Member)  
Cllr Zungu MC (Exco Member)

### Councillors

Cllr Gumbi DL  
Cllr Hlabisa VF  
Cllr Khumalo LV  
Cllr Khumalo SR  
Cllr Langa ML  
Cllr Mabuyakhulu PJ  
Cllr Mathenjwa S M  
Cllr Mathonsi ZW  
Cllr Mdaka SF  
Cllr Mkhombo T S  
Cllr Mkwanazi LX  
Cllr Mkwanazi M Q (Appointed 01 June 2015)  
Cllr Mngomezulu BZ  
Cllr Mthethwa B N  
Cllr Mthethwa SP  
Cllr Msane M S  
Cllr Msweli MCF  
Cllr Ngema TN  
Cllr Ntsele  
Cllr Nxumalo MW  
Cllr Nyawo I F  
Cllr Nyawo ZE  
Cllr Sangweni MB  
Cllr Shobede M Z (Appointed 01 June 2015)  
Cllr Zikhali AT

### Grading of local authority

Grade 4

### Chief Financial Officer (CFO)

Mabika T M (Acting CFO)

### Accounting Officer

Mzimela E M

### Business address

Harlingen No. 13433  
Kingfisher Road  
Mkuze  
3965

### Postal address

P.O. Box 449  
Mkuze

### Bankers

ABSA - Investment  
First National Bank - Current & Investment  
Nedbank - Investment  
Ithala Bank - Savings

### Auditors

Auditor-General South Africa

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## General Information

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Legal Advisor

Zungu S

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Index

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The reports and statements set out below comprise the consolidated annual financial statements presented to the Council and the Provincial Legislature:

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### Abbreviations

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
DC27	Umkhanyakude District Municipality
FMG	Financial Management Grant
EPWP	Extended Public Works Programme
MSIG	Municipal Systems Infrastructure Grant
IMFO	Institute of Municipal Finance Officers
SALGA	South African Local Government Association
DORA	Division of Revenue Act
VAT	Value-Added Tax
GEPF	Government Employee Pension Fund
COGTA	Department of Co-operative Governance & Traditional Affairs
SCM	Supply Chain Management

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Officer's Responsibilities and Approval

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

The consolidated 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 consolidated annual financial statements are based on 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 economic entity and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets systems for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The systems 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 financial control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficiency.

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the economic entity has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the government grant allocations through Division of Revenue Act (DORA) for continued funding of operations. The consolidated annual financial statements are prepared on the basis that the municipality is a going concern and that Umkhanyakude District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditors are responsible for independently reviewing and reporting on the economic entity's consolidated annual financial statements. The consolidated annual financial statements have been examined by the economic entity's external auditors.

The consolidated annual financial statements set out on pages 6 to 68, which have been prepared on the going concern basis, were approved by Council on 31 August 2015 and were signed on its behalf by:

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**E.M. Mzimela**  
**Municipal Manager**

**30 September 2015**

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rands	Note(s)	Economic entity		Controlling entity	
		2015	2014 Restated*	2015	2014 Restated*
<b>ASSETS</b>					
<b>Current Assets</b>					
Inventories	2	86 984 553	86 841 625	86 984 553	86 841 625
Receivables from exchange transactions	3	12 833 546	13 612 235	4 473 680	13 570 787
Other receivables from exchange transactions	4	1 347 014	2 422 571	1 347 014	2 422 571
VAT receivable	5	24 829 936	28 201 971	24 821 882	28 012 670
Cash and cash equivalents	6	13 543 041	15 094 663	12 696 413	11 378 076
		<b>139 538 090</b>	<b>146 173 065</b>	<b>130 323 542</b>	<b>142 225 729</b>
<b>Non-Current Assets</b>					
Property, plant and equipment	7	1 576 185 936	1 475 885 377	1 575 241 340	1 474 840 289
Intangible assets	8	257 900	327 357	257 900	327 357
		<b>1 576 443 836</b>	<b>1 476 212 734</b>	<b>1 575 499 240</b>	<b>1 475 167 646</b>
<b>Total Assets</b>		<b>1 715 981 926</b>	<b>1 622 385 799</b>	<b>1 705 822 782</b>	<b>1 617 393 375</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Other current financial liabilities	9	5 161 463	9 805 878	5 161 463	9 682 103
Consumer deposits	11	1 988 145	1 862 046	1 988 145	1 862 046
Unspent conditional grants and receipts	12	37 165 615	24 024 913	31 458 297	22 273 096
Current portion of borrowings	14	2 999 945	3 114 481	1 499 973	1 557 241
Current portion of finance lease liability	15	897 192	458 832	897 192	458 832
		<b>214 044 246</b>	<b>162 140 372</b>	<b>199 077 009</b>	<b>157 754 759</b>
<b>Non-Current Liabilities</b>					
Non - current provisions	13	4 671 000	3 970 974	4 779 000	4 079 987
Non - current borrowings	14	5 900 136	6 623 267	7 400 108	8 180 507
Non-current finance lease liability	15	628 858	425 193	628 858	425 193
		<b>11 199 994</b>	<b>11 019 434</b>	<b>12 807 966</b>	<b>12 685 687</b>
<b>Total Liabilities</b>		<b>225 244 240</b>	<b>173 159 806</b>	<b>211 884 975</b>	<b>170 440 446</b>
<b>NET ASSETS</b>		<b>1 490 737 686</b>	<b>1 449 225 993</b>	<b>1 493 937 807</b>	<b>1 446 952 929</b>
Accumulated surplus	46	1 490 737 686	1 449 225 993	1 493 937 807	1 446 952 929

\* See Note 33

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance as at 30 June 2015

Figures in Rands	Note(s)	Economic entity		Controlling entity	
		2015	2014 Restated*	2015	2014 Restated*
<b>REVENUE</b>					
<b>Revenue from exchange transactions</b>					
Service charges	16	26 480 355	43 573 188	26 480 355	43 573 188
Rental of facilities and equipment	18	36 085	106 871	36 085	106 871
Interest received - investment & current bank accounts	19	1 413 950	6 842 770	1 377 989	6 708 719
Interest received - outstanding receivables	20	-	4 462 481	-	4 462 481
Other income	21	13 939 659	2 078 012	13 856 544	2 035 531
<b>Revenue from non-exchange transactions</b>					
Government grants & subsidies	17	394 094 105	522 259 044	393 249 606	513 803 245
Public contributions and donations		8 318 418	-	-	-
<b>Total revenue</b>		<b>444 282 572</b>	<b>579 322 366</b>	<b>435 000 579</b>	<b>570 690 035</b>
<b>EXPENDITURE</b>					
Employee Related Costs	22	(124 368 542)	(113 139 379)	(119 493 189)	(109 914 637)
Remuneration of Councillors	24	(6 721 030)	(6 953 469)	(6 721 030)	(6 953 469)
Depreciation and Amortisation	25	(28 191 409)	(28 292 736)	(28 000 980)	(28 109 220)
Impairment loss/ Reversal of Impairments	26	(17 354 855)	(15 371 559)	(17 354 855)	(15 371 559)
Finance Costs	27	(1 131 513)	(1 030 068)	(999 738)	(977 908)
Debt Impairment		-	(21 105 575)	-	(21 105 575)
Repairs and Maintenance	28	(35 715 551)	(36 275 583)	(35 336 839)	(36 270 006)
Bulk Purchases	29	(69 403 132)	(77 569 516)	(69 403 132)	(77 569 516)
Contracted Services	30	(30 376 781)	(34 368 877)	(30 376 781)	(34 368 877)
General Expenses	31	(88 621 765)	(143 896 149)	(80 329 163)	(139 773 757)
<b>Total expenditure</b>		<b>(401 884 578)</b>	<b>(478 002 911)</b>	<b>(388 015 707)</b>	<b>(470 414 524)</b>
<b>Operating surplus</b>		<b>42 397 994</b>	<b>101 319 455</b>	<b>46 984 872</b>	<b>100 275 511</b>
<b>Surplus before taxation</b>		<b>42 397 994</b>	<b>101 319 455</b>	<b>46 984 872</b>	<b>100 275 511</b>
Taxation		-	51 109	-	-
<b>Surplus for the year</b>		<b>42 397 994</b>	<b>101 268 346</b>	<b>46 984 872</b>	<b>100 275 511</b>

\* See Note 33

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Economic entity</b>		
Opening balance as previously reported	1 404 893 372	1 404 893 372
Adjustments		
Prior year adjustments	(56 935 725)	(56 935 725)
<b>Balance at 01 July 2013 as restated*</b>	<b>1 347 957 647</b>	<b>1 347 957 647</b>
Changes in net assets		
Surplus for the year	101 268 346	101 268 346
Total changes	101 268 346	101 268 346
Opening balance as previously reported	1 448 917 082	1 448 917 082
Adjustments		
Correction of errors (refer to note 33)	(577 391)	(577 391)
<b>Restated* Balance at 01 July 2014 as restated*</b>	<b>1 448 339 691</b>	<b>1 448 339 691</b>
Changes in net assets		
Surplus for the year	42 397 995	42 397 995
Total changes	42 397 995	42 397 995
<b>Balance at 30 June 2015</b>	<b>1 490 737 686</b>	<b>1 490 737 686</b>
Note(s)		
<b>Controlling entity</b>		
Opening balance as previously reported	1 403 613 148	1 403 613 148
Adjustments		
Correction of prior period errors	(56 935 725)	(56 935 725)
<b>Balance at 01 July 2013 as restated*</b>	<b>1 346 677 423</b>	<b>1 346 677 423</b>
Changes in net assets		
Surplus for the 12 months as previously reported	100 852 897	100 852 897
Correction of prior period errors (refer to note 33)	(577 391)	(577 391)
Total changes	100 275 506	100 275 506
<b>Restated* Balance at 01 July 2014</b>	<b>1 446 952 934</b>	<b>1 446 952 934</b>
Changes in net assets		
Surplus for the year	46 984 873	46 984 873
Total changes	46 984 873	46 984 873
<b>Balance at 30 June 2015</b>	<b>1 493 937 807</b>	<b>1 493 937 807</b>

\* See Note 33



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Cash Flow Statement for the year ended 30 June 2015

Figures in Rands	Note(s)	Economic entity		Controlling entity	
		2015	2014 Restated*	2015	2014 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Sale of goods and services		26 840 355	43 573 187	26 840 355	43 573 187
Grants		397 394 105	460 898 949	393 249 606	459 773 991
Interest income		1 413 950	2 320 685	1 377 989	2 203 647
Other receipts		13 939 659	972 693	13 892 629	796 160
		<u>439 588 069</u>	<u>507 765 514</u>	<u>435 360 579</u>	<u>506 346 985</u>
<b>Payments</b>					
Employee costs		(124 368 542)	(113 139 379)	(119 493 189)	(108 215 481)
Suppliers		(182 646 608)	(246 852 205)	(180 616 196)	(277 513 050)
Finance costs		(1 131 513)	(1 030 068)	(999 738)	(977 908)
Interest paid		-	-	-	-
Taxes on surpluses		-	(51 109)	-	-
		<u>(308 146 663)</u>	<u>(361 072 761)</u>	<u>(301 109 123)</u>	<u>(386 706 439)</u>
<b>Net cash flows from operating activities</b>	32	<b><u>131 441 406</u></b>	<b><u>146 692 753</u></b>	<b><u>134 251 456</u></b>	<b><u>119 640 546</u></b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	7	(128 152 971)	(262 349 353)	(128 152 971)	(262 275 158)
Proceeds from sale of property, plant and equipment	7	-	835 404	-	990 707
Purchase of other intangible assets	8	-	-	(63 866)	(397 523)
<b>Net cash flows from investing activities</b>		<b><u>(128 152 971)</u></b>	<b><u>(261 513 949)</u></b>	<b><u>(128 216 837)</u></b>	<b><u>(261 681 974)</u></b>
<b>Cash flows from financing activities</b>					
Repayment of other current financial liabilities		(4 644 415)	9 805 878	(4 520 640)	7 894 507
Movement in non - current borrowings		(837 667)	9 737 748	(837 667)	(815 811)
Movement in non-current finance lease liability		203 665	425 193	203 665	252 422
Movement in non-current finance lease liability		438 360	458 832	438 360	238 602
Interest income		-	4 522 085	-	4 522 085
<b>Net cash flows from financing activities</b>		<b><u>(4 840 057)</u></b>	<b><u>24 949 736</u></b>	<b><u>(4 716 282)</u></b>	<b><u>13 879 401</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b><u>(1 551 622)</u></b>	<b><u>(128 495 913)</u></b>	<b><u>1 318 337</u></b>	<b><u>(130 378 695)</u></b>
Cash and cash equivalents at the beginning of the year		15 094 663	143 590 576	11 378 076	141 756 771
<b>Cash and cash equivalents for the 6 months</b>	6	<b><u>13 543 041</u></b>	<b><u>15 094 663</u></b>	<b><u>12 696 413</u></b>	<b><u>11 378 076</u></b>

