



**UTHUKELA**  
**UMKHANDLU WESIFUNDA**  
**DISTRIKSMUNISIPALITEIT**  
**DISTRICT MUNICIPALITY**

Uthukela District Municipality  
Annual Financial Statements  
for the year ended June 30, 2017

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## General Information

---

|  |  |
|--|--|
| <b>Legal form of entity</b>                        | District Municipality  |
| <b>Nature of business and principal activities</b> | The main business operations of the municipality is to engage in Local Government activities, which includes planning and promotion of integrated development planning, economic, social and environmental development and supplying of the following services to the community: the supply of water and sanitation services, as well as infrastructure development. Water is obtained from the Department of Water Affairs and distributed to the consumers by the municipality.  |
| <b>Municipal Demarcation Code</b>                  | DC23   |
| <b>Executive Committee</b>                         |  |
| Mayor  | Cllr A.S. Mazibuko<br>Cllr N.W. Sibiyi (Deputy Mayor)<br>Cllr M.V. Khumalo<br>Cllr S.V. Shabalala<br>Cllr T.P. Shabalala<br>Cllr S.A. Mvelase  |
| Councillors  | Cllr D.C.P. Mazibuko (Speaker)<br>Cllr G. Ndaba<br>Cllr S.Z. Khumalo<br>Cllr G.S. Mdluli<br>Cllr Z. Msobomvu<br>Cllr N.M. Hadebe<br>Cllr N.K. P. Mbongwa<br>Cllr B.S. Dladla<br>Cllr E.S. Ndumo<br>Cllr S.E. Mbongwa<br>Cllr M.C. Mkhize<br>Cllr E.M. Majola<br>Cllr G.E. Mbhele<br>Cllr MR. Suddaby<br>Cllr M.N. Mlotshwa<br>Cllr M.B. Mbhele<br>Cllr N.L. Zikalala<br>Cllr S.B. Dlungwane<br>Cllr S.Z.P. Msibi<br>Cllr T.B. Njapha<br>Cllr M.M. Khoza<br>Cllr T.P. Dlamini<br>Cllr X.F. Mhlongo<br>Cllr S.M. Buthelezi<br>Cllr P.A.M. Mfuphi<br>Cllr M.H. Msimanga |
| <b>Grading of local authority</b>                  | Grade 4<br>Medium capacity   |
| <b>Accounting Officer (MM)</b>                     | S.N. Kunene  |
| <b>Chief Financial Officer (CFO)</b>               | Ms. P.H.Z. Kubheka   |
| <b>Registered office</b>                           | 33 Forbes Street   |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## General Information

---

|                       |  |
|-----------------------|--|
|                       | Ladysmith<br>Tel: 036-6385100<br>Fax: 036-6385126<br>municipalmanager@uthukeladm.co.za |
| <b>Postal address</b> | PO Box 116<br>Ladysmith<br>Kwazulu Natal<br>3370                                       |
| <b>Bankers</b>        | First National Bank<br>Nedbank<br>Investec<br>ABSA                                     |
| <b>Auditors</b>       | Auditor General - South Africa   |
| <b>Attorneys</b>      | Ramkhelewan Incorporated<br>Shepstone & Wylie  |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Index

---

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

| <b>Index</b>  | <b>Page</b> |
|---|-------------|
| Accounting Officer's Responsibilities and Approval            | 4           |
| Statement of Financial Position                               | 5           |
| Statement of Financial Performance                            | 6           |
| Statement of Changes in Net Assets                            | 7           |
| Cash Flow Statement   | 8           |
| Statement of Comparison of Budget and Actual Amounts          | 9 - 16      |
| Appropriation Statement                                       | 17 - 19     |
| Accounting Policies   | 20 - 36     |
| Notes to the Annual Financial Statements                      | 37 - 84     |
| Appendixes:   |             |
| Appendix B: Analysis of Property, Plant and Equipment         | 85          |
| Appendix E(1): Actual versus Budget (Revenue and Expenditure) | 91          |

### Abbreviations

|         |   |
|---------|---|
| COID    | Compensation for Occupational Injuries and Diseases             |
| DBSA    | Development Bank of South Africa                                |
| 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                                  |
| CIGFARO | Chartered Institute of Government Finance Audit & Risk Officers |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Officer's Responsibilities and Approval

---

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

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

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

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

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

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to June 30, 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Accounting Officer certifies that the salaries, allowances and benefits of Councillors as disclosed in note 28 of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with Remuneration of Public Office Bearers Act and Minister of Provincial and Local Government's determination in accordance with this act .

The Municipality is wholly dependent on the Equitable share and revenue from water sales for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality. (refer to note 45 for further disclosure on going concern).

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's Internal Auditors.

The annual financial statements set out on page 1 to 91, which have been prepared on the going concern basis, were approved by the Accounting Officer on November 30, 2017 and were signed on its behalf by:

---

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Statement of Financial Position as at June 30, 2017

|  | Note(s) | 2017                 | 2016<br>Restated*    |
|--|---------|----------------------|----------------------|
| <b>Assets</b>                                  |         |                      |                      |
| <b>Current Assets</b>                          |         |                      |                      |
| Inventories                                    | 9       | 5,925,957            | 5,546,962            |
| Receivables from exchange transactions         | 10      | 2,865,026            | 2,740,107            |
| Receivables from non-exchange transactions     | 11      | 2,109,300            | 6,024,781            |
| Prepayments                                    | 8       | -                    | 139,624              |
| Consumer debtors                               | 12      | 159,658,113          | 146,319,994          |
| Cash and cash equivalents                      | 13      | 5,997,885            | 36,715,409           |
|  |         | <b>176,556,281</b>   | <b>197,486,877</b>   |
| <b>Non-Current Assets</b>                      |         |                      |                      |
| Property, plant and equipment                  | 4       | 2,292,359,966        | 2,142,390,305        |
| Intangible assets                              | 5       | 587,965              | 653,374              |
| Receivables from exchange transactions         | 10      | 1,658,406            | 1,658,406            |
| Receivables from non-exchange transactions     | 11&55   | 4,592,424            | -                    |
|  |         | <b>2,299,198,761</b> | <b>2,144,702,085</b> |
| <b>Total Assets</b>                            |         | <b>2,475,755,042</b> | <b>2,342,188,962</b> |
| <b>Liabilities</b>                             |         |                      |                      |
| <b>Current Liabilities</b>                     |         |                      |                      |
| Operating lease liability                      | 6       | 134,263              | 378,853              |
| Payables from exchange transactions            | 19      | 92,577,912           | 121,735,142          |
| Other accruals "Provisions"                    | 20      | 18,941,603           | 18,395,137           |
| Consumer deposits                              | 21      | 13,581,655           | 11,885,907           |
| Employee benefit obligation                    | 7       | 991,102              | 878,943              |
| Unspent conditional grants and receipts        | 15      | 69,711,254           | 16,155,732           |
| VAT payable                                    | 17      | 64,387,770           | 30,976,389           |
| Purchase of office building                    | 18      | -                    | 6,210,601            |
| Other liability "Advance receipts - transfers" | 51      | 8,602,484            | 8,602,484            |
|  |         | <b>268,928,043</b>   | <b>215,219,188</b>   |
| <b>Non-Current Liabilities</b>                 |         |                      |                      |
| Employee benefit obligation                    | 7       | 28,135,528           | 26,438,620           |
| <b>Total Liabilities</b>                       |         | <b>297,063,571</b>   | <b>241,657,808</b>   |
| <b>Net Assets</b>                              |         | <b>2,178,691,471</b> | <b>2,100,531,154</b> |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Statement of Financial Performance

|                                      | Note(s) | 2017                 | 2016<br>Restated*    |
|--------------------------------------|---------|----------------------|----------------------|
| <b>Revenue</b>                       |         |                      |                      |
| Service charges                      | 23      | 154,021,456          | 150,116,589          |
| Interest received - trading services | 22      | 44,409,522           | 20,214,647           |
| Other income                         | 22&24   | 4,761,034            | 3,496,813            |
| Interest received - investment       | 22      | 7,189,148            | 11,991,453           |
| Government grants & subsidies        | 22&26   | 621,619,784          | 568,331,256          |
| Public contributions and donations   | 22      | 20,000               | 70,000               |
| <b>Total revenue</b>                 |         | <b>832,020,944</b>   | <b>754,220,758</b>   |
| <b>Expenditure</b>                   |         |                      |                      |
| Employee related costs               | 27      | (218,649,140)        | (199,309,646)        |
| Remuneration of councillors          | 28      | (5,482,999)          | (6,381,097)          |
| Depreciation and amortisation        | 29      | (62,577,084)         | (49,197,065)         |
| Impairment loss                      | 4       | (10,807,571)         | -                    |
| Finance costs                        | 30      | (2,554,911)          | (1,125,317)          |
| Lease rentals                        | 36      | (9,900,090)          | (740,575)            |
| Debt Impairment provision            | 31      | (94,881,113)         | (57,975,475)         |
| Bad debt written off                 | 47      | (32,257,350)         | (34,811,417)         |
| Bulk purchases                       | 32      | (8,061,187)          | (7,698,102)          |
| Contracted services                  | 33      | (95,543,247)         | (68,622,703)         |
| General Expenses                     | 34      | (204,285,784)        | (260,590,075)        |
| <b>Total expenditure</b>             |         | <b>(745,000,476)</b> | <b>(686,451,472)</b> |
| <b>Operating surplus</b>             |         | <b>87,020,468</b>    | <b>67,769,286</b>    |
| Gain (Loss) on write off of assets   | 4       | (5,204,839)          | (1,231,708)          |
| Inventories losses/write-downs       |         | (828,880)            | (344,075)            |
| Gain (loss) on actuarial valuations  | 7       | 2,363,782            | (12,280,604)         |
|                                      |         | <b>(3,669,937)</b>   | <b>(13,856,387)</b>  |
| <b>Surplus for the year</b>          |         | <b>83,350,531</b>    | <b>53,912,899</b>    |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Statement of Changes in Net Assets

|   | Accumulated surplus  | Total net assets     |
|---|----------------------|----------------------|
| <b>Balance at July 1, 2015</b>                        | <b>2,046,618,255</b> | <b>2,046,618,255</b> |
| Changes in net assets                                 |                      |                      |
| Restated surplus for the year                         | 53,912,899           | 53,912,899           |
| Total changes   | 53,912,899           | 53,912,899           |
| Opening balance restated                              | 2,100,531,154        | 2,100,531,154        |
| <b>Restated* Balance at July 1, 2016 as restated*</b> | <b>2,100,531,154</b> | <b>2,100,531,154</b> |
| Changes in net assets                                 |                      |                      |
| Surplus for the year ending 30 June 2017              | 83,350,531           | 83,350,531           |
| Movement in accumulated surplus account               | (5,190,214)          | (5,190,214)          |
| Total changes   | 78,160,317           | 78,160,317           |
| <b>Balance at 30 June 2017</b>                        | <b>2,178,691,471</b> | <b>2,178,691,471</b> |



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Cash Flow Statement

|   | Note(s) | 2017                      | 2016<br>Restated*         |
|---|---------|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>             |         |                           |                           |
| <b>Receipts</b>   |         |                           |                           |
| Service charges   |         | 206,803,957               | 168,422,790               |
| Grants  |         | 621,619,784               | 568,331,256               |
| Interest income   |         | 7,189,148                 | 11,991,453                |
|   |         | <u>835,612,889</u>        | <u>748,745,499</u>        |
| <b>Payments</b>   |         |                           |                           |
| Employee and councillor costs                           |         | (224,090,123)             | (205,690,743)             |
| Suppliers and others                                    |         | (465,333,349)             | (409,075,904)             |
| Finance costs   |         | (2,554,911)               | (1,125,317)               |
|   |         | <u>(691,978,383)</u>      | <u>(615,891,964)</u>      |
| <b>Net cash flows from operating activities</b>         | 37      | <b><u>143,634,506</u></b> | <b><u>132,853,535</u></b> |
| <b>Cash flows from investing activities</b>             |         |                           |                           |
| Purchase of property, plant and equipment               | 4       | (175,803,188)             | (250,484,915)             |
| Purchase of other intangible assets                     | 5       | -                         | (543,600)                 |
| Proceeds from sale of other intangible assets           | 5       | -                         | 43,543                    |
|   |         | <u>(175,803,188)</u>      | <u>(250,984,972)</u>      |
| <b>Cash flows from financing activities</b>             |         |                           |                           |
| Nett increase in other liability (Consumer Deposits)    |         | 1,695,748                 | 1,412,058                 |
| Movement in other liabilities                           |         | -                         | 8,602,484                 |
| Increase / (decrease) in finance lease liability        |         | (244,590)                 | (255,271)                 |
|   |         | <u>1,451,158</u>          | <u>9,759,271</u>          |
| <b>Net cash flows from financing activities</b>         |         | <b><u>1,451,158</u></b>   | <b><u>9,759,271</u></b>   |
| <b>Net increase in cash and cash equivalents</b>        |         | <b>(30,717,524)</b>       | <b>(108,372,166)</b>      |
| Cash and cash equivalents at the beginning of the year  |         | 36,715,409                | 145,087,575               |
| <b>Cash and cash equivalents at the end of the year</b> | 13      | <b><u>5,997,885</u></b>   | <b><u>36,715,409</u></b>  |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|   | Approved budget      | Adjustments         | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| <b>Statement of Financial Performance</b>                   |                      |                     |                      |                                    |  |           |
| <b>Revenue</b>  |                      |                     |                      |                                    |  |           |
| <b>Revenue from exchange transactions</b>                   |                      |                     |                      |                                    |  |           |
| Service charges   | 176,929,000          | 71,724,000          | <b>248,653,000</b>   | 154,021,456                        | <b>(94,631,544)</b>                        | Note 1    |
| Interest received   | 28,321,000           | 10,000,000          | <b>38,321,000</b>    | 44,409,522                         | <b>6,088,522</b>                           | Note 2    |
| Other income  | 1,914,000            | 1,481,000           | <b>3,395,000</b>     | 4,761,034                          | <b>1,366,034</b>                           | Note 3    |
| Interest received - investment                              | 10,671,000           | (3,000,000)         | <b>7,671,000</b>     | 7,189,148                          | <b>(481,852)</b>                           | Note 4    |
| <b>Total revenue from exchange transactions</b>             | <b>217,835,000</b>   | <b>80,205,000</b>   | <b>298,040,000</b>   | <b>210,381,160</b>                 | <b>(87,658,840)</b>                        |           |
| <b>Revenue from non-exchange transactions</b>               |                      |                     |                      |                                    |  |           |
| <b>Taxation revenue</b>                                     |                      |                     |                      |                                    |  |           |
| Government grants-Transfers recognised (Operational)        | 338,199,000          | 1,154,000           | <b>339,353,000</b>   | 347,535,111                        | <b>8,182,111</b>                           | Note 5    |
| <b>Transfer revenue</b>                                     |                      |                     |                      |                                    |  |           |
| Government grants-Transfers recognised (Opapital)           | 262,691,000          | 64,000,000          | <b>326,691,000</b>   | 274,084,673                        | <b>(52,606,327)</b>                        | Note 6    |
| Public contributions and donations                          | -                    | -                   | -                    | 20,000                             | <b>20,000</b>                              | Note 7    |
| <b>Total revenue from non-exchange transactions</b>         | <b>600,890,000</b>   | <b>65,154,000</b>   | <b>666,044,000</b>   | <b>621,639,784</b>                 | <b>(44,404,216)</b>                        |           |
| <b>Total revenue</b>  | <b>818,725,000</b>   | <b>145,359,000</b>  | <b>964,084,000</b>   | <b>832,020,944</b>                 | <b>(132,063,056)</b>                       |           |
| <b>Expenditure</b>  |                      |                     |                      |                                    |  |           |
| Personnel   | (195,150,000)        | (29,331,000)        | <b>(224,481,000)</b> | (218,649,140)                      | <b>5,831,860</b>                           | Note 8    |
| Remuneration of councillors                                 | (6,552,000)          | -                   | <b>(6,552,000)</b>   | (5,482,999)                        | <b>1,069,001</b>                           | Note 9    |
| Depreciation and amortisation                               | (57,676,000)         | -                   | <b>(57,676,000)</b>  | (62,577,084)                       | <b>(4,901,084)</b>                         | Note 10   |
| Reversal of impairments                                     | -                    | -                   | -                    | (10,807,571)                       | <b>(10,807,571)</b>                        | Note 11   |
| Finance costs   | -                    | -                   | -                    | (2,554,911)                        | <b>(2,554,911)</b>                         | Note 12   |
| Lease rentals   | -                    | -                   | -                    | (9,900,090)                        | <b>(9,900,090)</b>                         | Note 13   |
| Bad debt provision  | (36,460,000)         | (35,340,000)        | <b>(71,800,000)</b>  | (94,881,113)                       | <b>(23,081,113)</b>                        | Note 14   |
| Bad debts written off                                       | -                    | -                   | -                    | (32,257,350)                       | <b>(32,257,350)</b>                        | Note 15   |
| Repairs and maintenance                                     | -                    | -                   | -                    | -                                  | -  | Note 16   |
| Bulk purchases  | (5,901,000)          | -                   | <b>(5,901,000)</b>   | (8,061,187)                        | <b>(2,160,187)</b>                         | Note 17   |
| Contracted Services   | (37,412,000)         | (9,362,000)         | <b>(46,774,000)</b>  | (95,543,247)                       | <b>(48,769,247)</b>                        | Note 18   |
| Government Grant Expenditure                                | (10,512,000)         | (14,488,000)        | <b>(25,000,000)</b>  | -                                  | <b>25,000,000</b>                          | Note 19   |
| General Expenses  | (198,694,000)        | 45,320,000          | <b>(153,374,000)</b> | (204,285,784)                      | <b>(50,911,784)</b>                        | Note 20   |
| <b>Total expenditure</b>                                    | <b>(548,357,000)</b> | <b>(43,201,000)</b> | <b>(591,558,000)</b> | <b>(745,000,476)</b>               | <b>(153,442,476)</b>                       |           |
| <b>Operating surplus</b>                                    | <b>270,368,000</b>   | <b>102,158,000</b>  | <b>372,526,000</b>   | <b>87,020,468</b>                  | <b>(285,505,532)</b>                       |           |
| Loss on disposal of assets and liabilities                  | -                    | -                   | -                    | (5,204,839)                        | <b>(5,204,839)</b>                         | Note 21   |
| Inventories losses/write-downs                              | -                    | -                   | -                    | (828,880)                          | <b>(828,880)</b>                           | Note 22   |
| Gain on non-current assets held for sale or disposal groups | -                    | -                   | -                    | 2,363,782                          | <b>2,363,782</b>                           | Note 23   |
|   | -                    | -                   | -                    | <b>(3,669,937)</b>                 | <b>(3,669,937)</b>                         |           |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved budget    | Adjustments        | Final Budget       | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|--------------------|--------------------|------------------------------------|--|-----------|
| <b>Surplus before taxation</b>   | <b>270,368,000</b> | <b>102,158,000</b> | <b>372,526,000</b> | <b>83,350,531</b>                  | <b>(289,175,469)</b>                       |           |
| <b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b> | <b>270,368,000</b> | <b>102,158,000</b> | <b>372,526,000</b> | <b>83,350,531</b>                  | <b>(289,175,469)</b>                       |           |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|   | Approved budget      | Adjustments         | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| <b>Statement of Financial Position</b>      |                      |                     |                      |                                    |  |           |
| <b>Assets</b>                               |                      |                     |                      |                                    |  |           |
| <b>Current Assets</b>                       |                      |                     |                      |                                    |  |           |
| Inventories                                 | 5,217,000            | -                   | <b>5,217,000</b>     | 5,925,957                          | <b>708,957</b>                             | Note 24   |
| Receivables from exchange transactions      | -                    | -                   | -                    | 2,865,026                          | <b>2,865,026</b>                           | Note 25   |
| Receivables from non-exchange transactions  | 556,000              | -                   | <b>556,000</b>       | 2,109,300                          | <b>1,553,300</b>                           | Note 26   |
| Consumer debtors from exchange transactions | 196,900,000          | (17,401,000)        | <b>179,499,000</b>   | 159,658,113                        | <b>(19,840,887)</b>                        | Note 27   |
| Cash and cash equivalents                   | 59,178,000           | (37,349,000)        | <b>21,829,000</b>    | 5,997,885                          | <b>(15,831,115)</b>                        | Note 28   |
|   | <b>261,851,000</b>   | <b>(54,750,000)</b> | <b>207,101,000</b>   | <b>176,556,281</b>                 | <b>(30,544,719)</b>                        |           |
| <b>Non-Current Assets</b>                   |                      |                     |                      |                                    |  |           |
| Property, plant and equipment               | 2,194,817,000        | 64,000,000          | <b>2,258,817,000</b> | 2,292,359,966                      | <b>33,542,966</b>                          | Note 29   |
| Intangible assets                           | 238,000              | -                   | <b>238,000</b>       | 587,965                            | <b>349,965</b>                             | Note 30   |
| Receivables from exchange transactions      | -                    | -                   | -                    | 1,658,406                          | <b>1,658,406</b>                           |           |
| Receivables from non-exchange transactions  | -                    | -                   | -                    | 4,592,424                          | <b>4,592,424</b>                           |           |
|   | <b>2,195,055,000</b> | <b>64,000,000</b>   | <b>2,259,055,000</b> | <b>2,299,198,761</b>               | <b>40,143,761</b>                          |           |
| <b>Total Assets</b>                         | <b>2,456,906,000</b> | <b>9,250,000</b>    | <b>2,466,156,000</b> | <b>2,475,755,042</b>               | <b>9,599,042</b>                           |           |
| <b>Liabilities</b>                          |                      |                     |                      |                                    |  |           |
| <b>Current Liabilities</b>                  |                      |                     |                      |                                    |  |           |
| Operating lease liability                   | -                    | -                   | -                    | 134,263                            | <b>134,263</b>                             | Note 31   |
| Payables from exchange transactions         | 98,814,000           | (76,969,000)        | <b>21,845,000</b>    | 92,577,912                         | <b>70,732,912</b>                          | Note 32   |
| Other accruals "Provisions"                 | -                    | 14,792,000          | <b>14,792,000</b>    | 18,941,603                         | <b>4,149,603</b>                           | Note 33   |
| Consumer deposits                           | 11,267,000           | 1,716,000           | <b>12,983,000</b>    | 13,581,655                         | <b>598,655</b>                             | Note 34   |
| Employee benefit obligation                 | -                    | -                   | -                    | 991,102                            | <b>991,102</b>                             | Note 35   |
| Unspent conditional grants and receipts     | -                    | -                   | -                    | 69,711,254                         | <b>69,711,254</b>                          | Note 36   |
| Provisions                                  | 14,792,000           | (14,792,000)        | -                    | -                                  | -  | Note 37   |
| Other liabilities (VAT payable)             | -                    | -                   | -                    | 64,387,770                         | <b>64,387,770</b>                          | Note 38   |
| Other liability                             | 14,027,000           | (14,027,000)        | -                    | 8,602,484                          | <b>8,602,484</b>                           | Note 39   |
|   | <b>138,900,000</b>   | <b>(89,280,000)</b> | <b>49,620,000</b>    | <b>268,928,043</b>                 | <b>219,308,043</b>                         |           |
| <b>Non-Current Liabilities</b>              |                      |                     |                      |                                    |  |           |
| Provisions (Retirement benefit obligation)  | -                    | -                   | -                    | 28,135,528                         | <b>28,135,528</b>                          | Note 40   |
| <b>Total Liabilities</b>                    | <b>138,900,000</b>   | <b>(89,280,000)</b> | <b>49,620,000</b>    | <b>297,063,571</b>                 | <b>247,443,571</b>                         |           |
| <b>Net Assets</b>                           | <b>2,318,006,000</b> | <b>98,530,000</b>   | <b>2,416,536,000</b> | <b>2,178,691,471</b>               | <b>(237,844,529)</b>                       |           |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|   | Approved<br>budget | Adjustments | Final Budget         | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|---|--------------------|-------------|----------------------|--|---|-----------|
| <b>Net Assets</b>                       |                    |             |                      |  |   |           |
| <b>Net Assets of controlling entity</b> |                    |             |                      |  |   |           |
| Accumulated surplus                     | 2,318,006,000      | 98,530,000  | <b>2,416,536,000</b> | 2,178,691,471                            | <b>(237,844,529)</b>                                |           |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|   | Approved budget      | Adjustments         | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| <b>Cash Flow Statement</b>                              |                      |                     |                      |                                    |  |           |
| <b>Cash flows from operating activities</b>             |                      |                     |                      |                                    |  |           |
| <b>Receipts</b>   |                      |                     |                      |                                    |  |           |
| Sale of goods and services                              | 88,641,000           | 10,251,000          | <b>98,892,000</b>    | 206,803,957                        | <b>107,911,957</b>                         |           |
| Grants  | 600,890,000          | 64,509,000          | <b>665,399,000</b>   | 621,619,784                        | <b>(43,779,216)</b>                        |           |
| Other receipts  | 1,914,000            | 1,481,000           | <b>3,395,000</b>     | -                                  | <b>(3,395,000)</b>                         |           |
| Interest income   | 12,571,000           | (4,900,000)         | <b>7,671,000</b>     | 7,189,148                          | <b>(481,852)</b>                           |           |
|   | <b>704,016,000</b>   | <b>71,341,000</b>   | <b>775,357,000</b>   | <b>835,612,889</b>                 | <b>60,255,889</b>                          |           |
| <b>Payments</b>   |                      |                     |                      |                                    |  |           |
| Employee costs  | (201,701,000)        | (18,374,000)        | <b>(220,075,000)</b> | (224,090,123)                      | <b>(4,015,123)</b>                         |           |
| Suppliers and other                                     | (242,007,000)        | -                   | <b>(242,007,000)</b> | (465,333,349)                      | <b>(223,326,349)</b>                       |           |
| Finance costs   | -                    | -                   | -                    | (2,554,911)                        | <b>(2,554,911)</b>                         |           |
|   | <b>(443,708,000)</b> | <b>(18,374,000)</b> | <b>(462,082,000)</b> | <b>(691,978,383)</b>               | <b>(229,896,383)</b>                       |           |
| <b>Net cash flows from operating activities</b>         | <b>260,308,000</b>   | <b>52,967,000</b>   | <b>313,275,000</b>   | <b>143,634,506</b>                 | <b>(169,640,494)</b>                       |           |
| <b>Cash flows from investing activities</b>             |                      |                     |                      |                                    |  |           |
| Purchase of property, plant and equipment               | (265,244,000)        | (64,000,000)        | <b>(329,244,000)</b> | (175,803,188)                      | <b>153,440,812</b>                         |           |
| <b>Cash flows from financing activities</b>             |                      |                     |                      |                                    |  |           |
| Movement in other liability (consumer deposits)         | 380,000              | 704,000             | <b>1,084,000</b>     | 1,695,748                          | <b>611,748</b>                             |           |
| Finance lease payments                                  | -                    | -                   | -                    | (244,590)                          | <b>(244,590)</b>                           |           |
| <b>Net cash flows from financing activities</b>         | <b>380,000</b>       | <b>704,000</b>      | <b>1,084,000</b>     | <b>1,451,158</b>                   | <b>367,158</b>                             |           |
| Net increase/(decrease) in cash and cash equivalents    | (4,556,000)          | (10,329,000)        | <b>(14,885,000)</b>  | (30,717,524)                       | <b>(15,832,524)</b>                        |           |
| Cash and cash equivalents at the beginning of the year  | 63,735,000           | (27,021,000)        | <b>36,714,000</b>    | 36,715,409                         | <b>1,409</b>                               |           |
| <b>Cash and cash equivalents at the end of the year</b> | <b>59,179,000</b>    | <b>(37,350,000)</b> | <b>21,829,000</b>    | <b>5,997,885</b>                   | <b>(15,831,115)</b>                        |           |
| <b>Reconciliation</b>                                   |                      |                     |                      |                                    |  |           |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