\* See Note 33

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 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	Comments
Figures in Rand						
<b>Economic entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	44 804 000	50 000	<b>44 854 000</b>	26 480 355	<b>(18 373 645)</b>	
Rental of facilities and equipment	188 000	(92 000)	<b>96 000</b>	36 085	<b>(59 915)</b>	
Other income	48 631 919	(16 000 000)	<b>32 631 919</b>	13 939 659	<b>(18 692 260)</b>	
Interest received - investment	18 245 000	(17 218 000)	<b>1 027 000</b>	1 413 950	<b>386 950</b>	
<b>Total revenue from exchange transactions</b>	<b>111 868 919</b>	<b>(33 260 000)</b>	<b>78 608 919</b>	<b>41 870 049</b>	<b>(36 738 870)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	257 246 034	(1 000 000)	<b>256 246 034</b>	394 094 105	<b>137 848 071</b>	
Public contributions and donations	-	-	-	8 318 418	<b>8 318 418</b>	
<b>Total revenue from non-exchange transactions</b>	<b>257 246 034</b>	<b>(1 000 000)</b>	<b>256 246 034</b>	<b>402 412 523</b>	<b>146 166 489</b>	
<b>Total revenue</b>	<b>369 114 953</b>	<b>(34 260 000)</b>	<b>334 854 953</b>	<b>444 282 572</b>	<b>109 427 619</b>	
<b>Expenditure</b>						
Personnel	(127 456 957)	10 643 908	<b>(116 813 049)</b>	(124 368 542)	<b>(7 555 493)</b>	
Remuneration of councillors	(10 447 000)	3 000 000	<b>(7 447 000)</b>	(6 721 030)	<b>725 970</b>	
Depreciation and amortisation	(23 118 000)	(183 516)	<b>(23 301 516)</b>	(28 191 409)	<b>(4 889 893)</b>	
Impairment loss/ Reversal of impairments	(36 366 000)	18 000 000	<b>(18 366 000)</b>	(17 354 855)	<b>1 011 145</b>	
Finance costs	(150 000)	(150 000)	<b>(300 000)</b>	(1 131 513)	<b>(831 513)</b>	
Repairs and maintenance	(12 863 000)	(5 397 000)	<b>(18 260 000)</b>	(35 715 551)	<b>(17 455 551)</b>	
Bulk purchases	(56 600 000)	(4 000 000)	<b>(60 600 000)</b>	(69 403 132)	<b>(8 803 132)</b>	
Contracted Services	(31 783 000)	(3 010 000)	<b>(34 793 000)</b>	(30 376 781)	<b>4 416 219</b>	
General Expenses	(35 345 800)	(4 619 201)	<b>(39 965 001)</b>	(88 621 764)	<b>(48 656 763)</b>	
<b>Total expenditure</b>	<b>(334 129 757)</b>	<b>14 284 191</b>	<b>(319 845 566)</b>	<b>(401 884 577)</b>	<b>(82 039 011)</b>	
<b>Surplus before taxation</b>	<b>34 985 196</b>	<b>(19 975 809)</b>	<b>15 009 387</b>	<b>42 397 995</b>	<b>27 388 608</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>34 985 196</b>	<b>(19 975 809)</b>	<b>15 009 387</b>	<b>42 397 995</b>	<b>27 388 608</b>	
<b>Capital Expenditure</b>						
	<b>Approved Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Difference between final budget and actual</b>	
Capital Expenditure	265 185 000	(30 420 986)	<b>234 764 014</b>	263 876 258	<b>(29 112 244)</b>	

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 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	Comments
Figures in Rand						
<b>Controlling entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	44 804 000	50 000	<b>44 854 000</b>	26 480 355	<b>(18 373 645)</b>	
Rental of facilities and equipment	188 000	(92 000)	<b>96 000</b>	36 085	<b>(59 915)</b>	
Interest received - Outstanding Debtors	1 629 000	-	<b>1 629 000</b>	-	<b>(1 629 000)</b>	
Other income	17 349 000	(16 000 000)	<b>1 349 000</b>	13 856 544	<b>12 507 544</b>	
Interest received - investment	18 245 000	(17 218 000)	<b>1 027 000</b>	1 377 989	<b>350 989</b>	
<b>Total revenue from exchange transactions</b>	<b>82 215 000</b>	<b>(33 260 000)</b>	<b>48 955 000</b>	<b>41 750 973</b>	<b>(7 204 027)</b>	
<b>Revenue from non-exchange transactions</b>						
	-	-	-	-	-	
<b>Transfer revenue</b>						
Government grants & subsidies	238 736 000	1 000 000	<b>239 736 000</b>	393 249 606	<b>153 513 606</b>	
<b>Total revenue from non-exchange transactions</b>	<b>238 736 000</b>	<b>1 000 000</b>	<b>239 736 000</b>	<b>393 249 606</b>	<b>153 513 606</b>	
<b>Total revenue</b>	<b>320 951 000</b>	<b>(32 260 000)</b>	<b>288 691 000</b>	<b>435 000 579</b>	<b>146 309 579</b>	
<b>Expenditure</b>						
Employee Related Costs	(113 787 000)	1 814 000	<b>(111 973 000)</b>	(119 493 189)	<b>(7 520 189)</b>	
Remuneration of councillors	(10 447 000)	3 000 000	<b>(7 447 000)</b>	(6 721 030)	<b>725 970</b>	
Depreciation and amortisation	(23 118 000)	-	<b>(23 118 000)</b>	(28 000 980)	<b>(4 882 980)</b>	
Debt Impairments	(36 366 000)	18 000 000	<b>(18 366 000)</b>	(17 354 855)	<b>1 011 145</b>	
Finance costs	(150 000)	(150 000)	<b>(300 000)</b>	(999 738)	<b>(699 738)</b>	
Repairs and maintenance	(12 863 000)	(5 397 000)	<b>(18 260 000)</b>	(35 336 839)	<b>(17 076 839)</b>	
Bulk purchases	(56 600 000)	(4 000 000)	<b>(60 600 000)</b>	(69 403 132)	<b>(8 803 132)</b>	
Contracted Services	(31 783 000)	(3 010 000)	<b>(34 793 000)</b>	(30 376 781)	<b>4 416 219</b>	
Grants and Subsidies Paid	(3 625 000)	-	<b>(3 625 000)</b>	-	<b>3 625 000</b>	
General Expenses	(32 211 000)	(1 904 000)	<b>(34 115 000)</b>	(80 329 162)	<b>(46 214 162)</b>	
<b>Total expenditure</b>	<b>(320 950 000)</b>	<b>8 353 000</b>	<b>(312 597 000)</b>	<b>(388 015 706)</b>	<b>(75 418 706)</b>	
<b>(Surplus)/Deficit</b>	<b>1 000</b>	<b>(23 907 000)</b>	<b>(23 906 000)</b>	<b>46 984 873</b>	<b>70 890 873</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>1 000</b>	<b>(23 907 000)</b>	<b>(23 906 000)</b>	<b>46 984 873</b>	<b>70 890 873</b>	

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 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	Comments
Figures in Rand						
<b>Capital Expenditure</b>						
Capital Expenditure	206 285 000	8 000 000	<b>214 285 000</b>	263 819 189	<b>49 534 189</b>	Projects still committed and rolled over to the next year.
<b>NET ASSETS</b>	<b>206 285 000</b>	<b>8 000 000</b>	<b>214 285 000</b>	<b>263 819 189</b>	<b>49 534 189</b>	

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1. Presentation of Consolidated Annual Financial Statements

The consolidated 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 consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

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

Standard of GRAP

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 5	Borrowing costs
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after reporting date
GRAP 17	Property, plant and equipment
GRAP 19	Provisions, contingent liabilities and contingent assets
GRAP 21	Impairment of non cash generating assets
GRAP 23	Revenue from non-exchange transactions
GRAP 24	Presentation of budget information in financial statements
GRAP 26	Impairment of cash-generating assets
GRAP 104	Financial instruments
GRAP 102	Intangible Assets

The accounting policies applied are consistent with those used to present the previous year's annual financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been nearly adopted by the Municipality:

Standard of GRAP

		Qualitative Impact	Quantitative Impact
GRAP 18	Segment Reporting	None	None
GRAP 20	Related party Disclosures	None	None
GRAP 25	Employee Benefits	None	None
GRAP 27	Agriculture	None	None
GRAP 31	Intangible Assets	None	None
GRAP 32	Service Concession Arrangements: Grantor	None	None
GRAP 105	Transfers of functions between entities under common control	None	None
GRAP 106	Transfer of functions between entities not under common control	None	None
GRAP 107	Mergers	None	None
GRAP 108	Statutory Receivables	None	None
IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue	None	None
IGRAP 16	Website Costs	None	None

#### 1.1 Presentation currency

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

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.2 Going concern assumption

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

### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management may be required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates.

Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment of assets.  
Provision for long service awards.  
Useful lives and residual values of property, plant, and equipment.  
Water and electricity losses.  
Impairment of assets.

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

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

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

### Provisions

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

### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

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

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

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

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

Land shall be recorded in the municipality's fixed asset register at is carried at cost

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

Item	Average useful life
Infrastructure	
• Electricity	25 – 50
• Water	25 – 55
• Sewerage	25 – 60
Community	
• Buildings	30
• Airport	20
• Security measures	5
Intangible Assets	
• Computer software	3 – 5
Other Assets	
• Emergency equipment	15
• Furniture and fittings	7 - 10
• Computer equipment	5
• Motor vehicles	7 - 10
• Plant and equipment	2 -10
• Office equipment	5
• Office machines	3 - 5
• Telecommunication	5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end 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 municipality to amend the previous estimate unless expectations differ from the previous estimate.

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

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

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.

Assets which the economic entity 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.

### 1.5 Intangible assets

Intangible assets are initially recognised at cost.

- 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 economic entity or from other rights and obligations.

An intangible asset is recognised when:

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

The municipality amortises all its intangible assets and none of these assets are regarded as having indefinite useful lives.

The useful lives of the intangible assets remain unchanged from the previous year.

No impairment losses have been recognized on the intangible of the municipality at the reporting date.

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

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

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

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

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

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

Item	Useful life
Computer software	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 gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.6 Financial instruments

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



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Financial instruments (continued)

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Classification

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

<b>Class</b>	<b>Category</b>
Receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

<b>Class</b>	<b>Category</b>
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

#### Initial recognition

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

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

The entity measures a financial asset and financial liability initially at its fair value.

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

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

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Financial instruments (continued)

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

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

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

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

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

#### Derecognition

##### Financial assets

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

##### Financial liabilities

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

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

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Presentation

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

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

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

#### Receivables from trade transactions

Trade receivables are measured at fair value and interest is charged on outstanding balances, resultantly no discounting is done.

#### Payables from exchange transactions

Trade payables are measured at fair value.

#### 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 non-amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### 1.7 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.

#### 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.

#### 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.

### 1.8 Inventory

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.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.8 Inventory (continued)

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 economic entity incurs to acquire the asset on the reporting date.

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

The cost of inventory is assigned using the weighted average cost formula. The same cost formula is used for all inventory having a similar nature and use to the economic entity.

When inventory are sold, the carrying amounts of those inventory 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 inventory to net realisable value or current replacement cost and all losses of inventory are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventory, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

As at 30 June 2015 the municipality have inventory comprised of materials (i.e. water pipes not underground as yet); and water (i.e quantity of water on hand as at 30 June 2015).

### 1.9 Impairment of assets

Cash-generating assets are those assets held by the economic entity 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 economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

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

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

Irrespective of whether there is any indication of impairment, the economic entity 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.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

Cash-generating assets are those assets held by the economic entity 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.

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

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

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

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

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

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

Useful life is either:

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service 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.

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

### 1.11 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.11 Employee benefits (continued)

#### 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.

#### Pension Obligations

Umkhanyakude District Council and its employees contribute to the Natal Joint Municipal Pension Fund, Kwazulu-Natal Joint Municipal Provident Fund and GEPF which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No.24 of 1973) and in accordance with the requirements of the Pension Fund Act, 1956 Current contributions are charged against operating income on the basis of current service costs.

### 1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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 deficits.

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.

### 1.13 Commitments

Commitment is referred to as the intention to commit to an outflow from the municipality's resources embodying economic benefits. Generally, a commitment arises when a decision is made to incur a liability in the form of a purchase contract (or similar documentation). Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules.

Disclosures are required in respect of unrecognised contractual commitments.

These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement. A municipality may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the municipality has contracted for expenditure but work has not commenced and no payments have been made.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.13 Commitments (continued)

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.

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

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

#### Measurement

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

#### 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 economic entity;
- 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.

### 1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets.

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

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

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

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



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

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

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

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

#### Recognition

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

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

#### Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Transfers

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

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

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

#### Fines

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

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

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

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### 1.16 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficits 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in the Statement Of Financial Performance as expenses.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.16 Cost of sales (continued)

Contracted service costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis.

### 1.17 Investment income

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

### 1.18 Borrowing costs

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

A 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.

### 1.19 Comparative figures

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

### 1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.21 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.

### 1.22 Irregular expenditure

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.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.22 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.

### 1.23 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note; and
- All expenditure has been dealt with in terms of the above definition and recognition criteria.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. 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.

Major expenses include:

- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.
- Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.
- Repairs and Maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Bulk purchases - expenditure on the procurement of bulk electricity;
- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
- Transfers and grants which relate to expenditure pertaining to free basic services; and
- General Expenses which constitute several expense items which are not individually significant.

### 1.24 Conditional grants and receipts

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

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.25 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The economic entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

### 1.26 Offsetting

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

### 1.27 Budget information

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

General purpose financial reporting by municipalities 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 01 July 2014 to 30 June 2015.

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

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

### 1.28 Related parties

The economic entity 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 economic entity, including those charged with the governance of the economic entity 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 economic entity.

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

### 1.29 Changes accounting estimates and judgements

The municipality makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Assets Useful Lives

Plant and equipment is depreciated over its useful life. The actual useful lives of the assets are assessed annually and vary depending on a number of factors. In reassessing the assets' useful lives, factors such as technological innovation and maintenance programmes are taken into account.

# **UMKHANYAKUDE DISTRICT MUNICIPALITY**

Consolidated Annual Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1.30 Presentation of currency**

These annual financial statements are presented in South African Rand.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>2. INVENTORIES</b>				
Materials	86 736 472	86 736 472	86 736 472	86 736 472
Water	248 081	105 153	248 081	105 153
	<b>86 984 553</b>	<b>86 841 625</b>	<b>86 984 553</b>	<b>86 841 625</b>
Inventories recognised as an expense during the year	-	-	-	-
Inventory recognised as an expense excludes materials purchased for immediate use.				
<b>3. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>				
<b>Gross balances</b>				
Electricity	3 723 192	2 812 135	3 723 192	2 812 135
Water	157 232 907	147 479 800	157 232 907	147 479 800
Sewerage	12 237 191	9 236 273	12 237 191	9 236 273
Other	41 448	41 448	-	-
	<b>173 234 738</b>	<b>159 569 656</b>	<b>173 193 290</b>	<b>159 528 208</b>
<b>Less: Allowance for impairment</b>				
Electricity	(2 852 688)	(2 559 252)	(2 852 688)	(2 559 252)
Water	(156 510 502)	(140 411 354)	(156 510 502)	(140 411 354)
Sewerage	(9 354 874)	(8 392 603)	(9 354 874)	(8 392 603)
	<b>(168 718 064)</b>	<b>(151 363 209)</b>	<b>(168 718 064)</b>	<b>(151 363 209)</b>
<b>Net balance</b>				
Electricity	870 504	252 883	870 504	252 883
Water	722 405	7 068 446	722 405	7 068 446
Sewerage	2 880 771	843 670	2 880 771	843 670
Debtors Prepayments	-	5 405 788	-	5 405 788
Other	8 359 866	41 448	-	-
	<b>12 833 546</b>	<b>13 612 235</b>	<b>4 473 680</b>	<b>13 570 787</b>
<b>Electricity, Water and Sewerage: Ageing</b>				
Current (0 -30 days)	2 341 488	2 341 488	2 341 488	2 341 488
31 - 60 days	5 344 529	5 344 529	5 344 529	5 344 529
61 - 90 days	6 086 495	6 086 495	6 086 495	6 086 495
91 - 120 days	3 496 196	3 496 196	3 496 196	3 496 196
121+ days	146 696 676	141 809 502	146 696 676	141 809 502
	<b>163 965 384</b>	<b>159 078 210</b>	<b>163 965 384</b>	<b>159 078 210</b>
<b>Electricity</b>				
Current (0 -30 days)	245 642	245 642	245 642	245 642
31 - 60 days	77 632	77 632	77 632	77 632
61 - 90 days	77 771	77 771	77 771	77 771
91 - 120 days	39 196	39 196	39 196	39 196
121+ days	2 371 894	2 371 894	2 371 894	2 371 894
	<b>2 812 135</b>	<b>2 812 135</b>	<b>2 812 135</b>	<b>2 812 135</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)</b>				
<b>Water</b>				
Current (0 -30 days)	950 076	950 076	950 076	950 076
31 - 60 days	5 198 598	5 198 598	5 198 598	5 198 598
61 - 90 days	5 943 553	5 943 553	5 943 553	5 943 553
91 - 120 days	3 391 118	3 391 118	3 391 118	3 391 118
121+ days	131 546 457	131 546 457	131 546 457	131 546 457
	<b>147 029 802</b>	<b>147 029 802</b>	<b>147 029 802</b>	<b>147 029 802</b>
<b>Sewerage</b>				
Current (0 -30 days)	411 559	411 559	411 559	411 559
31 - 60 days	68 299	68 299	68 299	68 299
61 - 90 days	65 171	65 171	65 171	65 171
91 - 120 days	65 882	65 882	65 882	65 882
121+ days	8 625 362	8 625 362	8 625 362	8 625 362
	<b>9 236 273</b>	<b>9 236 273</b>	<b>9 236 273</b>	<b>9 236 273</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)</b>				
<b>Summary of debtors by customer classification</b>				
<b>Consumers</b>				
Current (0 -30 days)	402 660	402 660	402 660	402 660
31 - 60 days	2 720 391	2 720 391	2 720 391	2 720 391
61 - 90 days	1 623 174	1 623 174	1 623 174	1 623 174
91 - 120 days	1 541 191	1 541 191	1 541 191	1 541 191
121+ days	124 647 993	124 647 993	124 647 993	124 647 993
	<u>130 935 409</u>	<u>130 935 409</u>	<u>130 935 409</u>	<u>130 935 409</u>
Less: Allowance for impairment	(130 589 301)	(130 589 301)	(130 589 301)	(130 589 301)
	<u><b>346 108</b></u>	<u><b>346 108</b></u>	<u><b>346 108</b></u>	<u><b>346 108</b></u>
<b>Industrial/ commercial</b>				
Current (0 -30 days)	(465 851)	(465 851)	(465 851)	(465 851)
31 - 60 days	1 566 808	1 566 808	1 566 808	1 566 808
61 - 90 days	338 420	338 420	338 420	338 420
91 - 120 days	257 021	257 021	257 021	257 021
121+ days	19 934 780	19 934 780	19 934 780	19 934 780
	<u>21 631 178</u>	<u>21 631 178</u>	<u>21 631 178</u>	<u>21 631 178</u>
Less: Allowance for impairment	(20 773 908)	(20 773 908)	(20 773 908)	(20 773 908)
	<u><b>857 270</b></u>	<u><b>857 270</b></u>	<u><b>857 270</b></u>	<u><b>857 270</b></u>
<b>National and provincial government</b>				
Current (0 -30 days)	326 946	326 946	326 946	326 946
31 - 60 days	1 309 942	1 309 942	1 309 942	1 309 942
61 - 90 days	409 934	409 934	409 934	409 934
91 - 120 days	600 398	600 398	600 398	600 398
121+ days	3 864 403	3 864 403	3 864 403	3 864 403
	<u><b>6 511 623</b></u>	<u><b>6 511 623</b></u>	<u><b>6 511 623</b></u>	<u><b>6 511 623</b></u>
<b>Total Debtors</b>				
Current (0 -30 days)	2 341 488	2 341 488	2 341 488	2 341 488
31 - 60 days	5 344 529	5 344 529	5 344 529	5 344 529
61 - 90 days	6 086 495	6 086 495	6 086 495	6 086 495
91 - 120 days	3 496 196	3 496 196	3 496 196	3 496 196
121+ days	146 696 676	146 696 676	146 696 676	141 809 502
	<u><b>163 965 384</b></u>	<u><b>163 965 384</b></u>	<u><b>163 965 384</b></u>	<u><b>159 078 210</b></u>
<b>Less: Allowance for impairment</b>				
Current (0 -30 days)	(1 999 763)	(1 999 763)	(1 999 763)	(1 999 763)
31 - 60 days	(2 162 195)	(2 162 195)	(2 162 195)	(2 162 195)
61 - 90 days	(1 895 553)	(1 895 553)	(1 895 553)	(1 895 553)
91 - 120 days	(3 496 196)	(3 496 196)	(3 496 196)	(3 496 196)
121+ days	(141 809 502)	(141 809 502)	(141 809 502)	(141 809 502)
	<u><b>(151 363 209)</b></u>	<u><b>(151 363 209)</b></u>	<u><b>(151 363 209)</b></u>	<u><b>(151 363 209)</b></u>
<b>Total</b>				
Current (0 -30 days)	504 087	341 725	504 087	341 725
31 - 60 days	5 166 892	3 182 334	5 166 892	3 182 334
61 - 90 days	6 931 196	4 190 934	6 931 196	4 190 934
	<u><b>12 602 175</b></u>	<u><b>7 714 993</b></u>	<u><b>12 602 175</b></u>	<u><b>7 714 993</b></u>



# UMKHANYAKUDE DISTRICT MUNICIPALITY

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

### 3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

#### Reconciliation of allowance for impairment

Balance at beginning of the year	135 991 650	135 991 650	135 991 650	135 991 650
Contributions to allowance	31 083 436	31 083 436	31 083 436	31 083 436
Debt impairment written off against allowance	(15 711 876)	(15 711 876)	(15 711 876)	(15 711 876)
	<b>151 363 210</b>	<b>151 363 210</b>	<b>151 363 210</b>	<b>151 363 210</b>

#### Receivables from exchange past due not impaired

Consumer debtors which are less than 3 months past due (2015) 1 month past due (2014) are not considered to be impaired. At 30 June 2015, R 12 602 175 (2014: R 7 714 993) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	504 087	341 725	504 087	341 725
2 months past due	5 166 892	3 182 334	5 166 892	3 182 334
3 months past due	6 931 196	4 190 934	6 931 196	4 190 934

#### Receivables from exchange impaired

As of 30 June 2015, consumer debtors of R 173 227 881.56 - (2014: R 150 028 774) were impaired and provided for.

### 4. Other receivables from exchange transactions

Avis loan - Mthombeni LM	242 792	242 792	242 792	242 792
Debtor Fraud	3 805 917	3 805 917	3 805 917	3 805 917
Debtor Shemula	2 730	2 730	2 730	2 730
Loan to Umhlabuyalingana	108 762	108 762	108 762	108 762
Ocliwane Water	1 553 317	1 553 317	1 553 317	1 553 317
Debtor Shemula	1 457 047	1 222 797	1 457 047	1 222 797
Pre - Paid Expense	7 856 696	9 166 503	7 856 696	9 166 503
Other Debtors	1 166 289	1 166 289	1 166 289	1 166 289
Housing loans	4 022 951	4 022 951	4 022 951	4 022 951
Sundry Debtors - Umhlathuze Water	345 633	345 633	345 633	345 633
Vehicle Loans	69 939	69 939	69 939	69 939
Provision for Bad Debts	(19 285 059)	(19 285 059)	(19 285 059)	(19 285 059)
	<b>1 347 014</b>	<b>2 422 571</b>	<b>1 347 014</b>	<b>2 422 571</b>

#### Concessionary Loans

##### Vehicle Loan

A vehicle was bought by the municipality on behalf of a councillor. The agreement was the instalment would be deducted on the salary. Mr Sibanda failed to settle the balance of R69 939.34 that is still reflecting in the municipality's financial statements. The outstanding amount has been fully provided.

##### Avis Loan LM Mthombeni

A vehicle was bought by the municipality on behalf of a councillor. The agreement was the instalment would be deducted on the salary. Mr LM Mthombeni failed to settle the balance of R242 792 that is still reflecting in the municipality's financial statements. The outstanding amount has been fully provided.

#### Other Loan Disclosure

#### Other receivables from exchange transactions

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

### 4. Other receivables from exchange transactions (continued)

The loan was granted by the UMkhanyakude council to UMhlabuyalinga Local Municipality under the local authorities loan fund act, 1984 act no 67 of 1984. This was granted for the period of two years starting on the 02/12/2009 to the 30/11/2011. The loan was granted for the purpose of re-instatement of Disaster services contract. The capital portion of the loan from time to time will bear interest at the prime bank rate. The balance of R 108 672 disclosed in the financial statement of UMkhanyakude is the interest portion that has been carried forward for the past five years where as the capital portion was settled at prescribed period of time.