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

#### Statement of financial performance.

**Note 1** - "Service Charges" - Council did not achieve its targets with regards to the budget on collection of service charges and has developed and implemented a revenue enhancement strategy to improve on the completeness of debtors and revenue collection. Field workers have been appointed to identify faulty meters which needs to be replaced and this exercise will continue into the 2017/2018 financial year. Consultants have been appointed whom have identified meters where no readings have taken and meters which have been estimated over a period of time. COGTA has also assigned a consultant to the Municipality to identify weaknesses in the revenue section. An action plan has been drafted to address these weaknesses and was adopted by Management and COGTA. The action plan is being monitored by the consultant to report on progress made.

**Note 2** - "Interest received" - Interest on service charges has escalated due to the poor collection rate.

**Note 3** - "Other income" - Income has possibly been under budgeted for. Budget was not realistic as it was based on previous trends.

**Note 4** - "Interest received on investments" - Due to a negative cashflow situation during the year the Municipality had to disinvest surplus funds therefore a decrease in interest on investments.

**Note 5** - "Government grants (transfers recognized - operational)" the municipality received more grant funding than was anticipated.

**Note 6** - "Government grants (transfers recognized - capital)" - the municipality has strived to achieve 100% expenditure on capital grants which includes roll over amounts from the 2015/2016 financial year, however due to slow spending on the Regional Bulk Infrastructure grant (RBIG) this could not be achieved. Application has been made for a roll over as the funds have been committed for the 2017/2018 financial year.

**Note 7** - "Public contributions and donations" - the municipality received a donation from First National Bank in respect of sport events hosted during the year.

**Note 8** - "Employee related costs" - This saving is as a result of vacant positions which were not filled during the year as per the approved organogram, high overtime and standby claims remains a challenge.

**Note 9** - "Remuneration of Councillors" - provision was made in the budget for Councillors to receive backpay during the financial year in terms of the Government Gazette for Councillors upper limits dated December 2016. It was over provided for.

**Note 10** - "Depreciation and amortization" - Provision was made in the budget for the 2016/2017 financial year for the additional assets the Municipality purchased during the year.

**Note 11** - "Reversal of impairments" - PPE was impaired during the 2016/2017 financial year. This was not budgeted for.

**Note 12** - "Finance costs" - The finance costs "interest charged" with regards to the post-retirement medical aid and long service awards were not budgeted for.

**Note 13** - "Lease rentals on operating leases" - This is a new line item in the statement of financial performance and was budgeted for under general expenditure. Going forward this will be budgeted for accordingly.

**Note 14** - "Provision for bad debt" - Collection of outstanding debt remains a challenge and with the increase in total outstanding debtors which were not anticipated the provision far exceeds the amount budgeted for.

**Note 15** - "Bad debt written off" - The municipality has implemented its Indigent policy and Indigent debt has been written off. This was not anticipated when the budget was compiled.

**Note 16** - "Repairs and maintenance" - This is included under general expenditure in terms of GRAP 1 "Presentation of financial statements". Maintenance and repairs is now disclosed under note 4 "PPE" of the financial statements.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

**Note 17** - "Bulk purchases" - This represents the bulk water purchased from the Department of Water (DWA) and payments are made on actual invoices received.

**Note 18** - "Contracted services" - The municipality bought its own water tankers however with the drought was forced to hire additional water tankers to be able to supply water to areas which have been affected. This was not anticipated and the Municipality did not accurately budget for the additional water tankers required.

**Note 19** - "Government Grant expenditure" - Government Grants are no longer disclosed as a separate line item in the statement of financial performance. These expenditure is included in other line items according to the nature of the expenditure.

**Note 20** - "General expenditure" - The Municipality did not manage to stay within the amount budgeted for and over expenditure is recorded as unauthorized expenditure and disclosed in the notes.

**Note 21** - "Loss on disposal of assets and liabilities" - This was not budgeted for.

**Note 22** - "Inventory losses/write-downs" - This was not budgeted for.

**Note 23** - "Gain on no-current assets held for sale" - This was not budgeted for.

### Statement of financial position.

**Note 24** - "Inventories" - Inventory items are no longer kept at the water and sewerage treatment plants and all items required must be obtained from the stores. The value of the stock levels at the stores has increased. The ageing infrastructure impacts on material kept at the stores.

**Note 25** - "Receivables from exchange transactions" - More consumers were anticipated to open water accounts as developments are expanding all over the district.

**Note 26** - "Receivables from non-exchange transactions" - Mainly due to salary fraud. This was not budgeted for.

**Note 27** - "Consumer debtors from exchange transactions" - When the budget was prepared the poor collection rate was not accurately anticipated and the provision for bad debt was not accurately taken into account.

**Note 28** - "cash and cash equivalents" - Was not accurately budgeted for as the budget was based on the prior years performance.

**Note 29** - "Property Plant & Equipment" - The variance between the budget and actual amount is due to the capitalization and asset impairment which were not accurately budgeted for.

**Note 30** - "Intangible assets" - The variance is as a result of the purchase of new computer software from Munsoft CC in respect of mSCOA.

**Note 31** - "Operating lease liability" - The liability is in respect of operating leases and this is not budgeted for.

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

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

**Note 34** - "Consumer deposits" - The variance is as a result of the increase in deposits due to non payment of outstanding debt as well as new connections.

**Note 35** - "Employee benefit obligation" - This is in respect of post retirement medical aid and long service awards which were not budgeted for.



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

---

|  | Approved<br>budget | Adjustments | Final Budget | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|--|--------------------|-------------|--------------|--|---|-----------|
|--|--------------------|-------------|--------------|--|---|-----------|

---

**Note 36** - "Unspent conditional grants and receipts" - Represents the unspent liability as at 30 June 2017 not accurately budgeted for.

**Note 37** - "Provisions" - Provided for under other accruals - was not accurately budgeted for.

**Note 38** - "Other liabilities VAT payable" - Represents VAT payable and was not budgeted for. The Municipality is registered with SARS on a payment bases and therefore VAT is only paid over to SARS once it has been received from the consumers.

**Note 39** - "Other liabilities - borrowings" - The Municipality did not take up any external loans.

**Note 40** - "Provision for retirement benefit obligation" - Is the medical aid and long service award obligation as at 30 June 2017.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Appropriation Statement

|  | Original budget      | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget         | Actual outcome       | Unauthorised expenditure | Variance             | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--------------------------|--|---|----------------------|----------------------|--------------------------|----------------------|-------------------------------------|--|
| <b>2017</b>  |                      |   |                          |  |   |                      |                      |                          |                      |                                     |  |
| <b>Financial Performance</b>   |                      |   |                          |  |   |                      |                      |                          |                      |                                     |  |
| Service charges  | 176,929,000          | 71,723,000  | 248,652,000              | -  | -   | 248,652,000          | 154,021,456          | -                        | (94,630,544)         | 62 %                                | 87 %                                   |
| Investment revenue   | 10,671,000           | (3,000,000)   | 7,671,000                | -  | -   | 7,671,000            | 7,189,148            | -                        | (481,852)            | 94 %                                | 67 %                                   |
| Transfers recognised - operational                                   | 338,199,000          | 1,154,000   | 339,353,000              | -  | -   | 339,353,000          | 347,535,111          | -                        | 8,182,111            | 102 %                               | 103 %                                  |
| Other own revenue  | 30,235,000           | 11,482,000  | 41,717,000               | -  | -   | 41,717,000           | 49,190,556           | -                        | 7,473,556            | 118 %                               | 163 %                                  |
| <b>Total revenue (excluding capital transfers and contributions)</b> | <b>556,034,000</b>   | <b>81,359,000</b>                                   | <b>637,393,000</b>       | <b>-</b>                                   | <b>-</b>                                  | <b>637,393,000</b>   | <b>557,936,271</b>   | <b>-</b>                 | <b>(79,456,729)</b>  | <b>88 %</b>                         | <b>100 %</b>                           |
| Employee costs   | (195,149,000)        | (29,331,000)  | (224,480,000)            | -  | -   | (224,480,000)        | (218,649,140)        | -                        | 5,830,860            | 97 %                                | 112 %                                  |
| Remuneration of councillors  | (6,552,000)          | -   | (6,552,000)              | -  | -   | (6,552,000)          | (5,482,999)          | -                        | 1,069,001            | 84 %                                | 84 %                                   |
| Debt impairment  | (36,460,000)         | (35,340,000)  | (71,800,000)             | -  | -   | (71,800,000)         | (94,881,113)         | -                        | (23,081,113)         | 132 %                               | 260 %                                  |
| Depreciation and asset impairment                                    | (57,676,000)         | -   | (57,676,000)             | -  | -   | (57,676,000)         | (62,577,084)         | -                        | (4,901,084)          | 108 %                               | 108 %                                  |
| Finance charges  | -                    | -   | -                        | -  | -   | -                    | (2,554,911)          | -                        | (2,554,911)          | DIV/0 %                             | DIV/0 %                                |
| Materials and bulk purchases   | (5,900,000)          | -   | (5,900,000)              | -  | -   | (5,900,000)          | (8,061,187)          | -                        | (2,161,187)          | 137 %                               | 137 %                                  |
| Transfers and grants   | (10,512,000)         | (14,488,000)  | (25,000,000)             | -  | -   | (25,000,000)         | -                    | -                        | 25,000,000           | - %                                 | - %                                    |
| Other expenditure  | (236,107,000)        | 35,958,000  | (200,149,000)            | -  | -   | (200,149,000)        | (343,662,686)        | -                        | (143,513,686)        | 172 %                               | 146 %                                  |
| <b>Total expenditure</b>   | <b>(548,356,000)</b> | <b>(43,201,000)</b>                                 | <b>(591,557,000)</b>     | <b>-</b>                                   | <b>-</b>                                  | <b>(591,557,000)</b> | <b>(735,869,120)</b> | <b>-</b>                 | <b>(144,312,120)</b> | <b>124 %</b>                        | <b>134 %</b>                           |
| <b>Surplus/(Deficit)</b>   | <b>7,678,000</b>     | <b>38,158,000</b>                                   | <b>45,836,000</b>        | <b>-</b>                                   | <b>-</b>                                  | <b>45,836,000</b>    | <b>(177,932,849)</b> | <b>-</b>                 | <b>(223,768,849)</b> | <b>(388)%</b>                       | <b>(2,317)%</b>                        |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Appropriation Statement

|  | Original budget    | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget       | Actual outcome    | Unauthorised expenditure | Variance             | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|--------------------|---|--------------------------|--|---|--------------------|-------------------|--------------------------|----------------------|-------------------------------------|--|
| Transfers recognised - capital                                     | 262,690,000        | 64,000,000  | 326,690,000              | -  |   | 326,690,000        | 274,084,673       |                          | (52,605,327)         | 84 %                                | 104 %                                  |
| <b>Surplus (Deficit) after capital transfers and contributions</b> | <b>270,368,000</b> | <b>102,158,000</b>                                  | <b>372,526,000</b>       | -  |   | <b>372,526,000</b> | <b>96,151,824</b> |                          | <b>(276,374,176)</b> | <b>26 %</b>                         | <b>36 %</b>                            |
| Gain (Loss) on actuarial valuations                                | -                  | -   | -                        | -  |   | -                  | (2,363,782)       |                          | (2,363,782)          | DIV/0 %                             | DIV/0 %                                |
| Gain / Loss on disposal of assets                                  | -                  | -   | -                        | -  |   | -                  | 5,204,839         |                          | 5,204,839            | DIV/0 %                             | DIV/0 %                                |
| Inventories losses/write-downs                                     | -                  | -   | -                        | -  |   | -                  | 828,880           |                          | 828,880              | DIV/0 %                             | DIV/0 %                                |
| <b>Surplus/(Deficit) for the year</b>                              | <b>270,368,000</b> | <b>102,158,000</b>                                  | <b>372,526,000</b>       | -  |   | <b>372,526,000</b> | <b>92,481,887</b> |                          | <b>(280,044,113)</b> | <b>25 %</b>                         | <b>34 %</b>                            |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Appropriation Statement

|  | Reported<br>unauthorised<br>expenditure | Expenditure<br>authorised in<br>terms of<br>section 32 of<br>MFMA | Balance to be<br>recovered | Restated<br>audited<br>outcome |
|--|---|---|----------------------------|--------------------------------|
| <b>2016</b>  |   |   |                            |                                |
| <b>Financial Performance</b>   |   |   |                            |                                |
| Service charges  |   |   |                            | 150,116,589                    |
| Investment revenue   |   |   |                            | 11,991,453                     |
| Transfers recognised - operational                                   |   |   |                            | 322,989,343                    |
| Other own revenue  |   |   |                            | 23,711,460                     |
| <b>Total revenue (excluding capital transfers and contributions)</b> |   |   |                            | <b>508,808,845</b>             |
| Employee costs   | 20,729,772                              | -   | 20,729,772                 | (199,309,646)                  |
| Remuneration of councillors  | (235,097)                               | -   | (235,097)                  | (6,381,097)                    |
| Debt impairment  | (29,753,475)                            | -   | (29,753,475)               | (57,975,475)                   |
| Depreciation and asset impairment                                    | 2,232,935                               | -   | 2,232,935                  | (49,197,065)                   |
| Finance charges  | (1,125,317)                             | -   | (1,125,317)                | (1,125,317)                    |
| Materials and bulk purchases   | (2,155,917)                             | -   | (2,155,917)                | (7,698,102)                    |
| Other expenditure  | (87,737,411)                            | -   | (87,737,411)               | (378,621,157)                  |
| <b>Total expenditure</b>   | <b>(98,044,510)</b>                     | -   | <b>(98,044,510)</b>        | <b>(700,307,859)</b>           |
| <b>Surplus/(Deficit)</b>   |   |   |                            | <b>(191,499,014)</b>           |
| Transfers recognised - capital                                       |   |   |                            | 245,341,913                    |
| Contributions recognised - capital and contributed assets            |   |   |                            | 70,000                         |
| <b>Surplus (Deficit) after capital transfers and contributions</b>   |   |   |                            | <b>53,912,899</b>              |
| <b>Surplus/(Deficit) for the year</b>                                |   |   |                            | <b>53,912,899</b>              |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

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

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. "Significant judgement and sources of measurement uncertainty" on assumptions used

#### Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

#### 1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

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

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.

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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of 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 is carried at cost less accumulated depreciation and any impairment losses.