### 5. VAT receivable

VAT	<u>24 829 936</u>	<u>28 201 971</u>	<u>24 821 882</u>	<u>28 012 670</u>
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VAT claimed to SARS is on payments basis. Amount claimable to SARS is disclosed in the VAT control account where the VAT 201s and VAT refunds are offset and the amount due or payable to SARS is disclosed.

VAT Input Accrual represents VAT that is receivable that accrued during the period and is transferred to the VAT control account once a VAT 201 is raised and submitted to SARS. VAT Output Accrual represents VAT payable accrued during the period and is transferred to the VAT control account once a VAT 201 is raised and submitted to SARS which is VAT payable.

#### VAT

VAT Control	17 429 126	25 820 959	17 421 072	25 820 959
VAT Input Accrual	-	9 652 186	-	-
Vat Input Accrual	16 537 866	-	16 537 866	9 652 186
VAT Output Accrual	(9 137 056)	(7 460 474)	(9 137 056)	(7 460 474)
	<u>24 829 936</u>	<u>28 012 671</u>	<u>24 821 882</u>	<u>28 012 671</u>

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	41 342	22 050	38 821	19 494
Bank balances	11 995 210	10 833 648	12 157 560	10 709 113
Other cash and cash equivalents	1 506 489	4 238 965	500 032	649 469
	<u>13 543 041</u>	<u>15 094 663</u>	<u>12 696 413</u>	<u>11 378 076</u>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

### 6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA BANK - Mkuze Branch Account Number : 4053107423	9 990 451	6 845 143	154 281	9 990 451	6 845 143	154 281
First National Bank - Mkuze Branch Account Number : 62026865321	1 264 307	2 747 271	10 432 174	1 264 307	2 747 271	10 432 174
First National Bank - Mkuze Branch Account Number : 62092993809	261 126	539 141	520 440	261 126	539 141	520 440
First National Bank - Mkuze Branch Account Number : 62027696478	86 976	84 366	82 207	86 976	84 366	82 207
Nedbank Fixed Deposit - Branch Account Number 7881085762	-	-	96 627 046	-	-	96 627 046
Ithala Bank - Mkuze Branch Account Number - 23247671	541 799	480 047	411 844	541 799	480 047	411 844
ABSA BANK - Call Account Number : 91-1531-5268	469 586	380 805	346 989	469 586	380 805	346 989
First National Bank - Call Account Number : 62309788498	2 213	240 848	2 879 352	2 213	240 848	2 879 352
FNB Business Fixed Maturity - 74298425031	-	-	30 261 370	-	-	30 261 370
FNB Money Market Transactor - 62263733258	28 233	27 816	27 542	28 233	27 816	27 542
Nedbank Account (Umhlosinga) 92000378551	86 708	124 532	655 620	86 708	124 532	655 620
ABSA Bank (Umhlosinga) - Call Account 9236199818	-	-	21 683	-	-	21 683
Nedbank Investment Account - 36990525	1 006 457	3 589 496	1 155 446	1 006 457	3 589 496	1 155 446
<b>Total</b>	<b>13 737 856</b>	<b>15 059 465</b>	<b>143 575 994</b>	<b>13 737 856</b>	<b>15 059 465</b>	<b>143 575 994</b>

### 7. Property, plant and equipment

Economic entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 157 250	-	1 157 250	1 157 250	-	1 157 250
Buildings	35 875 018	(10 210 183)	25 664 835	35 875 018	(8 893 115)	26 981 903
Infrastructure	748 840 838	(102 158 125)	646 682 713	748 837 733	(80 901 632)	667 936 101
Other property, plant and equipment	47 938 385	(19 283 025)	28 655 360	37 436 281	(14 523 132)	22 913 149
Assets Under Construction	872 272 895	-	872 272 895	755 874 329	-	755 874 329
Leased Assets	3 101 406	(1 348 523)	1 752 883	1 737 323	(714 678)	1 022 645
<b>Total</b>	<b>1 709 185 792</b>	<b>(132 999 856)</b>	<b>1 576 185 936</b>	<b>1 580 917 934</b>	<b>(105 032 557)</b>	<b>1 475 885 377</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

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

Controlling entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 157 250	-	1 157 250	1 157 250	-	1 157 250
Buildings	35 875 018	(10 210 183)	25 664 835	35 875 018	(8 893 115)	26 981 903
Infrastructure	748 840 838	(102 158 125)	646 682 713	748 837 733	(80 901 632)	667 936 101
Other property, plant and equipment	47 353 160	(19 190 752)	28 162 408	36 786 340	(14 466 635)	22 319 705
Assets Under Construction	871 821 251	-	871 821 251	755 422 685	-	755 422 685
Leased Assets	3 101 406	(1 348 523)	1 752 883	1 737 323	(714 678)	1 022 645
<b>Total</b>	<b>1 708 148 923</b>	<b>(132 907 583)</b>	<b>1 575 241 340</b>	<b>1 579 816 349</b>	<b>(104 976 060)</b>	<b>1 474 840 289</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Newly identified assets at fair value	Transfers	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	-	-	1 157 250
Buildings	26 981 903	-	-	-	(1 315 384)	(1 684)	25 664 835
Infrastructure	667 936 101	-	3 105	-	(20 646 017)	(610 475)	646 682 714
Other property, plant and equipment	22 913 149	9 643 155	704 077	245 659	(4 707 079)	(143 601)	28 655 360
Assets Under Construction	755 874 329	116 644 225	-	(245 659)	-	-	872 272 895
Leased Assets	1 022 646	1 258 005	-	-	(527 768)	-	1 752 883
	<b>1 475 885 378</b>	<b>127 545 385</b>	<b>707 182</b>	<b>-</b>	<b>(27 196 248)</b>	<b>(755 760)</b>	<b>1 576 185 937</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Newly identified assets at fair value	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	-	-	-	1 157 250
Buildings	28 384 113	-	-	(2 574)	-	(1 351 927)	(47 709)	26 981 903
Infrastructure	681 742 840	-	-	(730 943)	9 647 734	(20 680 219)	(2 043 311)	667 936 101
Other property, plant and equipment	20 767 385	4 879 361	1 239 371	1 292	-	(3 673 574)	(300 686)	22 913 149
Assets Under Construction	510 334 358	255 187 705	-	-	(9 647 734)	-	-	755 874 329
Leased Assets	337 158	1 042 916	-	(103 179)	-	(254 249)	-	1 022 646
	<b>1 242 723 104</b>	<b>261 109 982</b>	<b>1 239 371</b>	<b>(835 404)</b>	<b>-</b>	<b>(25 959 969)</b>	<b>(2 391 706)</b>	<b>1 475 885 378</b>

Fixed assets register is held at the municipal premises (refer to Appendix B for more detail on property, plant and equipment).

During 2013/14 financial year, the following assets were not found during the physical verification exercise which were subsequently written-off and removed from our fixed assets register and property, plant and equipment:

Infrastructure Assets	-	1 410 221	-	1 410 221
Movable	-	403 801	-	403 801
	<b>-</b>	<b>1 814 022</b>	<b>-</b>	<b>1 814 022</b>

There is a Council Resolution in this regard.

During physical verification of fixed assets exercise for 2013/14 financial year, movable and immovable assets amounted to R5 310 405.16 were discovered on site and included in the fixed assets register and property, plant and equipment at fair value by Council Resolution. Subsequently, the fair value adjustment was processed as income in the Statement of Financial Performance.

Change in Accounting Estimate

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

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Figures in Rand

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

GRAP17: Property, Plant and Equipment requires that the review of the remaining useful life of an item of property, plant and equipment to be conducted at least each financial year end. Such review has been completed and the following results were achieved:

Based on the condition assessment carried out during the physical verification, the remaining useful lives of 14 237 assets were adjusted in accordance with the "Local Government Capital Asset Management Guideline" as issued by National Treasury.

The impact of the adjustment is that depreciation charges on Property, Plant and Equipment during the 2014 financial period has increased by R5,268,449.25 from R20,508,004.00 to R25,776,453.26, should circumstances remain unchanged, the effect on future period's depreciation will be an estimated increase of R5,268,449.25 per annum.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 30 June 2015 Controlling Entity

	Opening balance	Additions	Newly identified assets at fair value	Transfers received	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	-	-	1 157 250
Buildings	26 981 903	-	-	-	(1 315 384)	(1 684)	25 664 835
Infrastructure	667 936 101	-	3 105	-	(20 646 017)	(610 475)	646 682 714
Other property, plant and equipment	22 319 705	9 553 218	704 077	245 659	(4 516 649)	(143 601)	28 162 409
Assets Under Construction	755 422 685	116 644 225	-	(245 659)	-	-	871 821 251
Leased Assets	1 022 646	1 258 005	-	-	(527 768)	-	1 752 883
	<b>1 474 840 290</b>	<b>127 455 448</b>	<b>707 182</b>	<b>-</b>	<b>(27 005 818)</b>	<b>(755 760)</b>	<b>1 575 241 342</b>

#### Reconciliation of property, plant and equipment - 30 June 2014 Controlling Entity

	Opening balance	Additions	Newly identified assets at fair value	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	-	-	-	1 157 250
Buildings	28 384 113	-	-	(2 574)	-	(1 351 927)	(47 709)	26 981 903
Infrastructure	681 742 840	-	-	(730 943)	9 647 734	(20 680 219)	(2 043 311)	667 936 101
Other property, plant and equipment	20 062 484	4 805 166	1 239 371	(154 011)	-	(3 490 058)	(143 247)	22 319 705
Assets Under Construction	509 882 714	255 187 705	-	-	(9 647 734)	-	-	755 422 685
Leased Assets	337 158	1 042 917	-	(103 179)	-	(254 250)	-	1 022 646
	<b>1 241 566 559</b>	<b>261 035 788</b>	<b>1 239 371</b>	<b>(990 707)</b>	<b>-</b>	<b>(25 776 454)</b>	<b>(2 234 267)</b>	<b>1 474 840 290</b>



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

### 8. Intangible assets

Economic entity	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	434 957	(177 057)	257 900	434 957	(107 600)	327 357

  

Controlling entity	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	434 957	(177 057)	257 900	434 957	(107 600)	327 357

### Reconciliation of intangible assets - 30 June 2015

	Opening balance	Additions	Amortisation	Total
Computer software	327 357	63 866	(133 323)	257 900

### Reconciliation of intangible assets - 30 June 2014

	Opening balance	Additions	Amortisation	Total
Computer software	29 626	397 523	(99 792)	327 357

### 9. Other financial liabilities

#### At amortised cost

Other financial liabilities	(507 954)	431 638	(507 954)	431 638
Debtors Prepayments	-	5 405 788	-	5 405 788
Other Accruals	5 669 418	3 968 452	5 669 418	3 844 677
	<b>5 161 464</b>	<b>9 805 878</b>	<b>5 161 464</b>	<b>9 682 103</b>
<b>Total other financial liabilities</b>	<b>5 161 464</b>	<b>9 805 878</b>	<b>5 161 464</b>	<b>9 682 103</b>
<b>Current liabilities</b>				
Other Financial Liabilities	5 161 463	9 805 878	5 161 463	9 682 103

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

Trade creditors	130 875 679	86 585 867	123 359 533	86 006 758
Accrued expenses	-	192 803	-	192 803
13th Cheque Accrual	2 792 236	2 371 083	2 792 236	2 371 083
Leave Pay Accrual	10 519 442	10 165 704	10 519 441	10 065 916
Retentions	21 292 729	23 175 868	21 292 729	23 175 868
<b>Total creditors</b>	<b>165 480 086</b>	<b>122 491 325</b>	<b>157 963 939</b>	<b>121 812 428</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

### 10. Trade and other payables from exchange transactions (continued)

The fair value of trade and other payables approximate their carrying amounts.