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

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

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

---

| Item                           | Depreciation method | Average useful life |
|--------------------------------|---------------------|---------------------|
| Land                           | Straight line       | Infinite            |
| Buildings                      | Straight line       | 30 Years            |
| Plant and machinery            | Straight line       | 5 Years             |
| Furniture and fixtures         | Straight line       | 7 years             |
| Motor vehicles                 | Straight line       | 5 Years             |
| Office equipment               | Straight line       | 3-5 Years           |
| IT equipment                   | Straight line       | 3 Years             |
| Computer software              | Straight line       | 3 years             |
| Pumps                          | Straight line       | 15 Years            |
| Reservoirs and tanks           | Straight line       | 50 Years            |
| Chemical tanks                 | Straight line       | 50 Years            |
| Reinforced concrete clarifiers | Straight line       | 50 Years            |
| Transformer high voltage       | Straight line       | 50 Years            |
| Transformer medium voltage     | Straight line       | 45 Years            |
| Laboratory equipment           | Straight line       | 5 Years             |
| Specialised vehicles           | Straight line       | 5 Years             |
| Water network                  | Straight line       | 20 Years            |

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

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

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

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

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

### 1.4 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

### 1.4 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

---

| Item                                 | Depreciation method | Average useful life |
|--------------------------------------|---------------------|---------------------|
| Patents, trademarks and other rights | Straight line       | 30 Years            |
| Computer software, other             | Straight line       | 3 years             |

### 1.5 Financial instruments

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

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

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

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

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

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

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

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

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

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



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

### 1.5 Financial instruments (continued)

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

### 1.5 Financial instruments (continued)

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

#### Classification

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

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

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

| <b>Class</b>                        | <b>Category</b>                                |
|-------------------------------------|--|
| Payables from exchange transactions | Financial liability measured at amortised cost |
| Other accruals                      | Financial liability measured at amortised cost |
| Consumer deposits                   | Financial liability measured at amortised cost |
| Unspent conditional grants          | Financial liability measured at amortised cost |
| VAT payables                        | Financial liability measured at amortised cost |
| Purchase of office building         | Financial liability measured at fair value     |

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

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

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

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

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

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

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

### 1.5 Financial instruments (continued)

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

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

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

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

#### Fair value measurement considerations

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

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

### 1.6 Leases

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

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

### 1.6 Leases (continued)

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.7 Inventories

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

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

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

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

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

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

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

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

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

### 1.7 Inventories (continued)

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

### 1.8 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

Useful life is either:

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

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

#### Identification

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

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

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

#### Value in use

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

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

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

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

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

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

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

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

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

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

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

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

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

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

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

Useful life is either:

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

### 1.10 Share capital / contributed capital

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

### 1.11 Employee benefits

#### Defined contribution plans

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

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

### 1.11 Employee benefits (continued)

#### Defined benefit plans

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

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

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

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

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

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

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

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

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

### 1.12 Provisions and contingencies

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

### 1.12 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

### 1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.14 Revenue from exchange transactions

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

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

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

### 1.14 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

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

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

### 1.15 Revenue from non-exchange transactions

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

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

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

#### Government grants

Government grants are recognised as revenue when:

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

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

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

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

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

#### Other grants and donations

Other grants and donations are recognised as revenue when:

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

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

### 1.16 Investment income

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

### 1.17 Borrowing costs

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

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

### 1.18 Comparative figures

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

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

Comparative figures in the Statement of Financial Performance has been reclassified in respect of prior year adjustmentst

### 1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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.

### 1.20 Fruitless and wasteful expenditure

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

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

### 1.21 Irregular expenditure

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

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

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

### 1.21 Irregular expenditure (continued)

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.

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

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

### 1.22 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2016 to 6/30/2017.

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

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

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

### 1.23 Related parties

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

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

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

---

### 1.23 Related parties (continued)

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

### 1.24 Events after reporting date

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

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

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

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

### 1.25 Going concern assumption

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017

2016

### 2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year.

### 3. New standards and interpretations

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

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

- GRAP 108: Statutory Receivables April 1, 2016
- GRAP 32: Service Concession Arrangements: Grantor April 1, 2016
- IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset April 1, 2016

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2017 or later periods:

- |   |   |  |
|---|---|--|
| • GRAP 34: Separate Financial Statements  | No effective date has been determined by the Minister | Unlikely there will be a material impact |
| • GRAP 35: Consolidated Financial Statements  | No effective date has been determined by the Minister | Unlikely there will be a material impact |
| • GRAP 36: Investments in Associates and Joint Ventures                                     | No effective date has been determined by the Minister | Unlikely there will be a material impact |
| • GRAP 37: Joint Arrangements   | No effective date has been determined by the Minister | Unlikely there will be a material impact |
| • GRAP 38: Disclosure of Interests in Other Entities  | No effective date has been determined by the Minister | Unlikely there will be a material impact |
| • GRAP 110: Living and Non-living Resources   | No effective date has been determined by the Minister | Unlikely there will be a material impact |
| • GRAP 12 (as amended 2016): Inventories  | April 1, 2018   | Unlikely there will be a material impact |
| • GRAP 27 (as amended 2016): Agriculture  | April 1, 2018   | Unlikely there will be a material impact |
| • GRAP 31 (as amended 2016): Intangible Assets  | April 1, 2018   | Unlikely there will be a material impact |
| • GRAP 103 (as amended 2016): Heritage Assets   | April 1, 2018   | Unlikely there will be a material impact |
| • GRAP 110 (as amended 2016): Living and Non-living Resources                               | April 1, 2018   | Unlikely there will be a material impact |
| • IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land | April 1, 2019   | Unlikely there will be a material impact |
| • Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities      | April 1, 2018   | Unlikely there will be a material impact |
| • GRAP 20: Related parties  | April 1, 2017   | Unlikely there will be a material impact |
| • GRAP 26 (as amended 2016): Impairment of cash-generating assets                           | April 1, 2018   | Unlikely there will be a material impact |
| • GRAP 109: Accounting by Principals and Agents   | April 1, 2017   | Unlikely there will be a material impact |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

---

### 3. New standards and interpretations (continued)

- |  |               |  |
|--|---------------|--|
| • GRAP 21 (as amended 2016): Impairment of non-cash-generating assets                          | April 1, 2018 | Unlikely there will be a material impact |
| • GRAP 18 (as amended 2016): Segment Reporting   | April 1, 2018 | Unlikely there will be a material impact |
| • GRAP 17 (as amended 2016): Property, Plant and Equipment                                     | April 1, 2018 | Unlikely there will be a material impact |
| • GRAP 16 (as amended 2016): Investment Property   | April 1, 2018 | Unlikely there will be a material impact |
| • GRAP 106 (as amended 2016): Transfers of functions between entities not under common control | April 1, 2018 | Unlikely there will be a material impact |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

|  | 2017                 |   |                      | 2016                 |   |                      |
|--|----------------------|---|----------------------|----------------------|---|----------------------|
|  | Cost /<br>Valuation  | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value       | Cost /<br>Valuation  | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value       |
| Land   | 1,037,872            | -   | 1,037,872            | 1,037,872            | -   | 1,037,872            |
| Buildings                                      | 42,915,897           | (2,049,868)   | 40,866,029           | 40,716,713           | (1,464,628)   | 39,252,085           |
| Infrastructure                                 | 2,814,020,459        | (589,791,156)   | 2,224,229,303        | 2,606,471,420        | (541,063,697)   | 2,065,407,723        |
| Other property, plant and equipment (Movables) | 64,457,421           | (38,230,659)  | 26,226,762           | 66,631,386           | (29,938,761)  | 36,692,625           |
| <b>Total</b>                                   | <b>2,922,431,649</b> | <b>(630,071,683)</b>  | <b>2,292,359,966</b> | <b>2,714,857,391</b> | <b>(572,467,086)</b>  | <b>2,142,390,305</b> |



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2017

|  | Opening<br>balance   | Additions          | Disposals          | Work in<br>progress | Depreciation        | Impairment<br>loss | Total                |
|--|----------------------|--------------------|--------------------|---------------------|---------------------|--------------------|----------------------|
| Land   | 1,037,872            | -                  | -                  | -                   | -                   | -                  | 1,037,872            |
| Buildings                                      | 30,168,979           | -                  | (895,645)          | 12,620,319          | (943,622)           | (84,000)           | 40,866,031           |
| Infrastructure                                 | 1,695,214,911        | 174,755,631        | (2,097,500)        | 409,002,173         | (52,331,929)        | (313,985)          | 2,224,229,301        |
| Other property, plant and equipment (movables) | 36,692,614           | 1,047,557          | (2,211,877)        | -                   | (9,301,532)         | -                  | 26,226,762           |
|  | <b>1,763,114,376</b> | <b>175,803,188</b> | <b>(5,205,022)</b> | <b>421,622,492</b>  | <b>(62,577,083)</b> | <b>(397,985)</b>   | <b>2,292,359,966</b> |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2016

|                                     | Opening<br>balance   | Additions          | Disposals          | Transfers   | Work in<br>progress | Depreciation        | Total                |
|-------------------------------------|----------------------|--------------------|--------------------|-------------|---------------------|---------------------|----------------------|
| Land                                | 1,037,872            | -                  | -                  | -           | -                   | -                   | 1,037,872            |
| Buildings                           | 31,437,449           | 18,750             | -                  | (318,000)   | 9,083,106           | (969,220)           | 39,252,085           |
| Infrastructure                      | 1,126,163,175        | 244,928,404        | 370,192,808        | -           | 370,192,823         | (46,069,476)        | 2,065,407,734        |
| Other property, plant and equipment | 39,598,548           | 5,537,761          | (1,187,290)        | 2,960,494   | -                   | (10,216,899)        | 36,692,614           |
| Leased assets                       | 2,642,494            | -                  | -                  | (2,642,494) | -                   | -                   | -                    |
|                                     | <b>1,200,879,538</b> | <b>250,484,915</b> | <b>369,005,518</b> | <b>-</b>    | <b>379,275,929</b>  | <b>(57,255,595)</b> | <b>2,142,390,305</b> |

Impairment losses R10,807,571 (2016/2017) have been recognized for Property, Plant and Equipment that has been halted.

Other changes/movements relates to expenditure incurred during 2016/2017 on Kwanobamba water treatment works that was deemed operating expenditure and classified under repairs and maintenance.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017               | 2016               |
|--|--------------------|--------------------|
| <b>4. Property, plant and equipment (continued)</b>  |                    |                    |
| <b>Property, plant and equipment in the process of being constructed or developed</b>  |                    |                    |
| <b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>  |                    |                    |
| Work in progress - Infrastructure  | 421,622,492        | 379,275,929        |
| <b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>                              |                    |                    |
| Kwanobamba Ezitendeni 2C - Contract 179/2015<br>Contractor had cashflow problems - Start date 24/03/2016 end date 19/02/2017.                                      | 6,914,193          | -                  |
| Kwanobamba Ezitendeni WTW - Contract 11/2015<br>Delays in procurement of materia - Start date 22/06/2016 end date 22/06/2017.                                      | 10,948,457         | -                  |
| Moyeni/Zwelisha WTW - Contract 172/20156<br>Start date 01/02/2016 end date 30/06/2016.   | 2,714,591          | -                  |
| Lombardskop bulk water feeder - Contract 181/2015<br>Start date 24/02/2016 end date 21/01/2017.  | 67,512,384         | -                  |
| Mimosadale - Contract 171/2015<br>Start date 18/10/2016 end date 22/05/2017.   | 6,116,885          | -                  |
| Fitty Park - Contract 100/2012<br>Start date 21/08/2015 end date 13/04/2016.   | 14,320,657         | 14,320,657         |
| Bhekuzulu/Ephangweni Phase 7<br>Start date 22/02/2016 end date 22/05/2017.   | 12,335,853         | -                  |
|  | <b>120,863,020</b> | <b>14,320,657</b>  |
| <b>Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)</b> |                    |                    |
| Ntabamhlophe Phase 10B<br>Contract cancelled due to poor performance.  | 14,280,657         | 14,280,657         |
| Bhekuzulu Phase 3<br>Contract was cancelled due to poor performance  | 3,646,362          | 3,646,362          |
| Bhekuzulu Phase 5<br>Contract was cancelled due to poor performance  | 74,075,055         | 74,075,055         |
| Bergville sewer sanitation contract 114/2013<br>Contract cancelled due to poor performance   | 8,203,477          | 8,203,477          |
|  | <b>100,205,551</b> | <b>100,205,551</b> |
| <b>Impairment losses have been recognised for property, plant and equipment that has been halted as follows.</b>   |                    |                    |
| Bhekuzulu Phase 5  | 2,714,867          | -                  |
| Winterton water treatment  | 5,142,610          | -                  |
| Khethani refurbishment & upgrade   | 2,009,725          | -                  |
| Bergville sewer sanitation   | 542,383            | -                  |
|  | <b>10,409,585</b>  | <b>-</b>           |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|   | 2017               | 2016               |
|---|--------------------|--------------------|
| <b>4. Property, plant and equipment (continued)</b> |                    |                    |
| <b>Reconciliation of Work-in-Progress 2017</b>      |                    |                    |
|   | Included within    | Total              |
|   | Other PPE          |                    |
| Opening balance                                     | 379,275,929        | 379,275,929        |
| Additions/capital expenditure                       | 238,984,217        | 238,984,217        |
| Expensed  | (12,307,615)       | (12,307,615)       |
| Transferred to completed projects                   | (173,920,453)      | (173,920,453)      |
| Impairment  | (10,409,586)       | (10,409,586)       |
|   | <b>421,622,492</b> | <b>421,622,492</b> |

Work in progress represents capital projects which have not been completed at financial year end.

Once a project has been completed and a completion certificate has been issued work in progress is transferred to infrastructure in the fixed asset register.

No depreciation is calculated on work in progress disclosed in the fixed asset register.

### Reconciliation of Work-in-Progress 2016

|                                   |                    |                    |
|-----------------------------------|--------------------|--------------------|
|                                   | Included within    | Total              |
|                                   | Other PPE          |                    |
| Opening balance                   | 445,955,089        | 445,955,089        |
| Additions/capital expenditure     | 174,573,818        | 174,573,818        |
| Transferred to completed projects | (241,252,978)      | (241,252,978)      |
|                                   | <b>379,275,929</b> | <b>379,275,929</b> |

### Expenditure incurred to repair and maintain property, plant and equipment

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

|   |                   |                   |
|---|-------------------|-------------------|
| Employee related costs (Overtime and standby Included in employee related cost in the statement of financial performance) | 23,543,215        | 22,831,139        |
| Buildings and offices   | 977,116           | 1,502,490         |
| Vehicles  | 6,075,819         | 8,606,072         |
| Pipelines and Reservoirs  | 9,025,997         | 12,962,459        |
| Plant and equipment - Water treatment and waste water treatment works   | 482,762           | 265,388           |
| Pumps   | 4,906,215         | 11,659,166        |
| Roads   | 7,772             | -                 |
| Disinfection system "Blue drop and Green drop"  | 376,508           | 892,530           |
| Refurbishment of Existing Schemes   | 12,307,615        | 1,855,822         |
| Electrical  | 75,154            | 19,414            |
| Repairs to old building Murchison Street  | -                 | 66,058            |
|   | <b>57,778,173</b> | <b>60,660,538</b> |

Expenditure incurred to repair and maintain on property plant and equipment amounting to R37,829,399 (2015/2016) and R34,234,958 (2016/2017) is included in general expenditure in the statement of financial performance.

Refer to note 34 on repairs and maintenance.

Employee related costs R22,831,139 (2015/2016) and R23,543,215 (2016/2017) is included in employee related costs in the statement of financial performance.

Refer to note 27 on employee related costs (overtime and standby).

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017

2016

### 5. Intangible assets

|                   | 2017                |   |                | 2016                |   |                |
|-------------------|---------------------|---|----------------|---------------------|---|----------------|
|                   | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value |
| Computer software | 786,557             | (198,592)   | 587,965        | 786,557             | (133,183)   | 653,374        |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|   | 2017               | 2016         |           |                  |                  |
|---|--------------------|--------------|-----------|------------------|------------------|
| <b>5. Intangible assets (continued)</b>           |                    |              |           |                  |                  |
| <b>Reconciliation of intangible assets - 2017</b> |                    |              |           |                  |                  |
|   | Opening<br>balance | Amortisation | Total     |                  |                  |
| Computer software                                 | 653,374            | (65,409)     | 587,965   |                  |                  |
| <b>Reconciliation of intangible assets - 2016</b> |                    |              |           |                  |                  |
|   | Opening<br>balance | Additions    | Disposals | Amortisation     | Total            |
| Computer software                                 | 238,202            | 543,600      | (43,543)  | (84,885)         | 653,374          |
| <b>6. Operating lease asset (accrual)</b>         |                    |              |           |                  |                  |
| Non-current liabilities                           |                    | -            |           | -                |                  |
| Current liabilities                               |                    |              |           | (134,263)        | (378,853)        |
|   |                    |              |           | <u>(134,263)</u> | <u>(378,853)</u> |

The operating lease liability in respect of the rental of offices occupied by the municipality amounted to R378,853 - 2015/2016 and R134,263 - 2016/2017.

The Municipality currently occupies satellite offices in Estcourt, Colenso, Weenen and Bergville.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|   | 2017                | 2016                |
|---|---------------------|---------------------|
| <b>7. Employee benefit obligation</b>   |                     |                     |
| <b>Post retirement medical aid plan and long service awards</b>   |                     |                     |
| Independent valuers, ARCH Actuarial Consulting has carried out the statutory valuation for the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 financial years. |                     |                     |
| <b>The amounts recognised in the statement of financial position are as follows:</b>  |                     |                     |
| <b>Carrying value</b>   |                     |                     |
| Present value of the defined benefit obligation - medical aid post retirement   | (17,057,808)        | (16,304,317)        |
| Present value of the defined benefit obligation - long service awards   | (12,068,822)        | (11,013,246)        |
|   | <b>(29,126,630)</b> | <b>(27,317,563)</b> |
| Non-current liabilities   | (28,135,528)        | (26,438,620)        |
| Current liabilities   | (991,102)           | (878,943)           |
|   | <b>(29,126,630)</b> | <b>(27,317,563)</b> |
| <b>Changes in the present value of the post retirement medical aid plan obligation are as follows:</b>  |                     |                     |
| Opening balance   | 16,304,317          | 3,466,305           |
| Net expense recognised in the statement of financial performance  | 753,491             | 12,838,012          |
|   | <b>17,057,808</b>   | <b>16,304,317</b>   |
| <b>Net expense recognised in the statement of financial performance</b>   |                     |                     |
| Current service cost  | 1,261,457           | 190,794             |
| Interest cost   | 1,558,140           | 293,265             |
| Actuarial (gains) losses  | (1,722,042)         | 12,497,257          |
| Expected return on plan assets  | (344,064)           | (143,304)           |
|   | <b>753,491</b>      | <b>12,838,012</b>   |
| <b>Calculation of actuarial gains and losses</b>  |                     |                     |
| Actuarial (gains) losses – Obligation   | (1,722,042)         | 12,497,257          |
| <b>Movement in the retirement medical aid obligation are as follows:</b>  |                     |                     |
| Opening balance   | 16,304,317          | 3,466,305           |
| Expected return   | 1,261,457           | 190,794             |
| Actuarial gains (losses)  | 1,558,140           | 293,265             |
| Assets distributed on settlements   | (344,064)           | (143,304)           |
| Benefits paid   | (1,722,042)         | 12,497,257          |
|   | <b>17,057,808</b>   | <b>16,304,317</b>   |

The municipality expects to contribute R448,275 to its defined benefit plans in the 2017/2018 financial year and R484,306 in the 2018/2019 financial year.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017                      2016

### 7. Employee benefit obligation (continued)

#### Key assumptions used

The principal actuarial assumptions were as follows;

|  |        |        |
|--|--------|--------|
| Discount rates used                            | 9.76 % | 9.66 % |
| Health care cost inflation rate                | 8.04 % | 8.66 % |
| Net discount rate - health care cost inflation | 1.60 % | 0.92 % |
| Maximum subsidy inflation rate                 | 5.65 % | 6.12 % |
| Net discount rate - maximum subsidy inflation  | 3.89 % | 3.33 % |

Examples of mortality rates used were as follows;

#### Retirement age and mortality

|  |          |          |
|--|----------|----------|
| Average retirement age                       | 65 Years | 65 Years |
| Continuation of membership                   | 100%     | 100%     |
| Proportion assumed married at retirement age | 90%      | 90%      |
| Mortality during employment                  | SA 85-90 | SA85-90  |
| Mortality post-retirement                    | PA(90)-2 | PA(90)-2 |

Members withdrawn from service: (average for males and females)

|                                |       |         |
|--------------------------------|-------|---------|
| Averages for males and females | Males | Females |
| Age 20                         | 15%   | 24%     |
| Age 30                         | 7%    | 7%      |
| Age 40                         | 2%    | 2%      |
| Age 50                         | 0%    | 0%      |
| Age 55                         | 0%    | 0%      |

The municipality offers employees long service awards for every 5 years of service completed, from 10 years of service to 45 years of service inclusive.

#### Changes in present value of long service awards are as follows

|                                    |                   |                   |
|------------------------------------|-------------------|-------------------|
| Value at the beginning of the year | 11,013,246        | 9,927,066         |
| Increase in value of obligation    | 1,055,576         | 1,086,180         |
|                                    | <u>12,068,822</u> | <u>11,013,246</u> |

Independent valuers, ARCH Actuarial Consulting, carried out the valuations for the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 financial years.

The total liability has increased by 9.58% or (R1,055,576) during the 2016/2017 financial year due to the increase in salaries and more eligible employees.

The principle actuarial assumptions used were as follows;

|                          |             |             |
|--------------------------|-------------|-------------|
| <b>Rates</b>             | <b>2017</b> | <b>2016</b> |
| Discount rates           | 8.71%       | 8.23%       |
| General salary inflation | 6.54%       | 7.22%       |
| Net discount rate        | 2.04%       | 0.94%       |

The valuation was performed at the end of June 2017 and the next valuation at the end of June 2018.

#### Examples of mortality rates

|                          |             |             |
|--------------------------|-------------|-------------|
|                          | <b>2017</b> | <b>2016</b> |
| Average retirement age   | 65          | 65          |
| Pre-retirement mortality | SA 85-90    | SA 85-90    |



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017              | 2016              |
|--|-------------------|-------------------|
| <b>7. Employee benefit obligation (continued)</b>  |                   |                   |
| Members withdrawn from services: (average for males and females).  |                   |                   |
| <b>Age groups</b>  | <b>Males</b>      | <b>Females</b>    |
| Age 20   | 15%               | 24%               |
| Age 30   | 7%                | 7%                |
| Age 40   | 2%                | 2%                |
| Age 50   | 0%                | 0%                |
| Age 55   | 0%                | 0%                |
| The amount recognized in the statement of financial position were determined as follows;                                 |                   |                   |
| <b>Value of the liability in the statement of financial position</b>   |                   |                   |
| Present value of funded obligation   | 12,068,822        | 11,013,246        |
| <b>Movement in the long service obligation</b>   |                   |                   |
| Balance at the beginning of the year   | 11,013,246        | 9,927,066         |
| Current service costs  | 1,286,350         | 1,272,243         |
| Interest costs   | 945,845           | 786,412           |
| Benefit payments   | (534,879)         | (755,822)         |
| Actuarial loss / (gain)  | (641,740)         | (216,653)         |
| <b>Balance at the end of the year</b>  | <b>12,068,822</b> | <b>11,013,246</b> |
| The amounts recognized in the statement of financial position and the statement of financial performance are as follows; |                   |                   |
| <b>Statement of financial position obligation</b>  |                   |                   |
| Long service awards  | 12,068,822        | 11,013,246        |
| <b>Statement of financial performance obligation loss / (gain)</b>   |                   |                   |
| Long service awards  | (641,740)         | (216,653)         |
| <b>8. Prepayments</b>  |                   |                   |
| Prepayments represent rental of offices and parking space payable in advance.  |                   |                   |
| Operating leases are disclosed in note 37.   |                   |                   |
| <b>Prepayments made</b>  |                   |                   |
| V.R. Sarjoo - Rental of the satellite office in Weenen   | -                 | (2,106)           |
| Konika Minolta - Rental of office machines   | -                 | 108,730           |
| Dedekind Real Estate - Rental of parking space for municipal vehicles  | -                 | 33,000            |
|  | -                 | <b>139,624</b>    |
| <b>9. Inventories</b>  |                   |                   |
| Chemicals  | 736,810           | 692,414           |
| Purified water stock   | 626,435           | 570,721           |
| Stores   | 4,562,712         | 4,283,827         |
|  | <b>5,925,957</b>  | <b>5,546,962</b>  |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|   | 2017             | 2016             |
|---|------------------|------------------|
| <b>10. Receivables from exchange transactions</b>     |                  |                  |
| Deposits  | 1,658,406        | 1,658,406        |
| Sundry debtors  | 2,865,026        | 2,740,107        |
|   | <b>4,523,432</b> | <b>4,398,513</b> |
| Non-current assets                                    | 1,658,406        | 1,658,406        |
| Current assets  | 2,865,026        | 2,740,107        |
|   | <b>4,523,432</b> | <b>4,398,513</b> |
| <b>11. Receivables from non-exchange transactions</b> |                  |                  |
| Receivables from non exchange transactions            | 4,621,778        | 4,621,778        |
| Other receivables from non exchange transaction       | 2,079,946        | 1,403,003        |
|   | <b>6,701,724</b> | <b>6,024,781</b> |
| Non-current assets                                    | 4,592,424        | -                |
| Current assets  | 2,109,300        | 6,024,781        |
|   | <b>6,701,724</b> | <b>6,024,781</b> |

Except for the salary fraud the municipality expects to realize these debtors within 12 months.

Receivables from non-exchange transactions (R4,621,778) includes an amount of R4,592,424 in respect of salary fraud and R29,354 in respect of unpaid cheques issued in favour of the municipality.

The amount of R4,592,424 in respect of the salary fraud is not included in employee related costs in the statement of financial performance.

Other receivables from non-exchange transactions (R1,403,003) in respect of the 2015/2016 financial year includes a payment to the amount of R899,251 made to the Auditor General paid into the wrong bank account and R503,752 in respect of duplicate payment made to creditors.

The payment made to the Auditor General was deposited into the account of a Mrs. Mashisi.

Mrs. Mashisi claimed that the money was paid into her loan account which she does not have access to.

Councils legal section has instituted legal action against Mrs. Mashisi to recover the money.

As at 30 June 2017 R705,365 has been recovered from Mrs. Mashisi and R407,310 in respect of the duplicate payments.

As at 30 June 2017 other receivables from non exchange transactions is R2,079,946 which represents (R1,403,003 less R1,112,675 recovered during 2016/2017 plus R26,070 and R1,763,548 incurred during 2016/2017).

The amount of R1,763,548 included in other receivables from non exchange transactions "employee related costs" will be recovered in July 2017.

During May 2017 the cashier in Estcourt issued receipt to the amount of R25,770 which could not be reconciled with the daily deposits. Upon investigation it was found that not only was the money not deposited by the cashier but her float of R300 was also missing. The cashier absconded and has not returned for duty. The Senior Debtors Clerk made a sworn statement with then SAPS on the 7 th of July 2017 and Management has resolved to initiate criminal action against the cashier.

Refer to note 55 for disclosure on Fraudulent activities.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|                                       | 2017                      | 2016                      |
|---------------------------------------|---------------------------|---------------------------|
| <b>12. Consumer debtors</b>           |                           |                           |
| <b>Gross balances</b>                 |                           |                           |
| Water and sanitation                  | <u>684,956,539</u>        | <u>576,737,308</u>        |
| <b>Less: Allowance for impairment</b> |                           |                           |
| Water and sanitation                  | <u>(525,298,426)</u>      | <u>(430,417,314)</u>      |
| <b>Net balance</b>                    |                           |                           |
| Water and sanitation                  | <u>159,658,113</u>        | <u>146,319,994</u>        |
| <b>Water</b>                          |                           |                           |
| Current (0 -30 days)                  | 4,753,277                 | 5,027,738                 |
| 31 - 60 days                          | 3,367,924                 | 3,668,789                 |
| 61 - 90 days                          | 2,719,559                 | 3,472,133                 |
| 91 - 120 days                         | 2,180,014                 | 4,082,899                 |
| 121 - 365 days                        | 146,637,339               | 130,068,435               |
|                                       | <u><b>159,658,113</b></u> | <u><b>146,319,994</b></u> |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017                      | 2016                      |
|--|---------------------------|---------------------------|
| <b>12. Consumer debtors (continued)</b>              |                           |                           |
| <b>Summary of debtors by customer classification</b> |                           |                           |
| <b>Consumers</b>                                     |                           |                           |
| Current (0 -30 days)                                 | 12,605,472                | 9,708,968                 |
| 31 - 60 days   | 11,846,761                | 12,882,602                |
| 61 - 90 days   | 10,031,287                | 12,197,257                |
| 91 - 120 days  | 7,764,763                 | 14,604,818                |
| 121 - 365 days                                       | 590,968,539               | 504,654,484               |
|  | <u>633,216,822</u>        | <u>554,048,129</u>        |
| Less: Allowance for impairment                       | (485,536,559)             | (413,397,103)             |
|  | <b><u>147,680,263</u></b> | <b><u>140,651,026</u></b> |
| <b>Industrial/ commercial</b>                        |                           |                           |
| Current (0 -30 days)                                 | 2,064,454                 | 968,677                   |
| 31 - 60 days   | 1,072,889                 | 302,743                   |
| 61 - 90 days   | 730,022                   | 201,001                   |
| 91 - 120 days  | 708,986                   | 237,941                   |
| 121 - 365 days                                       | 27,563,275                | 8,982,256                 |
|  | <u>32,139,626</u>         | <u>10,692,618</u>         |
| Less: Allowance for impairment                       | (24,699,237)              | (8,021,031)               |
|  | <b><u>7,440,389</u></b>   | <b><u>2,671,587</u></b>   |
| <b>National and provincial government</b>            |                           |                           |
| Current (0 -30 days)                                 | 1,157,128                 | 1,498,424                 |
| 31 - 60 days   | 1,628,487                 | 1,498,424                 |
| 61 - 90 days   | 986,142                   | 1,498,424                 |
| 91 - 120 days  | 943,078                   | 1,498,423                 |
| 121 - 365 days                                       | 14,885,256                | 6,002,866                 |
|  | <u>19,600,091</u>         | <u>11,996,561</u>         |
| Less: Allowance for impairment                       | (15,062,630)              | (8,999,180)               |
|  | <b><u>4,537,461</u></b>   | <b><u>2,997,381</u></b>   |
| <b>Total</b>   |                           |                           |
| Current (0 -30 days)                                 | 16,108,453                | 12,176,069                |
| 31 - 60 days   | 14,307,769                | 14,683,768                |
| 61 - 90 days   | 11,735,245                | 13,896,682                |
| 91 - 120 days  | 9,334,383                 | 16,341,183                |
| 121 - 365 days                                       | 633,470,689               | 519,639,606               |
|  | <u>684,956,539</u>        | <u>576,737,308</u>        |
| Less: Allowance for impairment                       | (525,298,426)             | (430,417,314)             |
|  | <b><u>159,658,113</u></b> | <b><u>146,319,994</u></b> |
| <b>Less: Allowance for impairment</b>                |                           |                           |
| Current (0 -30 days)                                 | (11,073,777)              | (7,148,331)               |
| 31 - 60 days   | (11,180,215)              | (11,014,979)              |
| 61 - 90 days   | (9,027,892)               | (10,424,549)              |
| 91 - 120 days  | (7,236,813)               | (12,258,283)              |
| 121 - 365 days                                       | (486,779,729)             | (389,571,172)             |
|  | <u>(525,298,426)</u>      | <u>(430,417,314)</u>      |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|   | 2017                 | 2016                 |
|---|----------------------|----------------------|
| <b>12. Consumer debtors (continued)</b>           |                      |                      |
| <b>Reconciliation of allowance for impairment</b> |                      |                      |
| Balance at beginning of the year                  | (430,417,314)        | (372,374,278)        |
| Contributions to allowance                        | (94,881,112)         | (58,043,036)         |
|   | <u>(525,298,426)</u> | <u>(430,417,314)</u> |

At the end of June 2016 (2015/2016 financial year) consumer debtors amounted to R576,737,308 and a provision for impairment was made to the amount of R430,417,314 with net debtors being R146,319,994 at year end.

At the end of June 2017 (2016/2017 financial year) consumer debtors amounted to R684,956,539 and a provision for impairment was made to the amount of R525,298,426 with net debtors being R159,658,113 at year end.

### Fair value of consumer debtors

|                  |                    |                    |
|------------------|--------------------|--------------------|
| Consumer debtors | <u>159,658,113</u> | <u>146,319,994</u> |
|------------------|--------------------|--------------------|

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

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

By using the above measures the impairment provision calculated is R525,298,426 as at 30 June 2017.

### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

|                     |                  |                   |
|---------------------|------------------|-------------------|
| Cash on hand        | 11,800           | 12,100            |
| Cash Bank           | 3,663,098        | 1,507,806         |
| Short-term deposits | 2,322,987        | 35,195,503        |
|                     | <u>5,997,885</u> | <u>36,715,409</u> |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017

2016

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

The municipality had the following bank accounts

| Account number / description                  | Bank statement balances |               |               | Cash book balances |               |               |
|---|-------------------------|---------------|---------------|--------------------|---------------|---------------|
|   | June 30, 2017           | June 30, 2016 | June 30, 2015 | June 30, 2017      | June 30, 2016 | June 30, 2015 |
| FNB current account<br>62252306280            | 2,106,534               | 903,858       | 41,181,646    | 2,106,534          | 903,858       | 41,181,646    |
| FNB current account<br>62253072385            | 24,889                  | -             | -             | 1,556,564          | 603,948       | 507,370       |
| FNB business money account<br>62283176644     | 265,672                 | 250,625       | 239,080       | -                  | -             | -             |
| FNB call account<br>62402906484               | -                       | -             | 16,847        | -                  | -             | -             |
| FNB short term deposit account<br>74448698347 | -                       | -             | 22,325,074    | -                  | -             | -             |
| FNB short term deposit account<br>74448699204 | -                       | -             | 4,823,758     | -                  | -             | -             |
| FNB short term deposit account<br>74509856587 | -                       | -             | 41,348,746    | -                  | -             | -             |
| FNB short term deposit account<br>62600579679 | 236,417                 | 173,035       | -             | -                  | -             | -             |
| FNB short term deposit account<br>62600812102 | 131,361                 | 390,949       | -             | -                  | -             | -             |
| Nedbank call deposit account<br>7881108134    | 2,502                   | 509,176       | 479,904       | -                  | -             | -             |
| Nedbank call deposit account<br>7881108142    | 37,876                  | 35,498        | 33,457        | -                  | -             | -             |
| Nedbank call deposit account<br>7881108150    | 41,001                  | 38,427        | 36,218        | -                  | -             | -             |
| Nedbank call deposit account<br>7881108185    | 891                     | 181,252       | 170,832       | -                  | -             | -             |
| Nedbank call deposit account<br>7881108207    | 129,418                 | 121,295       | 114,321       | -                  | -             | -             |
| Nedbank call deposit account<br>7881108215    | 12,936                  | 12,124        | 11,427        | -                  | -             | -             |
| Nedbank Call deposit account<br>7881108223    | 749                     | 702           | 662           | -                  | -             | -             |
| Nedbank call deposit account<br>7881108258    | 16,673                  | 15,627        | 14,728        | -                  | -             | -             |
| Nedbank call deposit account<br>7881108266    | 2,089                   | 425,181       | 400,738       | -                  | -             | -             |
| Nedbank call deposit account<br>7881108274    | 997                     | 935           | 881           | -                  | -             | -             |
| Nedbank call deposit account<br>7881108282    | 7,056                   | 6,613         | 6,233         | -                  | -             | -             |
| Nedbank call deposit account<br>7881113375    | 125,351                 | 2,027,746     | 1,903,475     | -                  | -             | -             |
| Nedbankcall deposit account<br>7881006110     | 23,151                  | 10,685        | -             | -                  | -             | -             |
| Investec call deposit account<br>50007868808  | -                       | 1,383,438     | 1,303,904     | -                  | -             | -             |
| Investec call deposit account<br>50007609828  | -                       | 6,862,382     | 6,467,861     | -                  | -             | -             |
| Investec call deposit account<br>50007621328  | -                       | 934,315       | 880,601       | -                  | -             | -             |
| Investec call deposit account<br>50007621342  | -                       | 24            | 24            | -                  | -             | -             |
| Investec call deposit account<br>5007621374   | -                       | 123,863       | 116,742       | -                  | -             | -             |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  |                  |                   | 2017               |                  |                  | 2016              |
|--|------------------|-------------------|--------------------|------------------|------------------|-------------------|
| <b>13. Cash and cash equivalents (continued)</b> |                  |                   |                    |                  |                  |                   |
| Investec call deposit account<br>50008183042     | 57,641           | 20,654,510        | 21,713,468         | -                | -                | -                 |
| Investec call deposit account<br>50008274324     | -                | 1,037,101         | 977,478            | -                | -                | -                 |
| ABSA call deposit account<br>9328134049          | 1,231,206        | -                 | -                  | -                | -                | -                 |
| <b>Total</b>                                     | <b>4,454,410</b> | <b>36,099,361</b> | <b>144,568,105</b> | <b>3,663,098</b> | <b>1,507,806</b> | <b>41,689,016</b> |

Investments were done in terms of the MFMA, Chapter 3, Part 2, Section 13 "Cash Management and Investments".

Interest was earned at an average interest rate of 6.49% for the period ending 30 June 2017.

### 14. Accumulated surplus

#### Ring-fenced internal funds and reserves within accumulated surplus - 2017

|   | Accumulated<br>surplus<br>account | Total                |
|---|-----------------------------------|----------------------|
| Opening balance                         | 2,100,531,154                     | 2,100,531,154        |
| Movement in accumulated surplus account | (5,190,214)                       | (5,190,214)          |
| Operating surplus as at 30 June 2017    | 83,350,531                        | 83,350,531           |
|   | <b>2,178,691,471</b>              | <b>2,178,691,471</b> |

#### Ring-fenced internal funds and reserves within accumulated surplus - 2016

|   | Accumulated<br>surplus<br>account | Total                |
|---|-----------------------------------|----------------------|
| Opening balance   | 2,046,618,255                     | 2,046,618,255        |
| Restated operating surplus / (defecit) as at 30 June 2016 | 53,912,899                        | 53,912,899           |
|   | <b>2,100,531,154</b>              | <b>2,100,531,154</b> |

### 15. Unspent conditional grants and receipts

Unspent conditional grants are disclosed in the statement of financial performance as liability and represents grants which have not been fully spent during the financial year. Application has been made to the funders for the approval of a roll over of the unspent portions to the following financial year.

#### Unspent conditional grants and receipts comprises of:

| Unspent conditional grants and receipts   |                   |                   |
|---|-------------------|-------------------|
| Regional Bulk Infrastructure Grant (RBIG) | 67,083,172        | 15,688,191        |
| LGSETA Training Grant                     | 285,499           | 195               |
| KZN DPSS                                  | 1,115,192         | 451,303           |
| Rural Road Asset Management Grant         | 1,227,391         | 16,043            |
|   | <b>69,711,254</b> | <b>16,155,732</b> |

#### Movement during the year

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Balance at the beginning of the year | 16,155,732        | 6,999,029         |
| Additions during the year            | 342,805,304       | 276,338,765       |
| Income recognition during the year   | (289,249,782)     | (267,182,062)     |
|                                      | <b>69,711,254</b> | <b>16,155,732</b> |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017 2016

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

The nature and extent of government grants recognised in the annual financial statements is an indication of government assistance from which the municipality has directly benefited.

Unfulfilled conditions remains a liability at year end and are disclosed in the statement of financial position.

See note 26 for reconciliation of grants from National/Provincial Government.

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

### 16. Other financial liabilities - Development Bank of South Africa

The municipality has redeemed all the Development Bank loans in full during the 2014/2015 financial year and the municipality is therefore free from all loans which were taken up in respect of capital development.

The municipality has not taken up any new loans and there are no outstanding loans in the 2016/2017 financial year..

### 17. Vat Payable

The municipality is registered on a payment basis for VAT purposes with SARS. The VAT payable is as a result of the unpaid debt due by municipal consumers. Payment is made to SARS on receipt of payments received from consumers.

Monthly VAT returns are up to date.

The municipality has received VAT refunds to the amount of R53,705,658 during the 2016/2017 financial year.

|                     |            |            |
|---------------------|------------|------------|
| Vat payable to SARS | 64,387,770 | 30,976,389 |
|---------------------|------------|------------|

### 18. Purchase of office building

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

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

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

The second instalment of R10,000,000 excluding VAT was due and payable on the 30th of September 2016 and the third and final payment of R11,000,000 excluding vat was due and payable on the 30th of November 2016.

The building is included in property, plant and equipment in the statement of financial position for the amount of R30,000,000.

#### Purchase of office building

|  |   |           |
|--|---|-----------|
| Current liability in respect of the payment which was due to Enambithi Construction on the 30th of November 2016 | - | 6,210,601 |
|--|---|-----------|

### 19. Payables from exchange transactions

|   |                   |                    |
|---|-------------------|--------------------|
| Trade payables                            | 43,354,705        | 71,897,918         |
| Department of Water Affairs (DWA) Accrual | 19,907,051        | 25,464,543         |
| Trust funds- late estates                 | 3,485,008         | 5,673,230          |
| Retentions                                | 23,925,546        | 18,084,621         |
| Debtors refunds                           | 52,754            | 59,655             |
| Sundry creditors                          | 1,852,848         | 555,175            |
|   | <b>92,577,912</b> | <b>121,735,142</b> |



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017             | 2016             |
|--|------------------|------------------|
| <b>19. Payables from exchange transactions (continued)</b> |                  |                  |
| <b>Fair value of Trust funds</b>                           |                  |                  |
| Estate late N.M. Khumalo                                   | 20,242           | 19,008           |
| Estate late J. Shabalala                                   | 140,664          | 132,091          |
| Estate late F.N Nhlebela                                   | 17,562           | 16,492           |
| Estate late P.B. Vilikazi                                  | 61,740           | 57,977           |
| Estate late Z.G. mvelase                                   | 7,790            | 7,315            |
| Estate late T.C. Mabaso                                    | 137,213          | 128,851          |
| Estate late M. N Sithole                                   | 852              | 800              |
| Estate late j. P Sokhela                                   | 137,795          | 129,397          |
| Estate late G. Matotoka                                    | 174,339          | 163,714          |
| Estate late C. Buthelezi                                   | 67,657           | 63,534           |
| Estate late S.I.T. Ndlovu                                  | 22,783           | 21,395           |
| Estate late Z.P. Mthabela                                  | 1,117,163        | 1,049,078        |
| Estate late J.B. Sithole                                   | 63,760           | 62,210           |
| Estate late M.M. Mncube                                    | 31               | 29               |
| Estate late S.A. Luthuli                                   | 95,590           | 89,764           |
| Estate late P/T. Majola                                    | 114,284          | 107,319          |
| Estate late J.S. Sithole                                   | 4,178            | 88,709           |
| Estate late L. Mbatha                                      | 211,749          | 198,844          |
| Estate late E.Q. Xaba                                      | 304,897          | 286,315          |
| Estate late X.M. Zimba                                     | 50,667           | 47,579           |
| Estate late L.W. Ndimande                                  | 173,246          | 162,688          |
| Estate late T.A. Mailnga                                   | 514,213          | 482,874          |
| Estate late M.J. Ntshaba                                   | 3,261            | 803,318          |
| Estate late M.V. Buthelezi                                 | 17,490           | 1,107,503        |
| Estate late D.G. Khoza                                     | 5,234            | 446,426          |
| Estate late M. Mbatha                                      | 20,608           | -                |
|  | <b>3,485,008</b> | <b>5,673,230</b> |

Council employees previously had life cover under a Group Life Scheme which was cancelled, however employees now have accidental death life cover under Councils insurance portfolio with Indwe Risk Services.

The trust fund are monies which were received from the Group Life Scheme or Councils insurers in respect of employees who passed away while in service of the municipality.

Employees complete a beneficiary nomination form when they join the municipality as an employee.

These trust funds represents monies held in trust by the municipality which have not yet been claimed by the nominated beneficiaries.

## 20. Other accruals "Provisions"

|                   |                   |                   |
|-------------------|-------------------|-------------------|
| Bonus accrual     | 5,337,823         | 4,376,720         |
| Leave pay accrual | 13,603,780        | 14,018,417        |
|                   | <b>18,941,603</b> | <b>18,395,137</b> |

Other accruals amounts to R18,395,137 (2015/2016) and R18,941,603 (2016/2017).

The bonus accrual amounted to R4,376,720 (2015/2016) and R5,337,823 (2016/2017) as at year end.

The leave pay accrual amounted to R14,018,621 (2015/2016) and R13,603,780 (2016/2017) as at year end.