### 11. Consumer deposits

Electricity and Water	1 970 982	1 844 883	1 970 982	1 844 883
Unallocated Deposits	17 163	17 163	17 163	17 163
<b>Total consumer deposits</b>	<b>1 988 145</b>	<b>1 862 046</b>	<b>1 988 145</b>	<b>1 862 046</b>

### 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Councillors Training	11 300	11 300	11 300	11 300
Disaster Management	9 120	-	9 120	-
Environmental Management Grant	405 600	405 600	405 600	405 600
Expanded Public Works Programme (EPWP)	-	2 164 094	-	2 164 094
Ingwavuma	101 506	101 506	101 506	101 506
Kwadapha	578 891	578 891	578 891	578 891
Kwazibi National Lottery	122 667	122 667	122 667	122 667
Lake Tete	267 001	267 001	267 001	267 001
Mabibi National Lottery	166 667	166 667	166 667	166 667
Massification Grant	4 172 492	4 172 492	4 172 492	4 172 492
MIG Reserves	12 274 058	-	12 274 058	-
Municipal Water Infrastructure Grant	-	1 562 945	-	1 562 945
Mqobela National Lottery	166 666	166 666	166 666	166 666
Ndumo Groundnuts	749 347	749 347	749 347	749 347
Ndumo Learners Shelter	9 441 505	9 441 505	9 441 505	9 441 505
Nyezi Community HIV Centre	303 570	303 570	303 570	303 570
Other	6 931 975	2 006 107	1 224 658	254 290
PIMMS/ NDT Operational	300	300	300	300
Public Participation Customer Satisfaction Survey	154 000	750 000	154 000	750 000
Rural Transport Infrastructure and System Grant	4 695	-	4 695	-
Shared Services Grant	250 000	-	250 000	-
Umkhombe Tours	908 690	908 690	908 690	908 690
Waste Management	145 565	145 565	145 565	145 565
	<b>37 165 615</b>	<b>24 024 913</b>	<b>31 458 298</b>	<b>22 273 096</b>

#### Cash backing of 2013/14 conditional grants

Grant funds used for other purposes:	-	-	-	-
Kwadapha	-	578 891	-	578 891
Lake Tete	-	267 001	-	267 001
Nyezi Community HIV Centre	-	303 750	-	303 750
Umkhombe	-	908 690	-	908 690
Retentions raised during the year	-	8 538 474	-	8 538 474
	-	<b>10 596 806</b>	-	<b>10 596 806</b>

During the financial year 2013/2014, the municipality had retentions amounting to R8 538 473.79 which will be settled in the next year when they are due.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

### 12. Unspent conditional grants and receipts (continued)

Grants valued at R2 058 152 disclosed in 2013/14 above were not used for intended purposes in the previous years and an investigation is in progress and the findings will be tabled to Council.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

### 13. Non - current provisions

#### Reconciliation of non - current provisions - Economic entity - 2015

	Opening Balance	Additions	Reversed during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Transfer to Current Portion of Long Service Award	109 013	-	-	(1 013)	108 000
Provision for long service awards	4 079 987	1 018 000	(320 000)	1 013	4 779 000
	<b>4 189 000</b>	<b>1 018 000</b>	<b>(320 000)</b>	<b>-</b>	<b>4 887 000</b>

#### Reconciliation of non - current provisions - Economic entity - 2014

	Opening Balance	Additions	Reversed during the year	Total
Transfer to Current Portion of Long Service Award	210 326	-	(101 313)	109 013
Provision for long service awards	3 259 674	1 030 639	(210 326)	4 079 987
	<b>3 470 000</b>	<b>1 030 639</b>	<b>(311 639)</b>	<b>4 189 000</b>

#### Reconciliation of non - current provisions - 30 June 2015 Controlling Entity

	Opening Balance	Additions	Reversed during the year	Reduction due to re-measurement	Total
Transfer to Current Portion of Long Service Award	109 013	-	-	(1 013)	108 000
Provision for long service awards	4 079 987	1 018 000	(320 000)	1 013	4 779 000
	<b>4 189 000</b>	<b>1 018 000</b>	<b>(320 000)</b>	<b>-</b>	<b>4 887 000</b>

#### Reconciliation of non - current provisions - 30 June 2014 Controlling Entity

	Opening Balance	Additions	Reversed during the year	Total
Transfer to Current Portion of Long Service Award	210 326	-	(101 313)	109 013
Non-Current Provision for long service awards	3 259 674	1 030 639	(210 326)	4 079 987
	<b>3 470 000</b>	<b>1 030 639</b>	<b>(311 639)</b>	<b>4 189 000</b>

### Long Service Awards

The municipality carries out a statutory valuation on an annual basis. ZAQEN Actuaries (Pty) Ltd performed an actuarial valuation of the liability in respect of the long service awards for the financial year ended 30 June 2015. The previous valuation was conducted by ZAQEN Actuaries (Pty) Ltd again as at 30 June 2014. The principal actuarial assumptions were used as follows:

#### Membership Data

According to the information provided, the number of members entitled to receive long service leave awards from the Municipality were:

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>13. Non - current provisions (continued)</b>				
<b>Gender</b>	<b>Number of Active Employees</b>	<b>Salary Weighted average age (Years)</b>	<b>Salary Weighted past service (Years)</b>	
Male	242	43.31	6.45	
Female	71	38.36	6.51	
<b>Total</b>	<b>313</b>			

### Long service Awards Liabilities

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Completed Years of Service	Total Long Service Benefit Award (% of Annual Salary)	Formula used to calculate Total Long Service Benefit Award
10	4%	(10/250)*Annual Salary
15	8%	(20/250)*Annual Salary
20,25,30,35,40 and 45	12%	(30/250)*Annual Salary

### Valuation Assumptions - Key Financial Variables

	Assumed value 30 June 2015 (Current Valuation)	Assumed value 30 June 2014 (Preceding Valuation)
Discount rate per annum	Yield Curve	7.96%
CPI (Consumer Price Inflation)	Difference between the nominal and real yield curve	6.33%
Normal Salary Increase	Equal to CPI + 1%	7.33%
Net Effective Discount Rate	Yield Curve Based**	0.59%
<b>Examples of mortality rates used were as follows:</b>		
Average retirement age	63	63
Mortality during employment	SA 85-90	SA 85-90
Members withdrawn from services: (Average for males and females)		
Age 20 - 24	20%	20%
Age 25 - 29	15%	15%
Age 30 - 34	12.5%	12.5%
Age 35 - 39	9%	9%
Age 40 - 44	6%	6%
Age 45 - 49	4%	4%
Age 50 - 54	2%	2%
Age 55 -59	1%	1%
Age 60+	0%	0%

### The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations	4 887 000	4 189 000
Fair value of plan assets	-	-
<b>Liability in the Statement of Financial Position</b>	<b>4 887 000</b>	<b>4 189 000</b>

### Movements in the defined benefit obligation is as follows:

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

### 13. Non - current provisions (continued)

#### Changes in the value of the obligation:

	<b>Current Valuation Date 30 June 2015</b>	<b>Preceding Valuation Date 30 June 2015</b>
PV of the obligation as at the previous valuation date	4 189 000	3 470 000
Current service Cost	662 000	846 000
Interest cost	350 000	-
Benefit payments	(320 000)	(210 326)
Actuarial (gains)/losses	6 000	83 326
<b>Balance at end of year</b>	<b>4 887 000</b>	<b>4 189 000</b>

#### In conclusion:

If we assume that the long service award benefit policy of the Municipality remains unchanged over the next 36 months, a projection of the Municipality's unfunded accrued liability and future service cost can be seen as follows:

#### Statement of Financial Position obligation for:

Long Service Award	4 887 000	4 189 000
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#### Statement of Financial performance obligation for:

Long Service Award (Loss/ Gain)	6 000	83 326
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### 14. Non - current borrowings

#### DBSA Loans

Opening Balance	9 737 748	10 553 559	9 737 748	10 553 559
Amount Due	734 088	713 756	734 088	713 756
Amount Paid	(1 571 755)	(1 529 567)	(1 571 755)	(1 529 567)
	<b>8 900 081</b>	<b>9 737 748</b>	<b>8 900 081</b>	<b>9 737 748</b>

#### Statement of Financial Performance

Non-current portion of borrowings	5 900 136	6 623 267	7 400 108	8 180 507
Current portion of borrowings	2 999 945	3 114 481	1 499 973	1 557 241
	<b>8 900 081</b>	<b>9 737 748</b>	<b>8 900 081</b>	<b>9 737 748</b>

The loans from Development Bank South Africa are subject to interest at the average rate of 6.75% and are repayable over an average period of 13 years.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

### 15. Non-current finance lease liability

30 June 2015	Minimum lease payments	Future Finance Charges	Present Value of minimum lease payments
Within one year	997 212	(100 020)	897 192
Within two to five years	697 747	(68 890)	628 857
	<b>1 694 959</b>	<b>(168 910)</b>	<b>1 526 049</b>

The average lease term is 3 years and the fixed borrowing rate is 15% (2015) 15% (2014). Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

30 June 2014	Minimum lease payments	Future Finance Charges	Present Value of minimum lease payments
Within one year	521 412	(62 580)	458 832
Within two to five years	448 753	(23 560)	425 193
	<b>970 165</b>	<b>(86 140)</b>	<b>884 025</b>

### 16. Service charges

Sale of electricity	5 701 742	5 669 415	5 701 742	5 669 415
Sale of water	19 929 116	36 646 758	19 929 116	36 646 758
Sewerage and sanitation charges	849 497	1 257 014	849 497	1 257 014
<b>Total Services Charges</b>	<b>26 480 355</b>	<b>43 573 187</b>	<b>26 480 355</b>	<b>43 573 187</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>17. Government grants and subsidies</b>				
<b>Operating grants</b>				
Equitable share	228 333 945	193 756 000	228 333 945	193 756 000
Rural Road & Transport Management	1 325 360	2 100 708	1 325 360	2 100 708
EPWP	1 208 094	-	1 208 094	-
Public Participation & Customer Survey	596 000	-	596 000	-
Rural Households Infrastructure Grant	3 996 002	3 996 002	3 996 002	3 996 002
ACIP	721 113	4 383 990	721 113	4 383 990
Disaster Management Grant	990 880	4 790 878	990 880	4 790 878
Mbazwana Thusong Centre	148 271	-	148 271	-
FMG	1 250 000	1 250 000	1 250 000	1 250 000
MSIG	934 000	890 000	934 000	890 000
Other Grants	-	69 421 304	-	69 421 304
	<u>239 503 665</u>	<u>280 588 882</u>	<u>239 503 665</u>	<u>280 588 882</u>
<b>Capital grants</b>				
MIG	153 745 942	233 214 362	153 745 942	233 214 362
Other Grant	844 499	8 455 799	-	-
	<u>154 590 441</u>	<u>241 670 161</u>	<u>153 745 942</u>	<u>233 214 362</u>
	<b><u>394 094 106</u></b>	<b><u>522 259 043</u></b>	<b><u>393 249 607</u></b>	<b><u>513 803 244</u></b>
Additional disclosure has been made for other grants in the current and prior financial year.				
<b>Public Participation &amp; Customer Satisfaction Survey</b>				
Balance unspent at beginning of year	(750 000)	-	(750 000)	-
Current-year receipts	-	(750 000)	-	(750 000)
Conditions met - transferred to revenue	596 000	-	596 000	-
	<u>(154 000)</u>	<u>(750 000)</u>	<u>(154 000)</u>	<u>(750 000)</u>
<b>PIMMS / NDT Operational</b>				
Balance unspent at beginning of year	(300)	(300)	(300)	(300)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<u>(300)</u>	<u>(300)</u>	<u>(300)</u>	<u>(300)</u>
<b>National Treasury - International (ILO)</b>				
Balance unspent at end of the year	(303 323)	-	-	-
Current-year receipts	-	(450 000)	-	-
Conditions met - transferred to revenue	-	146 677	-	-
	<u>(303 323)</u>	<u>(303 323)</u>	<u>-</u>	<u>-</u>
<b>MTN SA Foundation</b>				
Balance unspent at end of the year	(747 621)	-	-	-
Current-year receipts	-	(900 000)	-	-
Conditions met - transferred to revenue	-	152 379	-	-
	<u>(747 621)</u>	<u>(747 621)</u>	<u>-</u>	<u>-</u>
<b>FMG</b>				
Current-year receipts	(1 250 000)	(1 250 000)	(1 250 000)	(1 250 000)



# UMKHANYAKUDE DISTRICT MUNICIPALITY

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>17. Government grants and subsidies (continued)</b>				
Conditions met - transferred to revenue	1 250 000	1 250 000	1 250 000	1 250 000
	-	-	-	-
<b>Capacity Building: Asset Management</b>				
Balance unspent at beginning of year	-	(153 813)	-	(153 813)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	153 813	-	153 813
	-	-	-	-
<b>Massification Grant</b>				
Balance unspent at beginning of year	(4 172 492)	(18 043 888)	(4 172 492)	(18 043 888)
Conditions met - transferred to revenue	-	13 871 396	-	13 871 396
	<b>(4 172 492)</b>	<b>(4 172 492)</b>	<b>(4 172 492)</b>	<b>(4 172 492)</b>
<b>Debt Management Grant</b>				
Balance unspent at beginning of year	-	(420 908)	-	(420 908)
Conditions met - transferred to revenue	-	420 908	-	420 908
	-	-	-	-
<b>Umnqobokazi</b>				
Balance unspent at beginning of year	-	(258 244)	-	(258 244)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	258 244	-	258 244
	-	-	-	-
<b>Kwazibi National Lottery</b>				
Balance unspent at beginning of year	(122 667)	(122 667)	(122 667)	(122 667)
<b>Mqobela National Lottery</b>				
Balance unspent at beginning of year	(166 666)	(166 666)	(166 666)	(166 666)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>(166 666)</b>	<b>(166 666)</b>	<b>(166 666)</b>	<b>(166 666)</b>
<b>Mabibi National Lottery</b>				
Balance unspent at beginning of year	(166 667)	(166 667)	(166 667)	(166 667)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>(166 667)</b>	<b>(166 667)</b>	<b>(166 667)</b>	<b>(166 667)</b>
<b>Mtuba Water Conservation and Demand Management</b>				
Balance unspent at beginning of year	-	(524 309)	-	(524 309)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	524 309	-	524 309