## 21. Consumer deposits

|       |            |            |
|-------|------------|------------|
| Water | 13,581,655 | 11,885,907 |
|-------|------------|------------|

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017                                       | 2016                      |
|--|--|---------------------------|
| <b>21. Consumer deposits (continued)</b>   |  |                           |
| Consumer deposits represents deposits held (R11,885,907 - 2015/12016) and (R13,581,655 - 2016/2017) in respect of water debtor accounts. |  |                           |
| <b>22. Revenue</b>   |  |                           |
| Service charges  | 154,021,456                                | 150,116,589               |
| Interest received - trading services   | 44,409,522                                 | 20,214,647                |
| Other income   | 4,761,034                                  | 3,496,813                 |
| Interest received - investment   | 7,189,148                                  | 11,991,453                |
| Government grants & subsidies  | 621,619,784                                | 568,331,256               |
| Public contributions and donations   | 20,000                                     | 70,000                    |
|  | <b><u>832,020,944</u></b>                  | <b><u>754,220,758</u></b> |
| <b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>  |  |                           |
| Service charges  | 154,021,456                                | 150,116,589               |
| Interest received - trading services   | 44,409,522                                 | 20,214,647                |
| Other income   | 4,761,034                                  | 3,496,813                 |
| Interest received - investment   | 7,189,148                                  | 11,991,453                |
|  | <b><u>210,381,160</u></b>                  | <b><u>185,819,502</u></b> |
| <b>The amount included in revenue arising from non-exchange transactions is as follows:</b>  |  |                           |
| Government grants & subsidies  | 621,619,784                                | 568,331,256               |
| Public contributions and donations   | 20,000                                     | 70,000                    |
|  | <b><u>621,639,784</u></b>                  | <b><u>568,401,256</u></b> |
| <b>Nature and type of Bequests, gifts, donations and goods in-kind are as follows:</b>   |  |                           |
| Donations  | Donations received from FNB - Sport events |                           |
| <b>23. Service charges</b>   |  |                           |
| Sale of water  | 139,715,123                                | 133,216,144               |
| Sewerage and sanitation charges  | 14,306,333                                 | 16,900,445                |
|  | <b><u>154,021,456</u></b>                  | <b><u>150,116,589</u></b> |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|   | 2017                    | 2016                    |
|---|-------------------------|-------------------------|
| <b>24. Other revenue</b>  |                         |                         |
| Other income  | <u>4,761,034</u>        | <u>3,496,813</u>        |
| <b>The amount included in other revenue arising from exchanges of goods or services are as follows:</b> |                         |                         |
| Clearance certificates  | 171,226                 | 182,584                 |
| Bulk sewerage disposal  | -                       | 224                     |
| Copies building plans   | 1,103                   | 53,203                  |
| Sundry income   | 187,661                 | 999,439                 |
| Connections - water   | 1,006,989               | 952,950                 |
| Connections - sewerage  | 25,643                  | 53,607                  |
| Trade effluent  | 2,001,620               | 1,118,341               |
| Insurance claims received   | 354,529                 | 136,465                 |
| Tender documents  | 235,504                 | -                       |
| Proceeds from sale of assets  | 776,759                 | -                       |
|   | <u><b>4,761,034</b></u> | <u><b>3,496,813</b></u> |
| <b>25. Investment revenue</b>   |                         |                         |
| <b>Interest revenue</b>   |                         |                         |
| Interest received - Investments   | <u>7,189,148</u>        | <u>11,991,453</u>       |

The amount included in Investment revenue arising from non-exchange transactions amounted to R11,991,453 (2015/2016) and R7,189,148 (2016/2017).

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|   | 2017                      | 2016                      |
|---|---------------------------|---------------------------|
| <b>26. Government grants and subsidies</b>  |                           |                           |
| <b>Operating grants</b>   |                           |                           |
| Equitable share   | 332,370,000               | 309,730,000               |
| Finance Management Grant  | 1,460,000                 | 1,325,000                 |
| EPWP Integrated Grant   | 3,169,000                 | 2,384,000                 |
| KZN Projects  | 536,111                   | 4,867,831                 |
| Municipal Systems Improvement Grant   | -                         | 940,000                   |
| Water Services Operating Grant  | -                         | 3,742,512                 |
| Drought Relief  | 10,000,000                | -                         |
|   | <b><u>347,535,111</u></b> | <b><u>322,989,343</u></b> |
| <b>Capital grants</b>   |                           |                           |
| Regional Bulk Infrastructure Grant  | 12,605,020                | 5,927,294                 |
| Municipal Infrastructure Grant  | 178,506,000               | 181,268,677               |
| Rural Household Infrastructure Grant  | -                         | 5,817,021                 |
| Municipal Water Infrastructure grant  | 81,807,000                | 50,000,000                |
| Sportsfields  | -                         | 33,964                    |
| Rural Transport Services Plan   | 1,166,653                 | 2,294,957                 |
|   | <b><u>274,084,673</u></b> | <b><u>245,341,913</u></b> |
|   | <b><u>621,619,784</u></b> | <b><u>568,331,256</u></b> |
| <b>Conditional and Unconditional</b>  |                           |                           |
| Included in above are the following grants and subsidies received:  |                           |                           |
| Conditional grants received   | 289,249,784               | 258,601,256               |
| Unconditional grants received   | 332,370,000               | 309,730,000               |
|   | <b><u>621,619,784</u></b> | <b><u>568,331,256</u></b> |
| <b>Equitable Share</b>  |                           |                           |
| In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.                      |                           |                           |
| All registered indigent consumers received a monthly subsidy of 6 Kiloliters - (2016: R9.17 -) and (2017: R9.72), which is funded from the grant. |                           |                           |
| The 6kl free basic subsidy - in respect of indigent consumers for the 2016/2017 financial year amounted to R10,174,543.                           |                           |                           |
| The cost of free basic services - water supplied by water tankers for the 2016/2017 financial year amounted to R58,974,689.                       |                           |                           |
| <b>Rural Household Infrastructure</b>   |                           |                           |
| Balance unspent at beginning of year  | -                         | 1,435,021                 |
| Current-year receipts   | -                         | 4,382,000                 |
| Conditions met - transferred to revenue   | -                         | (5,817,021)               |
|   | <u>-</u>                  | <u>-</u>                  |
| Conditions still to be met at year end - remain liabilities (see note 15).  |                           |                           |
| <b>Masibumbaneni Co-op</b>  |                           |                           |
| Balance unspent at beginning of year  | -                         | 305,993                   |
| Conditions met - transferred to revenue   | -                         | (305,993)                 |
|   | <u>-</u>                  | <u>-</u>                  |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017              | 2016              |
|--|-------------------|-------------------|
| <b>26. Government grants and subsidies (continued)</b>                     |                   |                   |
| Conditions still to be met at year end - remain liabilities (see note 15). |                   |                   |
| <b>Municipal Infrastructure Grant</b>                                      |                   |                   |
| Current-year receipts  | 178,506,000       | 181,268,677       |
| Conditions met - transferred to revenue                                    | (178,506,000)     | (181,268,677)     |
|  | <u>-</u>          | <u>-</u>          |
| Conditions still to be met at year end - remain liabilities (see note 15). |                   |                   |
| <b>Municipal Water Infrastructure</b>                                      |                   |                   |
| Current-year receipts  | 81,807,000        | 50,000,000        |
| Conditions met - transferred to revenue                                    | (81,807,000)      | (50,000,000)      |
|  | <u>-</u>          | <u>-</u>          |
| Conditions still to be met at year end - remain liabilities (see note 15). |                   |                   |
| <b>Regional Bulk Infrastructure</b>  |                   |                   |
| Balance unspent at beginning of year                                       | 15,688,191        | -                 |
| Current-year receipts  | 64,000,000        | 30,217,969        |
| Conditions met - transferred to revenue                                    | (12,605,019)      | (14,529,778)      |
|  | <u>67,083,172</u> | <u>15,688,191</u> |
| Conditions still to be met at year end - remain liabilities (see note 15). |                   |                   |
| <b>Infrastructure Sports Fields</b>  |                   |                   |
| Balance unspent at beginning of year                                       | -                 | 33,964            |
| Conditions met - transferred to revenue                                    | -                 | (33,964)          |
|  | <u>-</u>          | <u>-</u>          |
| Conditions still to be met - remain liabilities (see note 15).             |                   |                   |
| <b>LGSETA Grant - Training</b>   |                   |                   |
| Balance unspent at beginning of year                                       | 195               | 83,680            |
| Current-year receipts  | 285,304           | 281,796           |
| Conditions met - transferred to revenue                                    | -                 | (365,281)         |
|  | <u>285,499</u>    | <u>195</u>        |
| Conditions still to be met at year end - remain liabilities (see note 15). |                   |                   |
| <b>Water Services Operating Subsidy</b>                                    |                   |                   |
| Balance unspent at beginning of year                                       | -                 | 742,512           |
| Current-year receipts  | -                 | 3,000,000         |
| Conditions met - transferred to revenue                                    | -                 | (3,742,512)       |
|  | <u>-</u>          | <u>-</u>          |
| Conditions still to be met at year end - remain liabilities (see note 15). |                   |                   |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017             | 2016           |
|--|------------------|----------------|
| <b>26. Government grants and subsidies (continued)</b>                     |                  |                |
| <b>IGR Grant</b>   |                  |                |
| Balance unspent at beginning of year                                       | -                | 98,126         |
| Conditions met - transferred to revenue                                    | -                | (98,126)       |
|  | <u>-</u>         | <u>-</u>       |
| Conditions still to be met at year end - remain liabilities (see note 15). |                  |                |
| <b>District Disaster Centre</b>  |                  |                |
| Balance unspent at beginning of year                                       | -                | 1,393,461      |
| Conditions met - transferred to revenue                                    | -                | (1,393,461)    |
|  | <u>-</u>         | <u>-</u>       |
| Conditions still to be met at year end - remain liabilities (see note 15). |                  |                |
| <b>KZN Backlog Study</b>   |                  |                |
| Balance unspent at beginning of year                                       | -                | 14,197         |
| Conditions met - transferred to revenue                                    | -                | (14,197)       |
|  | <u>-</u>         | <u>-</u>       |
| Conditions still to be met at year end - remain liabilities (see note 15). |                  |                |
| <b>Drought Relief</b>  |                  |                |
| Current-year receipts  | 10,000,000       | -              |
| Conditions met - transferred to revenue                                    | (10,000,000)     | -              |
|  | <u>-</u>         | <u>-</u>       |
| Conditions still to be met at year end - remain liabilities (see note 15). |                  |                |
| <b>KZN DPSS Shared Services</b>  |                  |                |
| Balance unspent at beginning of year                                       | 451,303          | 881,034        |
| Current-year receipts  | 1,200,000        | 250,000        |
| Conditions met - transferred to revenue                                    | (536,111)        | (679,731)      |
|  | <u>1,115,192</u> | <u>451,303</u> |
| Conditions still to be met at year end - remain liabilities (see note 15). |                  |                |
| <b>KZN Environment Management</b>  |                  |                |
| Balance unspent at beginning of year                                       | -                | 61,859         |
| Conditions met - transferred to revenue                                    | -                | (61,859)       |
|  | <u>-</u>         | <u>-</u>       |
| Conditions still to be met at year end - remain liabilities (see note 15). |                  |                |
| <b>Rural Road Asset Management</b>   |                  |                |
| Balance unspent at beginning of year                                       | 16,043           | -              |
| Current-year receipts  | 2,378,000        | 2,311,000      |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017             | 2016          |
|--|------------------|---------------|
| <b>26. Government grants and subsidies (continued)</b>                     |                  |               |
| Conditions met - transferred to revenue                                    | (1,166,652)      | (2,294,957)   |
|  | <u>1,227,391</u> | <u>16,043</u> |
| Conditions still to be met at year end - remain liabilities (see note 15). |                  |               |
| <b>Finance Management Grant</b>  |                  |               |
| Current-year receipts  | 1,460,000        | 1,325,000     |
| Conditions met - transferred to revenue                                    | (1,460,000)      | (1,325,000)   |
|  | <u>-</u>         | <u>-</u>      |
| Conditions still to be met at year end - remain liabilities (see note 15). |                  |               |
| <b>Municipal Systems Improvement Grant</b>                                 |                  |               |
| Current-year receipts  | -                | 940,000       |
| Conditions met - transferred to revenue                                    | -                | (940,000)     |
|  | <u>-</u>         | <u>-</u>      |
| Conditions still to be met at year end - remain liabilities (see note 15). |                  |               |
| <b>EPWP Integrated Grant</b>   |                  |               |
| Current-year receipts  | 3,169,000        | 2,384,000     |
| Conditions met - transferred to revenue                                    | (3,169,000)      | (2,384,000)   |
|  | <u>-</u>         | <u>-</u>      |
| Conditions still to be met at year end - remain liabilities (see note 15). |                  |               |
| <b>Water Infrastructure Maintenance</b>                                    |                  |               |
| Balance unspent at beginning of year                                       | -                | 270,417       |
| Conditions met - transferred to revenue                                    | -                | (270,417)     |
|  | <u>-</u>         | <u>-</u>      |
| Conditions still to be met at year end - remain liabilities (see note 15). |                  |               |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017               | 2016               |
|--|--------------------|--------------------|
| <b>27. Employee related costs</b>                                  |                    |                    |
| Basic  | 142,154,057        | 125,302,321        |
| Bonus  | 9,532,888          | 8,027,942          |
| Medical aid - employers contribution                               | 5,159,525          | 4,326,013          |
| UIF  | 1,166,587          | 1,075,154          |
| WCA  | 21,500             | -                  |
| SDL  | 1,922,208          | 1,626,773          |
| Bargaining Council SALGA   | 58,074             | 47,152             |
| Leave pay accrual  | (414,637)          | 2,879,486          |
| Leave pay  | 1,612,594          | 1,404,445          |
| Standby allowances   | 6,442,065          | -                  |
| Defined contribution plans   | 1,668,864          | 563,911            |
| Travel, motor car, accommodation, subsistence and other allowances | 6,127,574          | 4,389,414          |
| Overtime payments  | 17,101,150         | 22,831,139         |
| Acting allowances  | 707,231            | -                  |
| Car allowance  | 8,380,602          | 8,479,749          |
| Housing benefits and allowances                                    | 1,104,083          | 854,580            |
| Surcharge Pension Fund   | 15,904,775         | 17,501,567         |
|  | <b>218,649,140</b> | <b>199,309,646</b> |

### Remuneration of Municipal Manager

|   |                  |                  |
|---|------------------|------------------|
| Annual Remuneration                             | 1,465,500        | 1,010,892        |
| Car Allowance                                   | 180,000          | 540,000          |
| Contributions to UIF, Medical and Pension Funds | 1,785            | 1,785            |
| SDL   | 13,933           | 13,426           |
| Travelling and subsistence                      | 74,814           | 97,852           |
|   | <b>1,736,032</b> | <b>1,663,955</b> |

The Municipal Manager was appointed as from 14 August 2013.

### Remuneration of Chief Finance Officer

|   |                  |                  |
|---|------------------|------------------|
| Annual Remuneration                             | 540,545          | 458,251          |
| Car Allowance                                   | 385,389          | 393,109          |
| Contributions to UIF, Medical and Pension Funds | 1,785            | 1,785            |
| SDL   | 12,010           | 10,535           |
| Housing subsidy                                 | 275,278          | 280,792          |
| Travelling and subsistence                      | 67,622           | 131,959          |
| Leave paid out                                  | 76,877           | -                |
|   | <b>1,359,506</b> | <b>1,276,431</b> |

The Chief Financial Officer was appointed as from 6 January 2014.

### Remuneration of Manager Technical Services

|   |                |                  |
|---|----------------|------------------|
| Annual Remuneration                             | 247,546        | 934,342          |
| Car Allowance                                   | 36,305         | 135,783          |
| Contributions to UIF, Medical and Pension Funds | 446            | 1,785            |
| Standby allowance                               | -              | 237,761          |
| SDL   | 2,766          | 12,807           |
| Travelling and subsistence                      | -              | 32,208           |
|   | <b>287,063</b> | <b>1,354,686</b> |

The General Manager Technical Services was appointed as from 6 February 2012 and resigned with effect from 31 December 2016.



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|   | 2017             | 2016             |
|---|------------------|------------------|
| <b>27. Employee related costs (continued)</b>                         |                  |                  |
| <b>Remuneration of Manager Health, Environmental Services and WSA</b> |                  |                  |
| Annual Remuneration   | 874,932          | 724,928          |
| Car Allowance   | 255,535          | 270,116          |
| Contributions to UIF, Medical and Pension Funds                       | 1,785            | 1,872            |
| Housing subsidy   | 7,428            | 9,668            |
| SALGA   | 8                | -                |
| SDL   | 13,228           | 9,507            |
| Leave paid out  | 154,659          | -                |
| Basck pay   | 71,796           | -                |
|   | <b>1,379,371</b> | <b>1,016,091</b> |

The General Manager Health, Environmental Services and WSA was re-instated as from 1 April 2015 as per Labour Court judgement.

### Remuneration of Manager Social and Economic Services

|   |                  |                  |
|---|------------------|------------------|
| Annual Remuneration                             | 1,135,404        | 1,070,124        |
| Contributions to UIF, Medical and Pension Funds | 1,785            | 1,785            |
| Acting allowance                                | 46,929           | 21,154           |
| Travelling and subsistance                      | 23,552           | 78,043           |
| SDL   | 11,463           | 10,553           |
|   | <b>1,219,133</b> | <b>1,181,659</b> |

The General Manager Social and Economic Services was appointed as from 1 August 2013.

### Remuneration of Manager Corporate Services

|   |                  |                  |
|---|------------------|------------------|
| Annual Remuneration                             | 934,892          | 882,637          |
| Car Allowance                                   | 200,512          | 187,487          |
| Contributions to UIF, Medical and Pension Funds | 1,785            | 1,785            |
| SDL   | 10,953           | 10,326           |
| Travelling and subsistance                      | 10,778           | 3,399            |
|   | <b>1,158,920</b> | <b>1,085,634</b> |

The General Manager Corporate Srevices was appointed as from 1 July 2013.

### Remuneration of Manager Water Services

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

The position of General Manager Technical Services and Manager Water Services has been consolidated.

### 28. Remuneration of councillors

|                           |                  |                  |
|---------------------------|------------------|------------------|
| Executive Mayor           | 1,058,504        | 590,296          |
| Deputy Executive Mayor    | 495,678          | 306,133          |
| Mayoral Committee Members | 712,592          | 904,712          |
| Speaker                   | 567,375          | 472,235          |
| Councillors               | 2,648,850        | 4,064,822        |
| SDL                       | -                | 42,899           |
|                           | <b>5,482,999</b> | <b>6,381,097</b> |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017              | 2016              |
|--|-------------------|-------------------|
| <b>28. Remuneration of councillors (continued)</b>   |                   |                   |
| <b>In-kind benefits</b>  |                   |                   |
| The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.  |                   |                   |
| The Mayor, Deputy Mayor and Speaker each have the use of separate Council owned vehicles for official duties.  |                   |                   |
| The Mayor has three full-time bodyguards . The Deputy Mayor and speaker have two full-time bodyguards.   |                   |                   |
| <b>29. Depreciation and amortisation</b>   |                   |                   |
| Property, plant and equipment  | <u>62,577,084</u> | <u>49,197,065</u> |
| <b>30. Finance costs</b>   |                   |                   |
| Bank   | <u>2,554,911</u>  | <u>1,125,317</u>  |
| The Municipality had a lease agreement with Nambthi Construction CC for the rental of the office building at 33 Forbes Street / 36 Lyell Street for the period July 2014 to June 2016.   |                   |                   |
| On the 30th of June 2015 a sale agreement was signed between the Municipality and Enambithi Construction CC for the purchase of the building.  |                   |                   |
| The purchase price agreed upon was R30,000,000 excluding VAT at 14% and was paid with three instalments. The first instalment was due and payable on the 30th of June 2016, the second on the 30th of September 2016 and the 3rd instalment on the 30th of November 2016.  |                   |                   |
| As the transfer of the property into the name of the Municipality has not been finalized the Municipality continued to pay occupational rent for the period July 2016 to February 2017.  |                   |                   |
| The amount of R9,131,355 disclosed as finance leases represents the occupational rent paid.  |                   |                   |
| On the 27th of February 2017 correspondence was received from Cajee, Setsubi, Chetty Incorporated Attorneys & Conveyancers to inform the Municipality that the transfer documents have been signed by the seller and that the Municipality has to sign the transfer documents in order to finalize the transfer. |                   |                   |
| Finance costs "bank" represents the total bank charges expensed on the Municipal bank accounts R1,125,317 (2015/2016) and R2,554,911 (2016/2017).  |                   |                   |
| <b>31. Debt impairment</b>   |                   |                   |
| Debt impairment - Consumer debtors   | <u>94,881,113</u> | <u>57,975,475</u> |
| <b>32. Bulk purchases</b>  |                   |                   |
| Water  | <u>8,061,187</u>  | <u>7,698,102</u>  |
| <b>33. Contracted services</b>   |                   |                   |
| Plant and equipment hire   | 2,520,797         | 6,437,522         |
| Insurance  | 4,226,360         | 1,842,859         |
| Chemicals  | 9,096,456         | 6,953,436         |
| Security (guarding of municipal property)  | 20,724,945        | 14,253,695        |
| Water tankering - drought relief   | 58,974,689        | 39,135,191        |
|  | <u>95,543,247</u> | <u>68,622,703</u> |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

---

2017

2016

---

### 33. Contracted services (continued)

The municipality spent R39,135,191 on water tankers during the 2015/2016 financial year as a result of the drought and R58,974,689 during the 2016/2017 financial year.

Water is supplied to rural communities by means of water tankers. The municipality has a contractual agreement with each service provider.

The amount of R14,253,695 (2015/2016) and R20,724,945 (2016/2017) is in respect of security guards required to guard municipal property which includes the water and waste water treatment plants.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|                                   | 2017               | 2016               |
|-----------------------------------|--------------------|--------------------|
| <b>34. General expenses</b>       |                    |                    |
| Advertising                       | 2,192,680          | 605,012            |
| Auditors remuneration             | 2,494,036          | 2,763,225          |
| Bank charges                      | 636,523            | 748,019            |
| Cleaning                          | 908,517            | 406,773            |
| Commission paid                   | 428,523            | 740,911            |
| Computer expenses                 | 226,798            | 1,809,108          |
| Consulting and professional fees  | 16,356,754         | 28,724,005         |
| Consumables                       | 2,689,463          | 10,939             |
| Entertainment                     | 3,443,052          | 741,385            |
| Conferences and seminars          | 2,054,543          | 181,189            |
| IT expenses                       | 114,173            | 1,448,650          |
| Fleet                             | 1,099,820          | 552,797            |
| Medical expenses                  | 199,730            | 97,023             |
| Motor vehicle expenses            | 813,087            | 254,575            |
| Fuel and oil                      | 10,150,292         | 10,792,799         |
| Postage and courier               | 10,063             | 6,861              |
| Printing and stationery           | 3,300,657          | 2,280,585          |
| Protective clothing               | 1,913,917          | 2,791,776          |
| Security (VIP)                    | 670,458            | 312,900            |
| Subscriptions and membership fees | 2,410,692          | 2,353,307          |
| Telephone and fax                 | 3,120,308          | 3,282,070          |
| Training                          | 2,282,626          | 5,782,875          |
| Assets expensed                   | 25,941,772         | 807,224            |
| Electricity                       | 60,877,723         | 54,040,050         |
| Water                             | -                  | 306,673            |
| Audit committee                   | 209,518            | 174,106            |
| Government grant expenditure      | 4,776,406          | 60,635,030         |
| Repairs and maintenance           | 34,234,958         | 37,829,399         |
| Other expenses                    | 20,728,695         | 40,110,809         |
|                                   | <b>204,285,784</b> | <b>260,590,075</b> |

Government grant expenditure represents sanitation projects funded by the Municipal Infrastructure Grant (MIG) which are not capitalized and is not reflected as PPE in the fixed asset register.

Assets expensed relates to expenditure incurred against the capital budget however these items are not of a capital nature and have therefore not being capitalised and are not included in PPE in the fixed asset register.

Printing and stationery includes the amount of R1,131,262 paid to Inside Data for the printing of consumer debtors statements.

Maintenance and repairs R37,829,399 (2015/2016) and R34,234,958 (2016/2017) is now disclosed under note 4 "PPE" - Grap 1 - Presentation of financial statements.

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

| <b>Consulting and professional fees</b> |                   |                   |
|---|-------------------|-------------------|
| Legal fees                              | 1,829,631         | 17,985,250        |
| Professional fees                       | 6,479,349         | 6,817,388         |
| Asset verification                      | 4,356,401         | 2,216,500         |
| VAT audit                               | 3,691,373         | 1,704,867         |
|   | <b>16,356,754</b> | <b>28,724,005</b> |

### 35. Auditors' remuneration

|      |           |           |
|------|-----------|-----------|
| Fees | 2,494,036 | 2,763,225 |
|------|-----------|-----------|

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017             | 2016           |
|--|------------------|----------------|
| <b>36. Lease rentals on operating leases</b>                                 |                  |                |
| <b>Agreement of leases - Lessor</b>  |                  |                |
| Dedekind Real Estate - Rental of parking space in Ladysmith                  | 269,280          | -              |
| Itabiro Investments CC - Rental of parking space in Ladysmith                | -                | 99,000         |
| Beukes JC - Rental of satellite office in Colenso                            | -                | 3,150          |
| Sarjoo VR - Rental of satellite office in Weenen                             | 39,881           | 25,897         |
| Enambithi Construction - Rental of main office at 33 Forbes Street Ladysmith | 9,131,355        | -              |
| Moon Magic Investments - Rental of satellite office in Estcourt              | 53,361           | 53,361         |
| October Morn Investment CC - Rental of parking space in Ladysmith            | -                | 297,000        |
| A Good - Rental of satellite office in Colenso                               | 24,030           | 19,800         |
| Konika Minolta - Rental of office machines (photo copiers)                   | 360,183          | 242,367        |
| Richmond and Associates  | 22,000           | -              |
|  | <b>9,900,090</b> | <b>740,575</b> |

The lease agreement with Enambithi Construction CC was for the office space at 33 Forbes Street / 36 Lyell Street and was for the period 1 July 2016 to 31 December 2016.

A sale agreement for the purchase of the building at 33 Forbes Street / 36 Lyell Street was signed between Enambithi Construction CC and the municipality on the 30th of June 2015.

The Municipality continued to pay the monthly rental up to the date of the transfer of the property from the landlord to the Municipality.

The lease agreement with Itabiro Investments CC was for a parking area for Council vehicles at 24/28 Murchison Street Ladysmith and was for the period 1 November 2014 to 31 January 2015. Thereafter on a month to month basis and was terminated at the end of September 2015.

The lease agreement with Beukes JC was for the satellite office at 63/69 Sir George Street Colenso and was for the period 1 September 2013 to 31 August 2015.

The lease agreement with Sarjoo VR is for the satellite office at Retief Street in Weenen which commenced in January 2005 on a month to month basis and was terminated in September 2015. A new contract was entered into for the period October 2015 to September 2018.

The lease agreement with Rashid Suleman Trust was for the satellite office at 127 Albert Street Estcourt and was for the period 1 December 2014 to 1 January 2015. Rashid Suleman Trust is now known as Moon Magic Investments (Pty) Ltd and the lease agreement was for the period 1 February 2015 to 31 January 2016 and was renewed for the period 1 February 2016 to 31 January 2017.

The lease agreement with October Morn Investments CC is on a month to month basis and is for parking space at 24/28 Murchison Street which commenced on the 1st of October 2015.

The lease agreement with A Good is in respect of the satellite office at 63/69 Sir George Street in Colenso for the period 1 September 2015 to 31 August 2018.

The lease agreement with Dedekind Real Estate is for parking space which is on a month to month basis.

Additional office equipment (photo copiers) is leased from Konika Minolta for a period of 36 months which started in December 2015 and terminates in November 2018.

### Operating lease liabilities

|                |        |         |
|----------------|--------|---------|
| Rental offices | 15,955 | 378,853 |
|----------------|--------|---------|

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017               | 2016               |
|--|--------------------|--------------------|
| <b>37. Cash generated from operating activities</b>        |                    |                    |
| Surplus  | 83,350,531         | 53,912,899         |
| <b>Adjustments for:</b>                                    |                    |                    |
| Depreciation and amortisation                              | 62,577,084         | 49,197,065         |
| Loss on sale of assets                                     | 5,204,839          | 1,231,708          |
| (Loss) gain on actuarial valuations                        | (2,363,782)        | 12,280,604         |
| Impairment deficit   | 10,807,571         | -                  |
| Debt impairment  | 94,881,113         | 57,975,475         |
| Movements in operating lease assets and accruals           | (244,590)          | (255,271)          |
| Changes accumulated surplus                                | 1,809,067          | 13,924,192         |
| <b>Changes in working capital:</b>                         |                    |                    |
| Inventories  | (378,995)          | (329,935)          |
| Increase/(decrease) receivables from exchange transactions | (124,919)          | (226,423)          |
| Increase/(decrease) receivables from exchange transactions | (108,219,232)      | (79,769,384)       |
| Other receivables from non-exchange transactions           | (676,943)          | (197,701)          |
| Increase/ (decrease) prepayments                           | 139,624            | 416,388            |
| Increase/(decrease) in payables from exchange transactions | (11,782,097)       | (51,765,015)       |
| Increase/ (decrease) in other accruals                     | 546,466            | 3,603,360          |
| Increase unspent conditional grants and receipts           | 53,555,522         | 9,156,703          |
| Contribution to provisions - non-current                   | 1,695,748          | -                  |
| Other financial liabilities                                | (47,142,501)       | 63,698,870         |
|  | <b>143,634,506</b> | <b>132,853,535</b> |

### 38. Disposal of: a significant asset(s) /or a group of assets and liabilities /or a component of the entity

Management has taken a decision to dispose of a significant group of assets as reflected in Appendix B "analysis of property, plant and equipment".

#### Description of the asset(s), group of assets and liabilities or, component

The following disposals have been identified R4.200,215 (2015/2016).

#### Carrying values

|  |   |           |
|--|---|-----------|
| Carrying value of a group of assets (vehicles)               | - | 3,296,402 |
| Carrying value of a group of assets (Computer Equipment)     | - | 428,871   |
| Carrying value of a group of assets (Furniture and fittings) | - | 120,411   |
| Carrying value of a group of assets (Office equipment)       | - | 299,531   |
| Carrying value of a group of assets (Computer Software)      | - | 55,000    |

#### Further approvals required

Council approval has been obtained in respect of the write off of the above.

A public auction was held on Thursday, January 26, 2017 in respect of the prior year write offs and the proceeds from the sale of the assets amounted to R776,759 which is included in other revenue in the statement of financial performance.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017                      | 2016                      |
|--|---------------------------|---------------------------|
| <b>39. Commitments</b>   |                           |                           |
| <b>Authorised capital expenditure</b>                              |                           |                           |
| <b>Already contracted for but not provided for</b>                 |                           |                           |
| • Property, plant and equipment                                    | <u>340,014,209</u>        | <u>268,189,981</u>        |
| <b>Municipal Infrastructure Grant (MIG)</b>                        |                           |                           |
| Driefontein professional fees                                      | -                         | 2,999,564                 |
| Bhekuzulu phase 1 reticulation                                     | 25,243,495                | -                         |
| Bhekuzulu phase 2 reticulation                                     | 13,606,204                | -                         |
| Bhekuzulu phase 7  | 19,168,822                | 28,405,995                |
| Bhekuzulu phase 8  | 8,799,423                 | 31,610,916                |
| Bhekuzulu consultants  | 3,850,469                 | -                         |
| Kwanobamba / Ezitendeni consultants                                | 5,966,332                 | 10,437,015                |
| Kwanobamba / Ezitendeni 1B   | -                         | 2,396,234                 |
| Lwanobamba / Ezitendeni 1F   | 12,369,911                | -                         |
| Kwanobamba / Ezitendeni 2A   | -                         | 18,385,004                |
| Kwanobamba / Ezitendeni 2C   | 2,028,010                 | 10,622,179                |
| kwanobamba / Ezitendeni 2B   | 9,194,956                 | -                         |
| Kwanobamba / Ezitendeni water supply                               | -                         | 23,430,127                |
| Kwanobamba / Ezitendeni water treatment works                      | 4,735,414                 | -                         |
| Kwanobamba / Ezitendeni sanitation                                 | 13,205,902                | -                         |
| Kwanobamba / Ezitendeni WWTW civil and building works              | 30,525,062                | -                         |
| Ntabamhlophe water scheme phase 13                                 | -                         | 12,189,761                |
| Ntabamhlophe consultants   | -                         | 670,367                   |
| Bergville phase 1  | -                         | 454,185                   |
| Bergville sewer  | -                         | 84,584                    |
| Ezakheni treatment plant   | -                         | 1,136,714                 |
| Ezakheni / Emnambithi refurbishment                                | 35,481,215                | 4,214,311                 |
| Ezakheni water reticulation consultants                            | -                         | 608,677                   |
| Ezakheni water reticulation  | -                         | 4,092,149                 |
| Ezakheni E sanitation  | -                         | 689,326                   |
| Ezakheni sanitation phase 2  | 23,041,004                | -                         |
| Umhlumayo projects   | 17,488,991                | 20,666,532                |
| Fitty Park phase 2   | 17,924,219                | -                         |
| District disaster centre   | 127,110                   | 4,159,533                 |
| Archie Rodel Colenso   | -                         | 2,642,866                 |
| Rural road asset management  | 747,445                   | 3,809,099                 |
| Kethani refurbishment & upgrade of WWTW                            | -                         | 1,351                     |
| Spioenkop to Ladysmith pipeline                                    | -                         | 1,760,217                 |
| Hopsland to indaka phase 2   | 37,597,543                | -                         |
| Moyeni / Zwelisha  | 1,982,344                 | 2,691,127                 |
| Mimosadale   | 18,570,323                | 14,271,734                |
| Umtshezi East regional water                                       | 5,240,710                 | -                         |
| Winterton water treatment  | -                         | 3,924,798                 |
| Boreholes drought relief   | -                         | 5,850,729                 |
| Lombardskop bulk water feeder                                      | -                         | 46,727,922                |
| Whembezi bulk water  | -                         | 8,818,893                 |
| Mayibuye consultants   | -                         | 438,072                   |
| Dredging of dam  | 33,119,305                | -                         |
|  | <u><b>340,014,209</b></u> | <u><b>268,189,981</b></u> |
| <b>Not yet contracted for and authorised by accounting officer</b> |                           |                           |
| • Creditors orders issued at year end (PPE)                        | <u>144,566</u>            | <u>7,695</u>              |
| <b>Total capital commitments</b>                                   |                           |                           |
| Already contracted for but not provided for                        | 340,014,209               | 268,189,981               |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017               | 2016               |
|--|--------------------|--------------------|
| <b>39. Commitments (continued)</b>                                 |                    |                    |
| Not yet contracted for and authorised by accounting officer        | 144,566            | 7,695              |
|  | <b>340,158,775</b> | <b>268,197,676</b> |
| <b>Authorised operational expenditure</b>                          |                    |                    |
| <b>Already contracted for but not provided for</b>                 |                    |                    |
| • Rental offices   | 449,710            | 454,103            |
| • Rental office machines   | 355,301            | 100,099            |
| • Inkazimulo - professional fees                                   | -                  | 3,000,000          |
| • Red Spike - security guarding of municipal property              | 10,975,356         | 14,245,554         |
| • Bonakude Consulting - asset verification                         | -                  | 2,200,000          |
|  | <b>11,780,367</b>  | <b>19,999,756</b>  |
| <b>Not yet contracted for and authorised by accounting officer</b> |                    |                    |
| • Creditors orders issued at year end                              | 3,112,832          | 6,080,638          |
| <b>Total operational commitments</b>                               |                    |                    |
| Already contracted for but not provided for                        | 11,780,367         | 19,999,756         |
| Not yet contracted for and authorised by accounting officer        | 3,112,832          | 6,080,638          |
|  | <b>14,893,199</b>  | <b>26,080,394</b>  |
| <b>Total commitments</b>   |                    |                    |
| <b>Total commitments</b>   |                    |                    |
| Authorised capital expenditure                                     | 340,158,775        | 268,197,676        |
| Authorised operational expenditure                                 | 14,893,199         | 26,080,394         |
|  | <b>355,051,974</b> | <b>294,278,070</b> |

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

### Operating leases - as lessee (expense)

#### Minimum lease payments due

|                                     |                  |                |
|-------------------------------------|------------------|----------------|
| - within one year                   | 805,011          | 554,201        |
| - in second to fifth year inclusive | 601,308          | 68,815         |
|                                     | <b>1,406,319</b> | <b>623,016</b> |

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years. No contingent rent is payable.

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

Office machines rented from Konica Minolta are negotiated for a term of three years.



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|   | 2017              | 2016              |
|---|-------------------|-------------------|
| <b>40. Contingent Liabilities</b>                           |                   |                   |
| <b>Contingent liabilities</b>                               |                   |                   |
| Ramkhelewan INC - D. Kistado                                | 15,240            | 15,240            |
| Ramkhelewan INC - A.M.J. Hlongwane                          | 174,261           | 174,261           |
| Ramkhelewan INC - Aurocon                                   | 378,607           | 378,607           |
| Ramkhelewan INC - J. Potgieter                              | 4,534             | 4,534             |
| Ramkhelewan INC - Jeffares & Green                          | 576,484           | 576,484           |
| Ramkhelewan INC - Nambithi Pumps                            | 5,795,972         | 5,795,972         |
| Ramkhelewan INC - Andile Thwala                             | 100,000           | 100,000           |
| Shepstone & Wylie - Abajabuli Project Services CC           | 15,190,398        | 15,190,398        |
| Shepstone & Wylie - S. Sewepersad                           | 3,000,000         | 3,000,000         |
| Shepstone & Wylie - Ubunzima Trading Enterprise CC          | 1,758,304         | 1,758,304         |
| Shepstone & Wylie - Seema Devi Singh                        | 450,000           | 450,000           |
| Shepstone & Wylie - Lucia Sibongile Ndlovu                  | 450,000           | 450,000           |
| Shepstone & Wylie - Water and Sanitation Services SA (WSSA) | -                 | 7,447,593         |
| Shepstone & Wylie - Rasp Consultants CC                     | 65,857            | 65,857            |
| Shepstone & Wylie - Rasp Consultants CC                     | 63,400            | 63,400            |
| Shepstone & Wylie - T.T. Keswa                              | 1,853,170         | -                 |
|   | <b>29,876,227</b> | <b>35,470,650</b> |

The above contingent liabilities are being attended to by the Municipalities legal representatives.

Details are as follows:

**D. Kistado - Collision on motorcycle with surveyors peg** - Claim amount R15,240 - the matter was set down for trial and postponed. There is a very good prospect of succeeding with the defence and Council's legal representative believe that the plaintiffs claim should have been against the Alfred Duma Local Municipality and not Uthukela.

**A.M. J. Hlongwane - Eradication of bucket latrines in Ekuvukeni "Contract 19/2005"** - Claim amount R174,261 - the matter has been defended in the High Court and is awaiting for the plaintiff to take the next step. The prospect of success herein is good and Council's legal representative suggests that they continue defending the matter.

**Aurocon - Consultants fees not paid** - Claim amount R378,607 - the matter has been defended and must proceed. Prospects of success are good considering previous consultations the Municipality's legal representatives had with S. Mthethwa and B.H. Khoza. For now the matter is pending as the plaintiff is negotiating settlement with the Municipality directly.

**J. Potgieter - burst pipe causing damages to wall and paving** - Claim amount R4,534 - the matter has been defended and Council's legal representative is awaiting trial date. The plaintiff's claim is against the Municipality for damages to a wall and paving when a burst water pipe was repaired. Prospect of success are good.

**Jeffares and Green - Consultant fees in respect of Bergville water project** - Claim amount R576,484 - the matter was set down for trial but removed from the roll as the plaintiff intends amending it's papers. The Municipality's legal representative will inform the Municipality once a new trial date has been set.

**Nambithi Pumps - breach of contract** - The claim amount increased from R2,795,972 to R5,795,972 - this is in respect of the cost of the contract and the loss of profit. The plaintiff issued summons based on a breach of contract. The matter is being defended and will proceed to trial.

**IPTCO - Rates levied** - No claim amount as the plaintiff brought an application to reassess rates amount levied by the Municipality on the farm. The matter is current and proceeding to trial. Thusfar there has been no movement by the plaintiff and the attorneys are suggesting that the matter lie until the plaintiff makes the next move.

**Andile Thwala - injuries suffered by child** - Claim amount R100,000 - the claim arised from injuries suffered by her child by falling into an exposed manhole. The matter is being defended and the Municipality's insurers has contacted the Municipality's legal representative in this regards.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017

2016

### 40. Contingent Liabilities (continued)

**Abajabuli Project Services CC** - Thuk3974.3 - Claim amount R15,190,398 - this is a claim brought against the Municipality for breach of contract. Judgement in favour of the Municipality was delivered by the Court on the 20th of February 2017, but the plaintiff applied for and was granted an application to appeal against such judgement. The attorneys are awaiting delivery of the plaintiffs appeal in the matter.

**A. Sewepersad** - Thuk3974.5 - Claim amount R3,000,000 - In this matter a notice was sent to the Municipality in terms of Section 2 of Act 40 of 2002 by Viren Naidoo & Associates advising of their client's claim ( A. Sewepersad) against the Municipality for the sum of R3,000 000 arising from the death of his wife and injuries to himself which were allegedly caused when the vehicle they were travelling in plunged into a deep trench which was alledgedly dug by the Municipality's employees and was not cordoned off. The Municipality has referred this to it's insurers who are in the process of investigating the matter.

**Ubunzima Trading Enterprise CC** - Thuk3974.14 - Claim amount R1,758,304 - summons was issued against the Municipality in respect of retention moneys which were not paid over to the plaintiff on completion of certain works as follow; claim no1 - R1,039,355 for laying of pipes in Inkanyezi community water supply scheme, claim no 2 - R604,395 for laying of pipes in the Bergville bulk water scheme, claim no 3 - R114,554 for the refurbishment and upgrade of the waste water treatment works at Khethani. The pleading in this matter has closed and preparations for trial will commence shortly.

**Seema Devi Singh** - Thuk3974.16 - Claim amount R450,000 - the claim is in respect of salary and benefit dispute where the plaintiff alleges that the incorrect salary scale was applied by the Municipality during the plaintiffs period of employment. The matter has been defended on behalf of the Municipality and the plaintiff has filed a notice to ammend its particulars of claim to the summons to which Shepstone & Wylie has objected. Nothing futher has been done by the plaitiff to pursue to finality her alleged claim against the Municipality. In the circumstances, Shepstone & Wylie proceeded to set down for hearing the Municipality's application for the dismissal of the plaintiff's claim against the Municipality on the basis that her particulars of claim are excipiable. The application was set down for hearing on the 12th of July 2017 at the Pietermaritzburg High Court, but was adjourned by consent at the request of the plaintiff's attorneys, with the plaintiff to pay the cost occasioned by the ajournment.

**Lucia Sibongile Ndlovu** - Thuk3974.17 - Claim amount R450, 000 - the claim is in respect of salary and benefit dispute where the plaintiff alleges that the incorrect salary scale was applied by the Municipality during the plaintiffs period of employment. The matter has been defended on behalf of the Municipality and the plaintiff has filed a notice to ammend its particulars of claim to the summons to which Shepstone & Wylie has objected. Nothing further has been done by the plaintiff to pursue to finality her alledged claim against the Municipality. In the circumstance, Shepstone & Wylie proceeded to set down for hearing the Municipality's application for the dismissal of the plaintiff's claim against the Municipality on the basis that her particulars of claim are excipiable. The application was set down for hearing on the 12th of July 2017 at the Pietermaritzburg High Court, but was adjourned by consent at the request of the plaintiff's attorneys, with the plaintiff to pay the cost occasioned by the adjournment.