# UMKHANYAKUDE DISTRICT MUNICIPALITY

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Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>17. Government grants and subsidies (continued)</b>				
	-	-	-	-
<b>Kwazibi Water Purification</b>				
Balance unspent at beginning of year	-	(915 000)	-	(915 000)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	915 000	-	915 000
	-	-	-	-
<b>Kwajobe Cezwane Water Purification</b>				
Balance unspent at beginning of year	-	(787 880)	-	(787 880)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	787 880	-	787 880
	-	-	-	-
<b>Kwajobe Nongowoza Water Purification</b>				
Balance unspent at beginning of year	-	(915 000)	-	(915 000)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	915 000	-	915 000
	-	-	-	-
<b>Bazaneni River Water Purification</b>				
Balance unspent at beginning of year	-	(756 400)	-	(756 400)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	756 400	-	756 400
	-	-	-	-
<b>Disaster Management</b>				
Balance unspent at beginning of year	-	(4 790 878)	-	(4 790 878)
Current-year receipts	(1 000 000)	-	(1 000 000)	-
Expenditure claimed in accordance with grant conditions	990 880	4 790 878	990 880	4 790 878
	<b>(9 120)</b>	-	<b>(9 120)</b>	-
<b>Growth and Development Summit Grant</b>				
Balance unspent at beginning of year	-	(458 944)	-	(458 944)
Conditions met - transferred to revenue	-	458 944	-	458 944
	-	-	-	-
<b>Corridor Development</b>				
Balance unspent at beginning of year	-	(269 717)	-	(269 717)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	269 717	-	269 717
	-	-	-	-

# UMKHANYAKUDE DISTRICT MUNICIPALITY

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>17. Government grants and subsidies (continued)</b>				
<b>MSIG</b>				
Current-year receipts	(934 000)	(890 000)	(934 000)	(890 000)
Conditions met - transferred to revenue	934 000	890 000	934 000	890 000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Intergovernmental Relations Implementation Grant</b>				
Balance unspent at beginning of year	-	(77 520)	-	(77 520)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	77 520	-	77 520
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Ndumo Groundnuts</b>				
Balance unspent at beginning of year	(749 347)	(2 000 000)	(749 347)	(2 000 000)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	1 250 653	-	1 250 653
	<u>(749 347)</u>	<u>(749 347)</u>	<u>(749 347)</u>	<u>(749 347)</u>
<b>Expanded Public Works Programme (EPWP)</b>				
Balance unspent at beginning of year	(2 164 094)	(1 164 094)	(2 164 094)	(1 164 094)
Current-year receipts	(788 000)	(1 000 000)	(788 000)	(1 000 000)
Conditions met - transferred to revenue	870 094	-	870 094	-
Grant withheld by National Treasury	2 082 000	-	2 082 000	-
	<u>-</u>	<u>(2 164 094)</u>	<u>-</u>	<u>(2 164 094)</u>
<b>Lake Tete</b>				
Balance unspent at beginning of year	(267 001)	(267 001)	(267 001)	(267 001)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<u>(267 001)</u>	<u>(267 001)</u>	<u>(267 001)</u>	<u>(267 001)</u>
<b>Kwadapha</b>				
Balance unspent at beginning of year	(578 891)	(578 891)	(578 891)	(578 891)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<u>(578 891)</u>	<u>(578 891)</u>	<u>(578 891)</u>	<u>(578 891)</u>
<b>Nyezi Community Hiv Centre</b>				
Balance unspent at beginning of year	(303 570)	(303 570)	(303 570)	(303 570)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<u>(303 570)</u>	<u>(303 570)</u>	<u>(303 570)</u>	<u>(303 570)</u>
<b>Umkhombe Tours</b>				

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>17. Government grants and subsidies (continued)</b>				
Balance unspent at beginning of year	(908 690)	(908 690)	(908 690)	(908 690)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>(908 690)</b>	<b>(908 690)</b>	<b>(908 690)</b>	<b>(908 690)</b>
<b>Waste Management Grant</b>				
Balance unspent at beginning of year	(145 565)	(145 565)	(145 565)	(145 565)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>(145 565)</b>	<b>(145 565)</b>	<b>(145 565)</b>	<b>(145 565)</b>
<b>Environmental Management Grant</b>				
Balance unspent at beginning of year	(405 600)	(800 268)	(405 600)	(800 268)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	394 668	-	394 668
	<b>(405 600)</b>	<b>(405 600)</b>	<b>(405 600)</b>	<b>(405 600)</b>
<b>Rural Transport Infrastructure and System Grant</b>				
Balance unspent at beginning of year	(291)	-	(291)	-
Current-year receipts	(2 440 000)	(2 101 000)	(2 440 000)	(2 101 000)
Conditions met - transferred to revenue	1 325 360	2 100 709	1 325 360	2 100 709
	<b>(1 114 931)</b>	<b>(291)</b>	<b>(1 114 931)</b>	<b>(291)</b>
<b>Municipal Government Administration</b>				
Balance unspent at beginning of year	-	(800 000)	-	(800 000)
Conditions met - transferred to revenue	-	-	-	-
Amount recalled by National Treasury	-	800 000	-	800 000
	-	-	-	-
<b>Ndumo Learners Shelter</b>				
Balance unspent at beginning of year	(9 441 505)	(19 473 271)	(9 441 505)	(19 473 271)
Conditions met - transferred to revenue	-	10 031 766	-	10 031 766
	<b>(9 441 505)</b>	<b>(9 441 505)</b>	<b>(9 441 505)</b>	<b>(9 441 505)</b>
<b>MIG Grant</b>				
Balance unspent at beginning of year	-	(17 917 372)	-	(17 917 372)
Current-year receipts	(166 020 000)	(215 297 000)	(166 020 000)	(215 297 000)
Conditions met - transferred to revenue	153 745 942	233 214 372	153 745 942	233 214 372
	<b>(12 274 058)</b>	-	<b>(12 274 058)</b>	-
<b>Councillors Training</b>				
Balance unspent at beginning of year	(11 300)	(200 000)	(11 300)	(200 000)
Conditions met - transferred to revenue	-	188 700	-	188 700
	<b>(11 300)</b>	<b>(11 300)</b>	<b>(11 300)</b>	<b>(11 300)</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>17. Government grants and subsidies (continued)</b>				
<b>Ingwavuma Prison Electrical Upgrade</b>				
Balance unspent at beginning of year	(101 506)	(941 043)	(101 506)	(941 043)
Conditions met - transferred to revenue	-	839 537	-	839 537
	<b>(101 506)</b>	<b>(101 506)</b>	<b>(101 506)</b>	<b>(101 506)</b>
<b>Municipal Water Infrastructure Grant</b>				
Balance unspent at beginning of year	(1 562 945)	-	(1 562 945)	-
Current-year receipts	-	(27 074 001)	-	(27 074 001)
Conditions met - transferred to revenue	1 562 945	25 511 056	1 562 945	25 511 056
	-	<b>(1 562 945)</b>	-	<b>(1 562 945)</b>
<b>Mtuba Bulk Water Supply</b>				
Balance unspent at beginning of year	-	(13 197)	-	(13 197)
Conditions met - transferred to revenue	-	13 197	-	13 197
	-	-	-	-
<b>Other Unspent Conditional Grants</b>				
<b>Balance unspent at beginning of year</b>	(253 998)	(911 670)	(253 998)	(911 670)
<b>Current-year receipts</b>	-	-	-	-
Mbazwana Tusong Centre	-	(250 000)	-	(250 000)
Rural Households Infrastructure Grant	(4 000 000)	(3 998)	(4 000 000)	(3 998)
Shared Services Grant	(250 000)	-	(250 000)	-
ACIP Grant	(725 808)	-	(725 808)	-
Small Town Rehabilitation Grant	(4 800 000)	-	(4 800 000)	-
<b>Conditions met - transferred to revenue</b>	-	911 670	-	911 670
Mbazwana Tusong Centre	148 271	-	148 271	-
Rural Households Infrastructure Grant	3 996 002	-	3 996 002	-
ACIP Grant	721 113	-	721 113	-
Small Town Rehabilitation Grant	4 800 000	-	4 800 000	-
Other	5 707 317	-	-	-
	<b>5 342 897</b>	<b>(253 998)</b>	<b>(364 420)</b>	<b>(253 998)</b>

Small Town Rehabilitation Grant amounting to R4 800 000 was transferred to Umhlosinga Development Agency.

### Total Conditional And Other Grants

Balance unspent at beginning of year	(23 602 825)	(78 728 740)	(22 273 096)	(77 201 956)
Current-year receipts	(186 923 296)	(267 367 991)	(182 545 807)	(266 017 991)
Conditions met - transferred to revenue	169 715 661	321 693 906	169 715 661	320 146 851
Other Adjustment	3 644 945	800 000	3 644 945	800 000
	<b>(37 165 515)</b>	<b>(23 602 825)</b>	<b>(31 458 297)</b>	<b>(22 273 096)</b>

### Equitable Share

In terms of the Section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it.

The Equitable Share Grant also provides funding for the municipality to deliver free basic services to poor households and to subsidise the cost of administration and other core services for the municipality.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>17. Government grants and subsidies (continued)</b>				
<b>Industrial Development Corporation Scabazini Co-operative</b>				
Balance unspent at end of the year	(700 873)	(1 526 775)	-	-
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	825 902	-	-
	<u>(700 873)</u>	<u>(700 873)</u>	<u>-</u>	<u>-</u>
This grant is managed by the municipal entity on behalf of the Scabazini Co-operative for all agricultural activities.				
<b>18. Rental of facilities</b>				
Rental of Buildings	<u>36 085</u>	<u>106 871</u>	<u>36 085</u>	<u>106 871</u>
<b>19. Interest Earned</b>				
Investments	153 709	4 495 735	153 709	4 495 735
Other Bank Balances	1 224 280	2 212 984	1 224 280	2 212 984
<b>Total interest</b>	<u>1 377 989</u>	<u>6 708 719</u>	<u>1 377 989</u>	<u>6 708 719</u>
<b>20. Interest Earned -Outstanding Receivables</b>				
Interest received - outstanding receivables	<u>-</u>	<u>4 462 481</u>	<u>-</u>	<u>4 462 481</u>
<b>21. Other income</b>				
Connection Fees	32 907	17 665	32 907	17 665
Department of Water Refund	13 007 834	-	13 007 834	-
Fair Value Adjustment	707 183	1 239 371	707 183	1 239 371
Other income	60 949	751 374	12 367	708 892
Tender Sales	130 786	69 603	96 253	69 603
<b>Total Other Income</b>	<u>13 939 659</u>	<u>2 078 013</u>	<u>13 856 544</u>	<u>2 035 531</u>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>22. Employee related costs</b>				
Employee related costs- Salaries and Wages	93 808 840	83 427 246	90 551 619	81 426 389
Contributions for UIF, pensions and medical aids	16 774 744	14 475 466	16 003 644	14 475 466
Travel, motor car, accommodation, subsistence and other allowances	7 241 633	6 817 552	7 241 633	6 817 552
Housing benefits and allowances	1 498 891	1 159 981	1 495 239	1 159 981
Overtime payments	3 378 864	3 084 406	3 378 864	3 084 406
Other employee related costs	1 665 571	4 174 730	822 190	2 950 845
	<b>124 368 543</b>	<b>113 139 381</b>	<b>119 493 189</b>	<b>109 914 639</b>
<b>Remuneration of Municipal Manager</b>				
Annual Remuneration	727 288	455 885	727 288	455 885
Travel, motor car, accommodation, subsistence and other allowances	376 254	152 068	376 254	152 068
Contributions to UIF, Medical and Pension Funds	11 589	6 721	11 589	6 721
Backpay	-	11 517	-	11 517
Lumpsum Payout	-	820 000	-	820 000
	<b>1 115 131</b>	<b>1 446 191</b>	<b>1 115 131</b>	<b>1 446 191</b>
<b>Remuneration of Chief Executive Officer</b>				
Annual Remuneration	900 000	410 500	-	-
Travel, motor car, accommodation, subsistence and other allowances	316 200	176 000	-	-
Contributions to UIF, Medical and Pension Funds	155 737	80 519	-	-
	<b>1 371 937</b>	<b>667 019</b>	<b>-</b>	<b>-</b>
<b>Remuneration of the Chief Finance Officer - Umkhanyakude</b>				
Annual Remuneration	500 137	449 832	500 137	449 832
Travel, motor car, accommodation, subsistence and other allowances	649 654	556 935	649 654	556 935
Contributions to UIF, Medical and Pension Funds	12 258	41 414	12 258	41 414
Acting Allowance	30 438	-	30 438	-
	<b>1 192 487</b>	<b>1 048 181</b>	<b>1 192 487</b>	<b>1 048 181</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>22. Employee related costs (continued)</b>				
<b>Remuneration of General Manager - Corporate Services</b>				
Annual Remuneration	648 833	587 578	648 833	587 578
Travel, motor car, accommodation, subsistence and other allowances	354 640	343 688	354 640	343 688
Contributions to UIF, Medical and Pension Funds	11 070	10 087	11 070	10 087
Back Pay	-	20 000	-	20 000
<b>Total</b>	<b>1 014 543</b>	<b>961 353</b>	<b>1 014 543</b>	<b>961 353</b>
<b>Remuneration of Chief Finance Officer - Umhlosinga</b>				
Annual Remuneration	506 250	135 000	-	-
Travel, motor car, accommodation, subsistence and other allowances	168 750	78 750	-	-
Contributions to UIF, Medical and Pension Funds	64 656	13 912	-	-
	<b>739 656</b>	<b>227 662</b>	<b>-</b>	<b>-</b>
<b>Remuneration of General Manager - Community Services</b>				
Annual Remuneration	771 550	662 285	771 550	662 285
Travel, motor car, accommodation, subsistence and other allowances	246 944	266 252	246 944	266 252
Contributions to UIF, Medical and Pension Funds	10 960	10 128	10 960	10 128
	<b>1 029 454</b>	<b>938 665</b>	<b>1 029 454</b>	<b>938 665</b>
<b>Remuneration of General Manager -Technical Services</b>				
Annual Remuneration	658 894	838 723	658 894	838 723
Travel, motor car, accommodation, subsistence and other allowances	369 376	146 786	369 376	146 786
Contributions to UIF, Medical and Pension Funds	11 117	10 684	11 117	10 684
Backpay	-	76 053	-	76 053
	<b>1 039 387</b>	<b>1 072 246</b>	<b>1 039 387</b>	<b>1 072 246</b>
<b>Remuneration of General Manager - Planning &amp; Economic Development (formerly SED)</b>				
Annual Remuneration	705 487	744 630	705 487	744 630
Travel, motor car, accommodation, subsistence and other allowances	287 287	213 157	287 287	213 157
Contributions to UIF, Medical and Pension Funds	10 925	10 532	10 925	10 532
	<b>1 003 699</b>	<b>968 319</b>	<b>1 003 699</b>	<b>968 319</b>
<b>23. Bad Debts</b>				
Bad debts written off	-	21 105 575	-	21 105 575