**Water and Sanitation Services South Africa (WSSA)** - Thuk3974.20 - In this application, the relief sought byRasp Consultants was an order directing the Municipality to reconstitute a Bid Evaluation Committee (BEC) to re-evaluate the technical specifications of tender no. 131/2014 and, thereafter, to re-advertise the relevant tender.

During August 2016, Shepstone & Wylie were instructed that the Municipality has decided to withdraw the relevant tender and, instead, to have the relevant services performed internally. Shepstone & Wylie wrote to the applicant's attorneys advising them accordingly, and suggested that the matter be settled on the basis that their client withdraws its application against the Municipality, with each party to pay its own costs.

Shepstone & Wylie were advised by the applicant's attorney that they would revert back once they have obtained their client's instructions in response to the aforesaid proposal. However, they did not revert back with their client's instructions and, after sending them numerous reminders to that effect, Shepstone & Wylie wrote to them advising them that in the absence of their clients resonance, they assumed that the matter has been settled on the basis of the suggestion. To date Shepstone & Wylie have not received any response, and will now proceed to close the file and render their final account on that basis.

**RASP Consultants CC t/a Vivah Technologies** - Thuk3974.13 - Claim amount R65,857 - Justin Heunis & Co, acting on behalf of the plaintiff has issued summons on the 18th of June 2015 against the Municipality for an outstanding balance of R65,857 due, owing and payable for goods sold, delivered and services rendered. The Municipality is represented by Shepstone & Wylie. The matter has been defended and the pleadings have reached the discovery stage.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017

2016

### 40. Contingent Liabilities (continued)

**RASP Consultants CC t/a Vivah Technologies** - Thuk3974.15 - Claim amount R63,400 - Justin Heunis & Co, acting on behalf of the plaintiff has issued summons on the 18th of June 2015 against the Municipality for an outstanding balance of R63,400 due, owing and payable for goods sold, delivered and services rendered. The Municipality is represented by Shepstone & Wylie. The matter has been defended and the pleadings have reached the discovery stage.

Vivah Technologies had lodged an urgent application for an order interdicting the municipality from awarding contract No.131/2014 to Water and Sanitation Services South Africa (WSSA) based on the allegation that WSSA's bid ought to have been disqualified for a number of reasons.

During August 2016, Shepstone & Wylie were instructed by the Municipality that the matter had been settled amicably amongst the parties. They then wrote back to the applicant's attorneys requesting their confirmation to that effect, but their response was that their client was still intent on pursuing its application against the Municipality. To date, no further steps have been taken by the applicant's attorneys to pursue their client's application to finality.

In the circumstances, Shepstone & Wylie were instructed by the Municipality to set the matter down for hearing on the opposed motion roll for the purpose of seeking an order dismissing the applicant's application against the Municipality with costs. The date allocated for the hearing of such application is 30 August 2017, and Shepstone & Wylie have already briefed Adv. Finnigan to appear and argue the application on behalf of the Municipality on that date.

**T.R. Keswa** - This is a matter in which the Municipality's erstwhile attorneys in a labour related matter had submitted to the Municipality their bill of costs for the sum of R1,853,170 in respect of the legal services they rendered in the matter. The municipality thought the amount claimed in the bill of costs was rather excessive, and instructed Shepstone & Wylie to submit the bill of costs to the Law Society for taxation. However the Municipality subsequently instructed to hold the matter in abeyance as an attempt was being made by the parties to settle the matter amicably. Further instructions is awaited from the Municipality

### Contingent assets

#### Contingent assets

Namandla Roads and Civils

7,770,981

-

**Namandla Roads And Civils** - This is a matter in which the Municipality has instructed Shepstone & Wylie to lodge an application against Mutual and Federal Risk Finance Limited (MFRFL) to claim the sum of R7,770,981 in respect of a performance guarantee issued by MFRFL in terms of which it bounds itself in favour of the Municipality for the performance of Namandla Roads and Civils in the latter's Contract with the Municipality. This follows the default of Namandla in its performance in the relevant contract. The matter is not likely to proceed to trial as MFRFL has already indicated, in principle, its intention to settle the matter by making payment of the guarantee amount to the Municipality.

### 41. Related parties

Post employment benefit plan for employees of entity and/or other related parties

Post employment benefit plan for employees of a related party of a close Keyhealth family member of key management

Bonitas

### Key management information

| Board members     | Executive Committee   | 6 |
|-------------------|---|---|
| Senior Management | Municipal Manager - Accounting officer                      | 1 |
| Senior Management | Chief Financial Officer                                     | 1 |
| Senior Management | General Manager Corporate Services                          | 1 |
| Senior management | General Manager Technical and Infrastructure Services       | 1 |
| Senior Management | General Manager Municipal Health & Water Services Authority | 1 |
| Senior Management | General Manager Social & Economic Services                  | 1 |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017

2016

### 42. Prior period errors and restatements

Prior period errors relates to corrections done in the 2016/2017 financial year which relates to the 2015/2016 financial year.

Restatements relates to expenditure which has been moved from one expenditure line item to another to restate the disclosures in the statement of financial position and the statement of financial performance for the 2015/2016 financial year.

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

#### Statement of financial position

|                                     |              |             |
|-------------------------------------|--------------|-------------|
| Consumer debtors                    | 2,646,824    | -           |
| Property Plant and Equipment (PPE)  | 228,795,756  | -           |
| Payables from exchange transactions | (17,495,959) | (7,379,656) |
| Vat payable                         | (1,642,449)  | -           |

#### Statement of financial performance

|                                  |             |             |
|----------------------------------|-------------|-------------|
| Revenue from service charges     | (3,005,084) | -           |
| Employee related costs           | (662,418)   | (9,362)     |
| Lease rental on operating leases | (19,800)    | -           |
| Repairs and maintenance          | (9,007,011) | (2,119,494) |
| Bulk purchases                   | (6,185)     | (6,185)     |
| Contracted services              | (3,354,279) | (3,593,209) |
| General expenditure              | (4,446,266) | (1,651,406) |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017

2016

### 43. Prior period error and restatements - detailed

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

#### Statement of financial position

##### 2016

|  | Note | As previously reported | Correction of error | Re-classification | Restated             |
|--|------|------------------------|---------------------|-------------------|----------------------|
| Inventories                                | 9    | 5,546,962              | -                   | -                 | 5,546,962            |
| Receivables from exchange transactions     | 10   | 4,398,513              | -                   | -                 | 4,398,513            |
| Receivables from non exchange transactions | 11   | 6,024,781              | -                   | -                 | 6,024,781            |
| Prepayments                                | 8    | 139,624                | -                   | -                 | 139,624              |
| Consumer debtors                           | 12   | 143,673,170            | 2,646,824           | -                 | 146,319,994          |
| Cash and cash equivalents                  | 13   | 36,715,409             | -                   | -                 | 36,715,409           |
| Property plant and equipment               | 4    | 1,913,594,549          | 228,795,756         | -                 | 2,142,390,305        |
| Intangible assets                          | 5    | 653,374                | -                   | -                 | 653,374              |
| Operating lease liability                  | 6&36 | (378,853)              | -                   | -                 | (378,853)            |
| Payables from exchange transactions        | 19   | (104,239,182)          | (17,495,959)        | -                 | (121,735,141)        |
| Other accruals                             | 20   | (42,685,813)           | -                   | 24,290,675        | (18,395,138)         |
| Consumer deposits                          | 21   | (11,885,907)           | -                   | -                 | (11,885,907)         |
| Employee benefit obligation                | 7    | (878,943)              | -                   | -                 | (878,943)            |
| Unspent conditional grants                 | 15   | (467,541)              | -                   | (15,688,191)      | (16,155,732)         |
| VAT payable                                | 17   | (29,333,940)           | (1,642,449)         | -                 | (30,976,389)         |
| Other liabilities                          | 51   | -                      | -                   | (8,602,484)       | (8,602,484)          |
| Purchase of office building                | 18   | (6,210,601)            | -                   | -                 | (6,210,601)          |
| Employee benefit obligation                | 7    | (26,438,620)           | -                   | -                 | (26,438,620)         |
|  |      | <b>1,888,226,982</b>   | <b>212,304,172</b>  | <b>-</b>          | <b>2,100,531,154</b> |

Advance payments to the amount of R24,290,675 was received from National Departments during the 2015/2016 financial year as at year end, 30 June 2016, it has not been confirmed if the funding was in respect of Drought relief. During the 2016/2017 financial year it was established that R15,686,192 was in respect of the Regional Bulk Infrastructure Grant.

The R15,686,192 was transferred to the unspent liability in respect of the RBIG grant and unspent grants as at 30 June 2016 has been restated,

The Municipality has been unable to establish the source of the remaining R8,602,484 and it remains a liability as at 30 June 2017 until such time as the funder can be identified.

Payables from exchange transactions increased from R104, 239, 182 to R121,735,141 due to the prior period errors of R17,495,959 as at 30 June 2016 and the statement of financial position has been restated.

Oma Chartered Accountants identified input tax (R1,317,400) which were not claimed during the 2011/2012 and 2012/2013 financial years and adjusted the May 2017 VAT return accordingly. A prior period correction has been affected and VAT payable on the statement of financial position has increased from R29,333,940 to R30,976,389 as at 30 June 2016.

Funding received during the 2015/2016 financial year has been identified as RBIG (Regional Bulk Infrastructure) transfers. This was disclosed as advance receipts/transfers and has been reclassified in the statement of financial position. Other accrual has been reduced by R15,688,191 and unspent grants has increased.

During the asset verification process in the 2016/2017 financial year assets to the amount of R228,795,756 were identified which were not capitalized in the 2015/2016 financial year. PPE has therefore been restated as at 30 June 2016.

Total net assets therefore increased from R1,888,226,981 to R2,100,531,154 as at 30 June 2016.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017

2016

### 43. Prior period error and restatements - detailed (continued)

#### Statement of financial performance

#### 2016

|                                     | Note  | As previously reported | Correction of error | Restated          |
|-------------------------------------|-------|------------------------|---------------------|-------------------|
| Revenue from service charges        | 23    | 153,121,673            | (3,005,084)         | 150,116,589       |
| Interest received - trading service | 22    | 20,214,647             | -                   | 20,214,647        |
| Other income                        | 22    | 3,566,813              | -                   | 3,566,813         |
| Interest received - investments     | 22    | 11,991,453             | -                   | 11,991,453        |
| Government grants and subsidies     | 22&26 | 568,331,256            | -                   | 568,331,256       |
| Employee related costs              | 27    | (198,647,227)          | (662,418)           | (199,309,645)     |
| Remuneration of councillors         | 28    | (6,381,097)            | -                   | (6,381,097)       |
| Depreciation and amortization       | 29    | (49,197,065)           | -                   | (49,197,065)      |
| Finance costs                       | 30    | (1,125,317)            | -                   | (1,125,317)       |
| Lease rentals on operating leases   | 36    | (720,775)              | (19,800)            | (740,575)         |
| Debt impairment provision           | 31    | (57,975,475)           | -                   | (57,975,475)      |
| Bad debt written off                | 47    | (34,811,417)           | -                   | (34,811,417)      |
| Repairs and maintenance             | 4     | (28,822,389)           | (9,007,011)         | (37,829,400)      |
| Bulk purchases                      | 32    | (7,691,918)            | (6,185)             | (7,698,103)       |
| Contracted services                 | 33    | (65,268,424)           | (3,354,279)         | (68,622,703)      |
| General Expenditure                 | 34    | (218,314,409)          | (4,446,266)         | (222,760,675)     |
| Gain (loss) on write off of assets  | 7     | (1,231,708)            | -                   | (1,231,708)       |
| Inventories losses/write-downs      |       | (344,075)              | -                   | (344,075)         |
| Gain (loss) on actuarial valuations | 7     | (12,280,604)           | -                   | (12,280,604)      |
| <b>Surplus for the year</b>         |       | <b>74,413,942</b>      | <b>(20,501,043)</b> | <b>53,912,899</b> |

#### Statement to changes in nett assets

|          | As previously reported | Correction of error | Re-classification | Restated             |
|----------|------------------------|---------------------|-------------------|----------------------|
|          | 1,888,226,982          | 212,304,172         | -                 | 2,100,531,154        |
| Subtotal | 1,888,226,982          | 212,304,172         | -                 | 2,100,531,154        |
|          | <b>1,888,226,982</b>   | <b>212,304,172</b>  | <b>-</b>          | <b>2,100,531,154</b> |

Revenue from service charges reduced from with R3,005,084 from R153,121,673 to R150,116,589.

Employee related costs increased with R662,418 from R198,647,227 to R199,309,646 as at 30 June 2016.

Lease rentals on operating leases increased with R19,800 from R720,775 to R740,575 as at 30 June 2016.

Repairs and maintenance increased with R9,007,011 from R28,822,389 to R37,829,400 as at 30 June 2016, however in terms of GRAP 17 maintenance and repairs must be disclosed by nature of expense under PPE. Refer to note 4 (PPE) for the detailed disclosure of maintenance and repairs).

Bulk purchases increased with R6,185 from R7,691,918 to R7,698,103 as at 30 June 2016.

Contracted services increased with R3,354,279 from R65,268,424 to R68,622,703 as at 30 June 2016.

General expenditure increased with R4,446,266 from R218,314,409 to R 222,760,675 as at 30 June 2016.

In terms of GRAP 1 and GRAP 3 operational grant expenditure has to be disclosed by nature of expense and therefore there is no line item in the statement of financial performance for the disclosure of grant expenditure.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017

2016

### 43. Prior period error and restatements - detailed (continued)

#### Cash flow statement

#### 2016

|   | Note | As previously reported | Correction of error | Restated             |
|---|------|------------------------|---------------------|----------------------|
| Cash flow from operating activities                   |      |                        |                     |                      |
| Service charges                                       |      | (77,122,560)           | -                   | 168,422,790          |
| Grants  |      | 561,799,768            | 6,531,488           | 568,331,256          |
| Interest income                                       |      | 32,206,100             | (20,214,647)        | 11,991,453           |
| Other receipts  |      | 215,471,545            | 30,073,805          | -                    |
| Employee and Councillor costs                         |      | (217,308,929)          | 11,618,186          | (205,690,743)        |
| Suppliers and other                                   |      | (444,602,070)          | 35,526,166          | (409,075,904)        |
| Finance costs   | 30   | (1,125,317)            | -                   | (1,125,317)          |
|   |      | <b>69,318,537</b>      | <b>63,534,998</b>   | <b>132,853,535</b>   |
| Cash flow from investing activities                   |      |                        |                     |                      |
| Purchase of propperty, plant, and equipment           | 4    | (178,260,347)          | (72,224,568)        | (250,484,915)        |
| Purchase of other intangible assets                   | 5    | (543,600)              | -                   | (543,600)            |
| Proceeds from sale of other intangible assets         | 5    | 43,543                 | -                   | 43,543               |
|   |      | <b>(178,760,404)</b>   | <b>(72,224,568)</b> | <b>(250,984,972)</b> |
| Cash flow from financing activities                   |      |                        |                     |                      |
| Nett increase in other liabilities (Consumer Deposit) |      | 1,412,058              | -                   | 1,412,058            |
| Movement in other liabilities                         |      | 8,602,484              | -                   | 8,602,484            |
| Increase / (Decrease) in finance lease liability      |      | (255,271)              | -                   | (255,271)            |
|   |      | <b>9,759,271</b>       | <b>-</b>            | <b>9,759,271</b>     |

#### Reclassifications

Due to amendments to GRAP1 and GRAP3 - "Presentation of Financial Statements", operational grants have to be disclosed by nature of expense and therefore has been reclassified in the statement of financial performance.

Due to amendments to Grap 17 - "Presentation of Financial Statements", repairs and maintenance has to be disclosed by nature of expense and has therefore been disclosed in note 4 under PPE.

### 44. Risk management

#### Financial risk management

#### Liquidity risk

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

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017

2016

### 44. Risk management (continued)

#### Credit risk

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

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

Financial assets exposed to credit risk at year end were as follows:

| Financial instrument                         | 2017        | 2016        |
|--|-------------|-------------|
| Bank balance and cash                        | 5,997,885   | 36,715,409  |
| Consumer debtors from exchange transactions  | 159,658,113 | 146,319,994 |
| Other receivables from exchange transactions | 4,523,432   | 4,398,513   |
| Receivables from non-exchange transactions   | 2,109,300   | 6,024,781   |

### 45. Going concern

We draw attention to the fact that at June 30, 2017, the municipality had a accumulated surplus of R 2,178,691,471 and that the municipality's total assets exceed its total liabilities by R 2,178,691,471.

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

Management however acknowledges the decrease in cash and cash equivalents from R36,715,409 (2015/2016) to R5,997,885 (2016/2017) is a matter of concern and measures have been put in place to turn around the situation.

It must be noted that the drought and related expenditure had the biggest impact on the Municipality's cash reserves.

The cost of free basic services (supply of water with water tankers) increased From R39,121,572 (2015/2016) to R58,974,689 (2016/2017).

Critical positions which were vacant were filled during the year and the annual salary increases resulted in employee related costs increasing from R199,309,646 (2015/2016) to R218,649,140 (2016/2017).

Contracted services increased from R68,622,703 (2015/2016) to R95,543,247 (2016/2017).

Indigent support to indigent consumers amounted to R10,174,543 for the 2016/2017 financial year.

Management has developed a revenue enhancement strategy and is implementing the credit control policy in an effort to improve revenue collection.

Management has also implemented MFMA circular 82 "cost containment measures" in an effort to cut down on operational expenditure.

The Water Services department has implemented a strategy to cut down on overtime expenses.

Departments have submitted their procurement plans to the SCM Unit in order to manage cash outflows.

Monthly cash flow projections are being performed and management will re-asses the Municipality's financial position after the first six months of the financial year.



# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017

2016

### 45. Going concern (continued)

As at 30 June 2017 the Municipality's current liabilities (R268,928,043) exceeded its current assets (R176,556,281) by R92,3 million. In addition un-spent grants amounting to R69,71 million and consumer deposits amounting to R13,58 million disclosed in notes 15 and 21 respectively were not cashed backed at year end. These events or conditions, along with other matters indicate a material uncertainty exists that may cast significant doubt on the Municipality's ability to continue as a going concern.

The reason for the unspent grants not being cash backed is a direct result of the surplus cash which were spent for other purposes such as the hire of water tankers etc.

### 46. Events after the reporting date

The Ekuvukeni waste water treatment plant was vandalized during July 2017. The Municipality's insurers has appointed an assessor to establish the financial implications and the extent of the damages caused.

The Uthukela District Municipality's Council took a resolution on the 29th of September 2017, that the Uthukela District Municipality enter into a Bulk Supply Agreement with Umgeni Water which will encompass the following:

- \* The implementation of the Driefontein Regional Bulk Water Supply Scheme.
- \* The operation and maintenance of existing bulk infrastructure.
- \* Future capex project implementation.

The Bulk Supply Agreement was signed on Friday the 24th of November 2017.

National Treasury informed the Municipality on the 16th of October 2017 that the request to roll over the unspent conditional grants in respect of the 2016/2017 financial year for the amount of R68.3 million into the 2017/2018 financial year has not been approved in terms of section 22(2) of the Division of Revenue Act, (Act No. 3 of 2016).

The rejection is with respect to the Regional Bulk Infrastructure Grant (RBIG) (R67,1 million) and the Rural Road Asset Management System Grant (RRAMS) (R1.2 million).

The R1.2 million in respect of the Rural Road Asset Management System Grant (RRAMS) will be off-set from the Municipality's Equity Share allocation which is due on the 1st of December 2017.

In correspondence dated 10 November 2017 the Uthukela District Municipality requested National Treasury to consider a repayment arrangement to pay back the Regional Bulk Infrastructure Grant in three equal quarterly installments to National Treasury starting March 2018.

The above requested repayment arrangement will ease the cash flow strain currently facing the Municipality.

### 47. Bad debt written off

#### Irrecoverable debt written off

|                  |            |            |
|------------------|------------|------------|
| Consumer debtors | 32,257,350 | 34,811,417 |
|------------------|------------|------------|

Irrecoverable debt in respect of consumer debtors accounts to the amount of R34,811,417 were written off during the 2015/2016 financial year and R32,257,350 were written off during the 2016/2017 financial year.

The debt written off is as follows.

R3,128,491 in respect of Johnmoore accounts.

R21,225,030 in respect of indigent write offs.

R1,077,540 in respect of one third write offs.

R6,795,634 other write offs.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|   | 2017               | 2016               |
|---|--------------------|--------------------|
| <b>48. Unauthorised expenditure</b>           |                    |                    |
| Opening balance                               | 205,810,191        | 89,010,639         |
| Unauthorized expenditure for the current year | 166,418,720        | 116,799,552        |
|   | <b>372,228,911</b> | <b>205,810,191</b> |

Unauthorized expenditure of R116,799,552 (2015/2015) and R166,418,720 (2016/2017) is the overspending of the total amounts appropriated in the municipality's budget for the financial year.

The total operating budget amounted to R591,557,000 and the actual expenditure to R757,975,720.