During the 2014/15 financial there were no debtors written off.



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>24. Remuneration of councillors</b>				
Mayor	731 528	512 400	731 528	512 400
Deputy Mayor	621 714	681 955	621 714	681 955
Speaker	625 323	717 283	625 323	717 283
Executive Committee Members	920 667	1 149 637	920 667	1 149 637
Councillors	1 444 073	1 774 939	1 444 073	1 774 939
Allowances	2 377 725	2 117 256	2 377 725	2 117 256
	<b>6 721 030</b>	<b>6 953 470</b>	<b>6 721 030</b>	<b>6 953 470</b>

### In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. The Mayor and the Speaker are provided with offices and secretarial support at the cost of the Council.

All Councillors are re-imbursed for kilometres travelled on official duties with the exception of the Mayor.

The Deputy Mayor and other Executive Committee Members each have an office and share secretarial support at the cost of the Council.

Only the Mayor has the use of Council owned vehicle for official duties.

The Mayor has two full-time bodyguards and 1 relief bodyguard.

### 25. Depreciation and amortisation

Property, plant and equipment	<u>28 191 409</u>	<u>28 292 736</u>	<u>28 000 980</u>	<u>28 109 220</u>
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### 26. Impairment loss/ Reversal of Impairments

Provision For Bad Debts	<u>17 354 855</u>	<u>15 371 559</u>	<u>17 354 855</u>	<u>15 371 559</u>
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### 27. Finance costs

Current borrowings	<u>1 131 513</u>	<u>1 030 068</u>	<u>999 738</u>	<u>977 908</u>
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### 28. Repairs and Maintenance

Repairs and Maintenance	<u>35 715 551</u>	<u>36 275 583</u>	<u>35 336 839</u>	<u>36 270 006</u>
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### 29. Bulk purchases

Electricity	31 572 417	27 593 001	31 572 417	27 593 001
Water	37 830 715	49 976 515	37 830 715	49 976 515
<b>Total Bulk Purchases</b>	<b><u>69 403 132</u></b>	<b><u>77 569 516</u></b>	<b><u>69 403 132</u></b>	<b><u>77 569 516</u></b>

Bulk purchases of electricity constitutes electricity purchases for resale as prepaid electricity, own consumption by the municipality for its buildings, offices and water schemes

### Bulk purchases of electricity breakdown

Electricity purchases for resale	5 342 285	-	5 342 285	-
Own consumption	7 212 846	-	7 212 846	-
Water schemes	25 275 584	-	25 275 584	-
	<b><u>37 830 715</u></b>	<b><u>-</u></b>	<b><u>37 830 715</u></b>	<b><u>-</u></b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>30. Contracted services</b>				
Specialist Services	30 376 781	34 368 877	30 376 781	34 368 877
<b>31. General expenses</b>				
Accommodation	2 369 043	2 350 206	2 238 317	2 350 206
Advertisement	74 779	36 039	50 000	-
Arts & Culture	329 531	451 026	329 531	451 026
Audit Committee fees	4 572	293 690	4 572	83 495
Auditors remuneration	178 666	92 115	-	-
Audit Fees	2 955 015	3 078 584	2 497 984	2 841 084
Bank charges	334 203	567 030	325 860	555 717
Business Development & Support	201 770	946 515	201 770	946 515
Cleaning	7 207	271 957	2 274	271 057
Community development and training	174 695	914 056	163 945	914 056
Consulting and professional fees	4 303 581	6 914 543	3 913 092	6 857 617
Disability	228 445	488 014	228 445	488 014
Disaster Management	210 250	512 180	210 250	512 180
Esicabazini Development Youth Academy	-	2 649 745	-	2 649 745
Fuel and oil	530 442	786 084	530 442	786 084
Gender, Youth, Children & Senior Citizen	1 998 710	1 208 438	375 416	1 208 438
Hire of Plant & Equipment	22 756 969	23 005 327	22 756 969	23 005 327
HIV & AIDS Prevention	313 789	226 039	313 789	226 039
Inter-Governmental Relations	-	1 139 925	-	1 139 925
Internal Audit Fees	175 241	421 125	168 919	421 125
Insurance	33 173	39 199	-	-
Inter-Governmental Relations	108 013	-	-	-
Fleet	22 599	11 348	-	-
Licences	611 851	618 929	611 851	618 929
Other expenses	11 805 568	6 031 070	3 297 905	2 707 674
Mayoral Descretionary Fund	82 465	-	82 465	-
Medical expenses	29 559	67 583	29 559	67 583
Municipal Health	332 531	500 812	332 531	500 812
Operation Turn Around	-	2 014 376	-	2 014 376
Other expenses	30 983 406	16 632 863	34 283 406	16 632 863
Postage and courier	4 023	4 160	2 872	4 160
Publicity	751 409	5 130 010	751 409	5 130 010
Training	470 687	1 325 837	470 687	1 325 837
Printing and stationery	202 409	361 182	175 349	326 769
Internal Audit Fees	1 894	9 267	-	-
Sports DC27	3 768 810	3 271 648	3 768 810	3 271 648
Small tools	28 135	65 938	28 135	65 938
Systems Support	1 249 608	1 916 836	1 249 608	1 916 836
Subscriptions and membership fees	23 404	23 904	-	-
Telephone and fax	47 017	238 277	14 707	202 398
Transport and freight	540	-	540	-
Team Building	-	91 248	-	91 248
Tourism Projects	890 556	816 703	890 556	816 703
Uniforms	27 200	173 537	27 200	173 537
VIP Toilets	-	51 258 544	-	51 258 544
Water Operations Subsidy	-	6 940 242	-	6 940 242
	<b>88 621 765</b>	<b>143 896 151</b>	<b>80 329 165</b>	<b>139 773 757</b>

Further disclosure was made for other expenses line note as a result the prior balances were restated.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>32. Cash generated from operations</b>				
Surplus	42 397 995	101 268 346	46 984 873	100 275 510
<b>Adjustments for:</b>				
Depreciation and amortisation	28 191 409	28 292 736	28 000 980	28 109 220
Interest income	-	(4 522 085)	-	(4 522 085)
Impairment deficit	17 354 855	15 371 559	-	-
Debt impairment	-	21 105 575	17 239 120	21 105 575
Movements in provisions	833 800	4 189 000	698 000	719 000
Other non-cash items	(1 155 840)	-	-	1 293
<b>Changes in working capital:</b>				
Inventory	(142 928)	(86 841 625)	(142 928)	(43 921 313)
Other receivables from exchange transactions	778 694	(34 717 812)	9 097 112	(20 639 251)
Other receivables from non-exchange transactions	(16 279 299)	(17 794 130)	(16 279 299)	49 657 633
Trade and other payables from exchange transactions	42 988 756	122 491 330	36 151 511	46 468 955
VAT Payable	3 372 035	(28 201 971)	3 190 788	(2 899 654)
Taxes and transfers payable (non exchange)	(164 871)	164 871	-	-
Current portion of unspent conditional grants and receipts	13 140 702	24 024 913	9 185 201	(55 350 957)
Consumer deposits	126 098	1 862 046	126 098	636 620
	<b>131 441 406</b>	<b>146 692 753</b>	<b>134 251 456</b>	<b>119 640 546</b>

### 33. Correction of Errors

Correction of Ndumo Learners Shelter unspent grant and grant revenue amounting to R422 094. During the year 2013/14 financial year Ndumo Learners Shelter unspent grant spent of R422 094 was duplicated on realisation to revenue resulting in overstatement of revenue and understatement of unspent conditional grants.

Correction of duplication on supplier with a debit balance of R82 079 on reallocation to prepayment. During the year 2013/14 financial year a supplier was over paid and on transfer of balance the debtors, the balance was duplicated resulting in an overstatement of prepaid expenses and trade and other payables from exchange transactions.

Correction of property, plant and equipment amounting to R155 302. During the 2013/14 financial year audit, there were assets that were written-off in the assets register but were not processed in the accounting system resulting in an imbalance between the fixed assets register and the general ledger.



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>36. Irregular expenditure</b>				
<b>Reconciliation of irregular expenditure</b>				
Opening Balance	1 174 796 976	615 463 008	1 148 782 553	592 546 816
Irregular Expenditure - incurred current year	133 482 277	559 333 968	130 384 046	556 235 737
Condoned or written off by Council	-	-	-	-
Transfer to receivables for recovery (not condoned)	-	-	-	-
	-	-	-	-
<b>Irregular expenditure awaiting condonment</b>	<b>1 308 279 253</b>	<b>1 174 796 976</b>	<b>1 279 166 599</b>	<b>1 148 782 553</b>

The irregular expenditure submitted for the 2013/14 financial year was incomplete as other transactions were identified by Auditor General and the irregular expenditure was updated accordingly. This expenditure incurred as a result of non-compliance with SCM procedures. They are under investigation by both Provincial Treasury and COGTA.

Service providers in the service of the state

During the preparation of 2013/14 financial statements, all service providers engaged were verified and checked whether they are in service of the state. It was discovered that the following expenditure was incurred for service providers who are in service if the state and was regarded as irregular expenditure.

Total Expenditure	-	55 395 173	-	55 395 173
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An award of R228,080 was made to employees in the service of the municipality. Mr MS Msane (Councillor) was awarded R196,080 through Lucky Five Construction cc and Miss NS Mdletshe (Accountant: Budget & Reporting) was awarded R32,000 through Sthashe Construction and Trading.

An award of R23,750 was made to Uzoyisholo Wena Trading who is a spouse to a person in the service of the state (Ms S Mabuza - Secretary to the Executive Director: Planning)

An award to partners or associate of employees or councillors not declared and employees that did not declare their interests (2013/14)

1. Mr P.M Mhlanzi (employee of the municipality) who is a business partner with Phindithemba Mpumelelo Manqele (former employee of the municipality) on PPN Building Construction and Services who was awarded R6 153.11 through Impumelelo Development Programme.
2. Mr M.E. Nxumalo (employee of the municipality) who is a business partner with Dokotela Jonathan Mthembu (employee of the municipality) on Maputaland Community radio who was awarded R5 972 117.80 through Joma Holdings cc.
3. Mr M.E. Gumbi (employee of the municipality) who is a business partner with Raymond Senzo Gumbi (not employee of the municipality) on Isinwazi Coop Ltd who was awarded R156 400 through Izigi Zethu Trading.
4. Mr E.S Mngoma (employee of the municipality) who is a business partner with Siyamthanda Gugulethu Zungu (not employee of the municipality) on Sezesuliwe Funeral Services who was awarded R267 000.00 through Gugulami Holdings (Pty) Ltd.
5. Mr M.E. Nxumalo (employee of the municipality) who is a business partner with Thandokuhle Danie Mathenjwa (not employee of the municipality) on Maputaland Community Radio who was awarded R781 763.76 through Nyala Development Solutions (Pty) Ltd.
6. Mr S.J. Vilane (councillor) who is a business partner with Gary Cason (not a councillor) on Umthombo Aqua Construction who was awarded R1 177 979.43 through Hydro Services and Fabrications cc.
7. Mr S.H. Nxumalo (councillor) who is a business partner with Maqavithi Samuel Gumede (not a councillor) on Men to Men Contractor who was awarded R33 000 through Lake Sibayi Community Services.

**Status of service providers in the service of the state disclosed**

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>36. Irregular expenditure (continued)</b>				
An adhoc committee was appointed by Council to investigate the service providers in the service of the state disclosed above and the findings are not yet finalised.				
<b>37. Additional disclosure in terms of Municipal Finance Management Act</b>				
<b>External Audit Fees</b>				
Opening balance - external audit fees	-	129 280	-	129 280
Current year external audit fees	2 782 230	3 449 004	2 502 086	3 238 391
Amount paid - current year external audit fees	(2 737 938)	(3 449 004)	(2 497 984)	(3 238 391)
Amount paid - previous years external audit fees	-	(129 280)	-	(129 280)
	<b>44 292</b>	<b>-</b>	<b>4 102</b>	<b>-</b>
Opening balance - Internal audit fees	-	-	-	-
Current year internal audit fees	1 111 148	533 905	1 111 148	441 790
Amount paid - current year internal audit fees	(1 111 148)	(533 905)	(1 111 148)	(441 790)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Pension</b>				
Opening balance	1 366 052	823 846	1 366 053	823 846
Current year pension fees	10 439 383	10 989 359	10 057 776	10 989 359
Amount paid - current year	(8 676 118)	(10 447 153)	(8 294 511)	(10 447 153)
Amount paid - previous years	-	-	-	-
<b>Balance unpaid (included in payables)</b>	<b>3 129 317</b>	<b>1 366 052</b>	<b>3 129 318</b>	<b>1 366 052</b>
<b>Medical Aid</b>				
Opening balance	439 049	356 102	439 049	356 102
Current year pension fees	4 107 068	3 043 384	3 697 656	3 043 384
Amount paid - current year	(3 665 107)	(2 960 437)	(3 255 695)	(2 960 437)
	<b>881 010</b>	<b>439 049</b>	<b>881 010</b>	<b>439 049</b>
<b>PAYE</b>				
Opening balance	1 055 957	917 139	807 060	836 572
Current year PAYE	18 157 124	21 059 309	17 338 118	20 431 619
Amount paid - current year	(17 924 047)	(20 920 491)	(17 221 859)	(20 461 131)
Amount paid - previous years	(248 898)	-	-	-
	<b>1 040 136</b>	<b>1 055 957</b>	<b>923 319</b>	<b>807 060</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

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

#### SALGA Fees

Current year SALGA fees	1 000 936	1 039 426	1 000 936	1 039 426
Amount paid - current year	-	(1 039 426)	-	(1 039 426)
	<u>1 000 936</u>	<u>-</u>	<u>1 000 936</u>	<u>-</u>

#### VAT

VAT output payables and VAT input receivables are shown in note 5. All VAT returns have been submitted by the due date throughout the year.

#### NON-COMPLIANCE WITH CHAPTER 11 OF THE MUNICIPAL FINANCE MANAGEMENT ACT:

**Non-compliance with Supply Chain Management Procedures** - There has been a material non-compliance with SCM procedures and hence irregular expenditure is disclosed above per note 35.

There were some service providers that were not paid within the stipulated 30 working days.

#### Non-compliance with MFMA Reporting Requirements:

The following MFMA returns have not been submitted on time to Provincial and National Treasury .

- Appendix B - Budget Returns i.e Asset Management.
- Signed copies of quarterly verifications for quarter 4.
- Mid-year Budget Performance Assessment.
- Not all of the required documents were updated on the National Treasury Website.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
	-	-	-
<b>30 June 2014</b>	<b>Outstanding less than 90 days R</b>	<b>Outstanding more than 90 days R</b>	<b>Total R</b>
Councillor Gumbi DL	-	10 514	10 514
Councillor Nyawo Z	-	17	17
Councillor Zungu MC	-	22 526	22 526
Councillor Moodley GP	9 908	239 100	249 008
Councillor Vilane SJ	5 298	114 473	119 771
	<u>15 206</u>	<u>386 630</u>	<u>401 836</u>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>38. Capital Commitments</b>				
<b>Commitments in respect of capital expenditure</b>				
<b>Approved and contracted for</b>				
• Infrastructure	259 866 544	335 265 433	259 866 544	335 265 433
• Non-capital commitments	-	20 904 828	-	20 904 828
	<b>259 866 544</b>	<b>356 170 261</b>	<b>259 866 544</b>	<b>356 170 261</b>
<b>Approved but not yet contracted for</b>				
• Infrastructure	-	73 543 318	-	73 543 318
<b>Total capital commitments</b>				
Already contracted for but not provided for	259 866 544	356 170 261	259 866 544	356 170 261
Not yet contracted for and authorised by accounting officer	-	73 543 318	-	73 543 318
	<b>259 866 544</b>	<b>429 713 579</b>	<b>259 866 544</b>	<b>429 713 579</b>

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

### This expenditure was financed from:

Government Grants (MIG)	259 866 544	408 808 751	259 866 544	408 808 751
Government Grant (Equitable Share)	-	20 904 828	-	20 904 828

These commitments include commitments for outer years.

The municipality has commitments in which the following service providers were appointed without Rand values:

Rand Water, Neslife, Rural Pumps (Pvt) Ltd, Reniassance Joint Venture, Rennies Travel and Harvey World Travel.

### 39. IMPRACTICABILITY IN SUPPORTING COMPARATIVES

On 29 February 2012 the wing of finance department in the main offices of uMkhanyakude District Municipality were burnt which resulted in financial records being burnt down. In the previous years the municipality could not support some of the trade creditors/payables as follows:

Trade creditors that could not be supported in previous years	16 983 000	16 983 000	16 983 000	16 983 000
Less: Total creditors documents recovered during the year under review	(11 772 367)	(11 772 367)	(11 772 367)	(11 772 367)
<b>Total creditors documents still outstanding</b>	<b>5 210 633</b>	<b>5 210 633</b>	<b>5 210 633</b>	<b>5 210 633</b>

This issue is still under investigation by South African Police Service (SAPS).



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

### 40. CONTINGENCIES

#### Contingent Liabilities

Contingent Liability as a result of Wage Curve Agreement:

The job evaluation was not conducted by the Municipality as per Wage Curve Agreement and employees were not paid according to their skills hence there is a possibility that the Municipality might be owing its employees.

**The Municipality had the following contingent liabilities as at 30 June 2015.**

	Source of Funding	Legal Fees	Amount
Umkhanykude District Municipality is in a matter over the eviction of Mr Spatt from the Mkuze Airport and the estimated cost is not to exceed to R150 000.	DC27	-	150 000
Legal fees due to the lawyers (Shepstone and Wylie).	DC27	46 608	-
Legal fees amounting to R57 944.41 are due to the lawyers (Shepstone and Wylie).	DC27	57 944	-
		<u>104 552</u>	<u>150 000</u>

### 41. Related parties

Disclosure of directors remuneration and councillors remuneration has been made in note(s) 22 & 24. ]

### 42. Events after the reporting date

There was an event that occurred after the reporting date. A service provider appointed by the municipality requested for an escalation in the contract price as a result of transportation and offloading costs. No adjusting entries will be processed currently as the matter is still being handled by the municipality's attorneys (Shepstone & Wylie) and has not yet been resolved.

### 43. Key Sources of Estimation Uncertainty and Judgements

**The following areas involve a significant degree of estimation uncertainty:**

Impairment of assets.

Provision for long service awards.

Useful lives and residual values of property, plant, and equipment.

Water losses amounting to R36 560 649.21 and electricity losses amounting to R5 523 420.

### 44. Risk management

#### Interest Rate Risk

The municipality's interest rate risk arises from long-term borrowings from DBSA.

At year end, financial instruments exposed to interest rate risk were as follows:

FNB Bank Call deposits.

FNB Bank, Nedbank & ABSA Bank Notice deposits.

Loan from Development Bank of South Africa.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

### 44. Risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they become due. The municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments.

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

#### The following liabilities were due within 1 month:

Consumer Deposits R1 988 145 (2015) R1 862 046 (2014) , Other current financial liabilities R5 535 639(2015) R9 682 103 (2014) Trade and other payables from exchange transactions R165 369 902 ( 2015) R121 812 429 (2014) .

#### The following liabilities were due from 1 month to 12 months:

Unspent Conditional Grants and Receipts R31 458 297 (2015) R22 273 096 (2014) , Provision R108 000 (2015) R109 013 (2014) , Borrowings R1 499 973 (2015) R1 557 241 (2014) and Finance Lease Liability R458 832 (2015) R458 832 (2014) .

#### Maximum credit risk exposure

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The investments are diversified among the reputable commercial banks.

The consumer debtors are settled on a monthly basis. Upon the new connections the consumers paid deposit in advance.

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. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

### 45. Water & Electricity Losses

#### Water Losses

The municipality incurred 62.3% (2015) 84.61% (2014) water losses for the 2014/15 financial year. The value of the losses incurred amounted to R36 560 649.21 (2015) R36 209 490.36 (2014) .

#### Electricity Losses

The municipality incurred 49% (2015) 56% (2014) electricity losses for the 2013/14 financial year . The value of the losses incurred amounted to R5 523 420 (2015) R9 332 446.33 (2014).

### 46. Accumulated surplus

#### Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2015

	Accumulated Surplus	Total
Current year balance	1 486 932 898	1 486 932 898
Items under investigation	3 804 788	3 804 788
	<b>1 490 737 686</b>	<b>1 490 737 686</b>

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

	Accumulated Surplus	Total
Current year balance	1 445 421 207	1 445 421 207
Items under investigation	3 804 788	3 804 788
	<b>1 449 225 995</b>	<b>1 449 225 995</b>

#### Ring-fenced internal funds and reserves within accumulated surplus - 2015 Controlling Entity

	Accumulated Surplus	Total
Current year balance	1 490 133 019	1 490 133 019
Items under investigation	3 804 788	3 804 788
	<b>1 493 937 807</b>	<b>1 493 937 807</b>

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

	Accumulated Surplus	Total
Current year balance	1 443 148 141	1 443 148 141
Items under investigation	3 804 788	3 804 788
	<b>1 446 952 929</b>	<b>1 446 952 929</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
<b>47. Revenue</b>				
Service charges	26 480 355	43 573 188	26 480 355	43 573 188
Rental of facilities and equipment	36 085	106 871	36 085	106 871
Interest received (trading)	-	4 462 481	-	4 462 481
Other income	13 939 659	2 078 012	13 856 544	2 035 531
Interest received - investment	1 413 950	6 842 770	1 377 989	6 708 719
Government grants & subsidies	394 094 105	522 259 044	393 249 606	513 803 245
Public contributions and donations	8 318 418	-	-	-
	<b>444 282 572</b>	<b>579 322 366</b>	<b>435 000 579</b>	<b>570 690 035</b>

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

Service charges	26 480 355	43 573 188	26 480 355	43 573 188
Rental of facilities and equipment	36 085	106 871	36 085	106 871
Interest received	-	4 462 481	-	4 462 481
Other income	13 939 659	2 078 012	13 856 544	2 035 531
Interest received - investment	1 413 950	6 842 770	1 377 989	6 708 719
	<b>41 870 049</b>	<b>57 063 322</b>	<b>41 750 973</b>	<b>56 886 790</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

**Taxation Revenue**

**Grants Revenue**

Government grants & subsidies	394 094 105	522 259 044	393 249 606	513 803 245
Public contributions and donations	8 318 418	-	-	-
	<b>402 412 523</b>	<b>522 259 044</b>	<b>393 249 606</b>	<b>513 803 245</b>

### 48. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of R 1 493 937 807. The current liabilities exceeded its current assets by R68million (2015) R5,67million (2014); certain unspent conditional grants are not cashed back, and large increase in the provision for doubtful debts due to debtors not collectable or indigent debtors.

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

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