### 49. Fruitless and wasteful expenditure

#### Reconciliation of fruitless and wasteful expenditure

|   |                |                |
|---|----------------|----------------|
| Opening balance   | 211,590        | 91,327         |
| Fruitless and wasteful expenditure for the current year | 23,976         | 120,263        |
|   | <b>235,566</b> | <b>211,590</b> |
| Eskom   | 22,952         | 108,183        |
| Emnambithi / Ladysmith Municipality                     | -              | 3,788          |
| Umtshezi Municipality                                   | -              | 2,683          |
| Telkom  | 1,024          | 5,609          |
|   | <b>23,976</b>  | <b>120,263</b> |

### 50. Irregular expenditure

|   |                   |                    |
|---|-------------------|--------------------|
| Opening balance   | 711,657,392       | 407,634,668        |
| Plus: Irregular Expenditure - current year                                | 217,793,221       | 211,395,124        |
| Plus: Unspent grants not cash backed (refer to notes 13 and 15)           | -                 | -                  |
| Less: Irregular expenditure - prior year - identified in the current year | (136,014)         | 92,627,600         |
| Less: Amounts written off   | (873,632,744)     | -                  |
|   | <b>55,681,855</b> | <b>711,657,392</b> |

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

During the above mentioned reconciliation process adjustments in respect of the 2014/2015 financial year were identified.

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

|  | 2017   | 2016               |
|--|--|--------------------|
| <b>50. Irregular expenditure (continued)</b>   |  |                    |
| <b>Analysis of irregular expenditure per classification</b>                                |  |                    |
| Current year   | 217,657,207  | 211,395,124        |
| Prior years  | 711,657,392  | 500,262,268        |
| Less: Irregular expenditure written off  | (873,632,744)  | -                  |
|  | <b>55,681,855</b>  | <b>711,657,392</b> |
| <b>Irregular expenditure - corrections in respect of the previous financial year</b>       |  |                    |
| Section 114 deviations   | -  | 823,017            |
| Section 36 deviations  | -  | 5,378,941          |
| Section 32 deviations  | -  | 49,404,422         |
| Non compliance with SCM regulations  | -  | 152,187,809        |
| Expired contracts  | -  | (6,466,741)        |
| Contracts over three years   | -  | (63,540,798)       |
| Less than three quotations received  | (136,014)  | (45,159,050)       |
|  | <b>(136,014)</b>   | <b>92,627,600</b>  |
| <b>Irregular expenditure - in respect of the current financial year</b>                    |  |                    |
| Section 36 deviations  | 576,404  | 3,190,887          |
| Section 32 Deviations  | 37,198,865   | 31,829,619         |
| Non Compliance with SCM regulationa  | 76,702,680   | 71,478,057         |
| Expired contracts  | 42,617,660   | 64,912,861         |
| Contracts over three years   | -  | 37,528,939         |
| Regulation 36 - Drought relief   | 59,604,926   | -                  |
| Less than three quotations received  | 1,092,686  | 2,454,761          |
|  | <b>217,793,221</b>   | <b>211,395,124</b> |
| <b>Irregular expenditure</b>   |  |                    |
| Irregular expenditure - corrections in respect of the previous financial year              | (136,014)  | 92,627,600         |
| Irregular expenditure incurred during the current financial year                           | 217,793,221  | 211,395,124        |
|  | <b>217,657,207</b>   | <b>304,022,724</b> |
| <b>Details of irregular expenditure – no disciplinary steps taken/criminal proceedings</b> |  |                    |
| Irregular expenditure incurred 2011/2012 to 2016/2017                                      | Disciplinary steps taken/criminal proceedings<br>No disciplinary steps taken - no criminal proceedings | 873,632,744        |
| <b>Details of irregular expenditure written of</b>   |  |                    |
| Irregular expenditure 2011/2012  | Council resolution A39/06/17   | 18,658,192         |
| Irregular expenditure 2012/2013  | Council resolution A39/06/17   | 22,172,037         |
| Irregular expenditure 2013/2014  | Council resolution A39/06/17   | 178,224,432        |
| Irregular expenditure 2014/2015  | Council resolution A39/06/17   | 281,207,607        |
| Irregular expenditure 2015/2016  | Council resolution A39/06/17   | 211,395,124        |
| Irregular expenditure 2016/2017  | Council resolution A39/06/17   | 161,975,352        |
|  |  | <b>873,632,744</b> |
| <b>51. Other liabilities "Advance receipts - transfers"</b>                                |  |                    |
| Advance receipts - Transfers   |  | 8,602,484          |
|  |  | <b>8,602,484</b>   |

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017 2016

### 51. Other liabilities "Advance receipts - transfers" (continued)

Advance payments to the amount of R24,290,676 was received from National Departments during the 2015/2016 financial year. As at year end, 30 June 2016, there was uncertainty as to what the transfer relates to and no confirmation could be obtained to confirm if the funding was in respect of Drought Relief.

During the 2016/2017 financial year it was established that R15,686,192 was in respect of the RBIG "Regional Bulk Infrastructure Grant"

The R15,686,192 was transferred to the unspent liability in respect of the RBIG grant and unspent grants as at 30 June 2016 has been restated,

The Municipality has been unable to establish the source of the remaining R8,602,484 and it remains a liability as at 30 June 2017 until such time as the funder can be identified and the monies allocated accordingly.

### 52. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

|                                 |             |             |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 2,235,340   | 2,295,780   |
| Amount paid - current year      | (2,235,340) | (2,295,780) |
|                                 | <u>-</u>    | <u>-</u>    |

#### Audit fees

|                                 |             |             |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 2,494,036   | 2,763,225   |
| Amount paid - current year      | (2,494,036) | (2,763,225) |
|                                 | <u>-</u>    | <u>-</u>    |

#### PAYE and UIF

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 34,314,889   | 29,752,647   |
| Amount paid - current year      | (34,314,889) | (29,752,647) |
|                                 | <u>-</u>     | <u>-</u>     |

#### Pension and Medical Aid Deductions

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 23,128,900   | 21,165,162   |
| Amount paid - current year      | (23,128,900) | (21,165,162) |
|                                 | <u>-</u>     | <u>-</u>     |

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

Refer to "Statement of comparison of budget and actual amounts" for the comparison of actual operating expenditure versus budgeted expenditure.

### 54. Water Losses

#### Estimated water losses for the year

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| Water losses - Quantity in kilolitres | <u>20,896,928</u> | <u>26,369,801</u> |
|---------------------------------------|-------------------|-------------------|

#### Estimated water losses for the year

|                             |                    |                    |
|-----------------------------|--------------------|--------------------|
| Water losses - Cost (rands) | <u>127,653,102</u> | <u>153,475,400</u> |
|-----------------------------|--------------------|--------------------|

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

# Uthukela District Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

2017

2016

### 54. Water Losses (continued)

The estimation of water losses was done by comparing the production capacities of the water purification plants, obtained from Jaffares & green, against the water consumption billed to consumers for the financial year. Included in the water losses disclosed are the provision of water in areas where there are standpipes and areas where there are no water infrastructure. Internal and outsourced water tankers are used to transport water to areas where there are no water infrastructure.

The Oliphantskop dam which is the main source of water supply to the previously known Indaka area dried up as a result of the drought. The whole of the Indaka area was therefore supplied with water by means of water tankers.

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

#### Estimated water losses for the year

Water losses recorded for the year as a %

63

79

### 55. Fraudulent activities

#### Heading

Payroll fraude - March 2012 to February 2014

4,592,424

4,592,424

Cashier shortages - Estcourt satellite office - May 2017

26,070

-

**4,618,494**

**4,592,424**

Council has identified fraudulent activities on the payroll which took place over the period March 2012 to February 2014. The Internal Audit Unit has verified the fraudulent transactions which amounted to R4,592,424 in total. Initially it was 27 employees whom were identified to be involved in these fraudulent activities. All 27 were dismissed.

The employees in question referred the matter to arbitration. All cases which have been finalized were in favour of the Municipality except one case which has been referred back from the Labour Court to Arbitration.

Council is through a litigation process attempting to recover all monies. Cases have been opened however the process is in the hands of the National Prosecuting Authority and the process is still ongoing. There is still a possibility of recovery.

During May 2017 the cashier in the Estcourt satellite office issued receipts to the amount of R25,770 which could not be reconciled with the daily deposits. Upon investigation it was found that not only was the money not deposited by the cashier but her float of R300 was also missing.

The cashier absconded and has not returned for duty. The Senior Debtors Clerk made a sworn statement with the SAPS on the 7th of July 2017 and management has resolved to initiate criminal action against the cashier.

Also refer to note 11.

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

June 2017

**Analysis of property, plant and equipment as at 30 June 2017**  
**Cost/Revaluation** **Accumulated depreciation**

|                                       | Opening Balance<br>Rand | Additions<br>Rand | Disposals<br>Rand  | Transfers<br>Rand  | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|---------------------------------------|-------------------------|-------------------|--------------------|--------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Land and buildings</b>             |                         |                   |                    |                    |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Land (Separate for AFS purposes)      | 1,037,872               | -                 | -                  | -                  | -                    | -                                   | <b>1,037,872</b>           | -                          | -                 | -                 | -                    | -                       | -                          | 1,037,872                 |
| Buildings (Separate for AFS purposes) | 31,633,607              | -                 | (1,338,028)        | -                  | -                    | -                                   | <b>30,295,579</b>          | (1,464,628)                | 442,380           | -                 | (943,622)            | (84,000)                | <b>(2,049,870)</b>         | 28,245,709                |
|                                       | <b>32,671,479</b>       | -                 | <b>(1,338,028)</b> | -                  | -                    | -                                   | <b>31,333,451</b>          | <b>(1,464,628)</b>         | <b>442,380</b>    | -                 | <b>(943,622)</b>     | <b>(84,000)</b>         | <b>(2,049,870)</b>         | <b>29,283,581</b>         |
| <b>Infrastructure</b>                 |                         |                   |                    |                    |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Water purification                    | 1,956,703,059           | 371,015           | (1,775,306)        | 133,995,381        | -                    | -                                   | <b>2,089,294,149</b>       | (402,048,405)              | 1,168,329         | -                 | (43,862,587)         | -                       | <b>(444,742,663)</b>       | 1,644,551,486             |
| Sewerage purification                 | 279,575,550             | 464,162           | (4,240,650)        | 39,925,072         | -                    | -                                   | <b>315,724,134</b>         | (139,015,295)              | 2,750,124         | -                 | (8,469,341)          | (313,985)               | <b>(145,048,497)</b>       | 170,675,637               |
|                                       | <b>2,236,278,609</b>    | <b>835,177</b>    | <b>(6,015,956)</b> | <b>173,920,453</b> | -                    | -                                   | <b>2,405,018,283</b>       | <b>(541,063,700)</b>       | <b>3,918,453</b>  | -                 | <b>(52,331,928)</b>  | <b>(313,985)</b>        | <b>(589,791,160)</b>       | <b>1,815,227,123</b>      |
| <b>Community Assets</b>               |                         |                   |                    |                    |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |

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

June 2017

**Analysis of property, plant and equipment as at 30 June 2017**  
**Cost/Revaluation** **Accumulated depreciation**

|                             | Opening Balance Rand | Additions Rand     | Disposals Rand     | Transfers Rand       | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand   | Transfers Rand | Depreciation Rand  | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|-----------------------------|----------------------|--------------------|--------------------|----------------------|-------------------|-------------------------------|----------------------|----------------------|------------------|----------------|--------------------|----------------------|----------------------|---------------------|
| <b>Heritage assets</b>      |                      |                    |                    |                      |                   |                               |                      |                      |                  |                |                    |                      |                      |                     |
| <b>Specialised vehicles</b> |                      |                    |                    |                      |                   |                               |                      |                      |                  |                |                    |                      |                      |                     |
| Fire                        | 810,512              | -                  | -                  | -                    | -                 | -                             | 810,512              | (743,645)            | -                | -              | -                  | -                    | (743,645)            | 66,867              |
|                             | <b>810,512</b>       | -                  | -                  | -                    | -                 | -                             | <b>810,512</b>       | <b>(743,645)</b>     | -                | -              | -                  | -                    | <b>(743,645)</b>     | <b>66,867</b>       |
| <b>Other assets</b>         |                      |                    |                    |                      |                   |                               |                      |                      |                  |                |                    |                      |                      |                     |
| General vehicles            | 54,840,975           | -                  | (2,924,145)        | -                    | -                 | -                             | 51,916,830           | (23,580,183)         | 781,985          | -              | (8,079,690)        | -                    | (30,877,888)         | 21,038,942          |
| Plant & equipment           | 93,255               | -                  | -                  | -                    | -                 | -                             | 93,255               | (76,189)             | -                | -              | (8,932)            | -                    | (85,121)             | 8,134               |
| Computer Equipment          | 4,671,539            | 451,608            | (93,347)           | -                    | -                 | -                             | 5,029,800            | (2,323,042)          | 78,990           | -              | (607,571)          | -                    | (2,851,623)          | 2,178,177           |
| Furniture & Fittings        | 3,812,497            | 444,254            | (136,508)          | -                    | -                 | -                             | 4,120,243            | (2,058,537)          | 109,435          | -              | (317,939)          | -                    | (2,267,041)          | 1,853,202           |
| Office Equipment            | 2,174,684            | 151,694            | (67,508)           | -                    | -                 | -                             | 2,258,870            | (979,461)            | 39,222           | -              | (270,341)          | -                    | (1,210,580)          | 1,048,290           |
| Work in progress            | 379,275,931          | 238,984,217        | -                  | (173,920,453)        | -                 | (12,307,615)                  | 432,032,080          | -                    | -                | -              | -                  | (10,409,583)         | (10,409,583)         | 421,622,497         |
| Laboratory                  | 227,906              | -                  | -                  | -                    | -                 | -                             | 227,906              | (177,697)            | -                | -              | (17,056)           | -                    | (194,753)            | 33,153              |
|                             | <b>445,096,787</b>   | <b>240,031,773</b> | <b>(3,221,508)</b> | <b>(173,920,453)</b> | -                 | <b>(12,307,615)</b>           | <b>495,678,984</b>   | <b>(29,195,109)</b>  | <b>1,009,632</b> | -              | <b>(9,301,529)</b> | <b>(10,409,583)</b>  | <b>(47,896,589)</b>  | <b>447,782,395</b>  |

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

June 2017

**Analysis of property, plant and equipment as at 30 June 2017**  
**Cost/Revaluation** **Accumulated depreciation**

|   | Opening Balance Rand | Additions Rand     | Disposals Rand      | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand   | Transfers Rand | Depreciation Rand   | Impairment loss Rand | Closing Balance Rand | Carrying value Rand  |
|---|----------------------|--------------------|---------------------|----------------|-------------------|-------------------------------|----------------------|----------------------|------------------|----------------|---------------------|----------------------|----------------------|----------------------|
| <b>Total property plant and equipment</b> |                      |                    |                     |                |                   |                               |                      |                      |                  |                |                     |                      |                      |                      |
| Land and buildings                        | 32,671,479           | -                  | (1,338,028)         | -              | -                 | -                             | 31,333,451           | (1,464,628)          | 442,380          | -              | (943,622)           | (84,000)             | (2,049,870)          | 29,283,581           |
| Infrastructure                            | 2,236,278,609        | 835,177            | (6,015,956)         | 173,920,453    | -                 | -                             | 2,405,018,283        | (541,063,700)        | 3,918,453        | -              | (52,331,928)        | (313,985)            | (589,791,160)        | 1,815,227,123        |
| Specialised vehicles                      | 810,512              | -                  | -                   | -              | -                 | -                             | 810,512              | (743,645)            | -                | -              | -                   | -                    | (743,645)            | 66,867               |
| Other assets                              | 445,096,787          | 240,031,773        | (3,221,508)         | (173,920,453)  | -                 | (12,307,615)                  | 495,678,984          | (29,195,109)         | 1,009,632        | -              | (9,301,529)         | (10,409,583)         | (47,896,589)         | 447,782,395          |
|   | <b>2,714,857,387</b> | <b>240,866,950</b> | <b>(10,575,492)</b> | <b>-</b>       | <b>-</b>          | <b>(12,307,615)</b>           | <b>2,932,841,230</b> | <b>(572,467,082)</b> | <b>5,370,465</b> | <b>-</b>       | <b>(62,577,079)</b> | <b>(10,807,568)</b>  | <b>(640,481,264)</b> | <b>2,292,359,966</b> |
| <b>Agricultural/Biological assets</b>     |                      |                    |                     |                |                   |                               |                      |                      |                  |                |                     |                      |                      |                      |
| <b>Intangible assets</b>                  |                      |                    |                     |                |                   |                               |                      |                      |                  |                |                     |                      |                      |                      |
| Computers - software & programming        | 786,556              | -                  | -                   | -              | -                 | -                             | 786,556              | (133,182)            | -                | -              | (65,409)            | -                    | (198,591)            | 587,965              |
|   | <b>786,556</b>       | <b>-</b>           | <b>-</b>            | <b>-</b>       | <b>-</b>          | <b>-</b>                      | <b>786,556</b>       | <b>(133,182)</b>     | <b>-</b>         | <b>-</b>       | <b>(65,409)</b>     | <b>-</b>             | <b>(198,591)</b>     | <b>587,965</b>       |
| <b>Investment properties</b>              |                      |                    |                     |                |                   |                               |                      |                      |                  |                |                     |                      |                      |                      |
| <b>Total</b>                              |                      |                    |                     |                |                   |                               |                      |                      |                  |                |                     |                      |                      |                      |
| Land and buildings                        | 32,671,479           | -                  | (1,338,028)         | -              | -                 | -                             | 31,333,451           | (1,464,628)          | 442,380          | -              | (943,622)           | (84,000)             | (2,049,870)          | 29,283,581           |
| Infrastructure                            | 2,236,278,609        | 835,177            | (6,015,956)         | 173,920,453    | -                 | -                             | 2,405,018,283        | (541,063,700)        | 3,918,453        | -              | (52,331,928)        | (313,985)            | (589,791,160)        | 1,815,227,123        |
| Specialised vehicles                      | 810,512              | -                  | -                   | -              | -                 | -                             | 810,512              | (743,645)            | -                | -              | -                   | -                    | (743,645)            | 66,867               |
| Other assets                              | 445,096,787          | 240,031,773        | (3,221,508)         | (173,920,453)  | -                 | (12,307,615)                  | 495,678,984          | (29,195,109)         | 1,009,632        | -              | (9,301,529)         | (10,409,583)         | (47,896,589)         | 447,782,395          |
| Intangible assets                         | 786,556              | -                  | -                   | -              | -                 | -                             | 786,556              | (133,182)            | -                | -              | (65,409)            | -                    | (198,591)            | 587,965              |
|   | <b>2,715,643,943</b> | <b>240,866,950</b> | <b>(10,575,492)</b> | <b>-</b>       | <b>-</b>          | <b>(12,307,615)</b>           | <b>2,933,627,786</b> | <b>(572,600,264)</b> | <b>5,370,465</b> | <b>-</b>       | <b>(62,642,488)</b> | <b>(10,807,568)</b>  | <b>(640,679,855)</b> | <b>2,292,947,931</b> |



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

June 2017

**Analysis of property, plant and equipment as at 30 June 2016**  
**Cost/Revaluation** **Accumulated depreciation**

|                                       | Opening Balance<br>Rand | Additions<br>Rand | Disposals<br>Rand | Transfers<br>Rand  | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|---------------------------------------|-------------------------|-------------------|-------------------|--------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Land and buildings</b>             |                         |                   |                   |                    |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Land (Separate for AFS purposes)      | 1,037,872               | -                 | -                 | -                  | -                    | -                                   | <b>1,037,872</b>           | -                          | -                 | -                 | -                    | -                       | -                          | 1,037,872                 |
| Buildings (Separate for AFS purposes) | 31,932,857              | 18,750            | -                 | (318,000)          | -                    | -                                   | <b>31,633,607</b>          | (495,408)                  | -                 | -                 | (969,220)            | -                       | <b>(1,464,628)</b>         | 30,168,979                |
|                                       | <b>32,970,729</b>       | <b>18,750</b>     | -                 | <b>(318,000)</b>   | -                    | -                                   | <b>32,671,479</b>          | <b>(495,408)</b>           | -                 | -                 | <b>(969,220)</b>     | -                       | <b>(1,464,628)</b>         | <b>31,206,851</b>         |
| <b>Infrastructure</b>                 |                         |                   |                   |                    |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Water purification                    | 1,715,242,349           | 3,150,220         | -                 | 238,310,490        | -                    | -                                   | <b>1,956,703,059</b>       | (362,486,326)              | -                 | -                 | (39,562,077)         | -                       | <b>(402,048,403)</b>       | 1,554,654,656             |
| Sewerage purification                 | 276,107,857             | 525,207           | -                 | 2,942,486          | -                    | -                                   | <b>279,575,550</b>         | (132,507,896)              | -                 | -                 | (6,507,399)          | -                       | <b>(139,015,295)</b>       | 140,560,255               |
|                                       | <b>1,991,350,206</b>    | <b>3,675,427</b>  | -                 | <b>241,252,976</b> | -                    | -                                   | <b>2,236,278,609</b>       | <b>(494,994,222)</b>       | -                 | -                 | <b>(46,069,476)</b>  | -                       | <b>(541,063,698)</b>       | <b>1,695,214,911</b>      |
| <b>Community Assets</b>               |                         |                   |                   |                    |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Fire, safety & emergency              | 810,512                 | -                 | -                 | -                  | -                    | -                                   | <b>810,512</b>             | (652,462)                  | -                 | -                 | (91,183)             | -                       | <b>(743,645)</b>           | 66,867                    |
|                                       | <b>810,512</b>          | -                 | -                 | -                  | -                    | -                                   | <b>810,512</b>             | <b>(652,462)</b>           | -                 | -                 | <b>(91,183)</b>      | -                       | <b>(743,645)</b>           | <b>66,867</b>             |

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

June 2017

**Analysis of property, plant and equipment as at 30 June 2016**  
**Cost/Revaluation** **Accumulated depreciation**

|                             | Opening Balance<br>Rand | Additions<br>Rand  | Disposals<br>Rand  | Transfers<br>Rand    | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|-----------------------------|-------------------------|--------------------|--------------------|----------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Heritage assets</b>      |                         |                    |                    |                      |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| <b>Specialised vehicles</b> |                         |                    |                    |                      |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| <b>Other assets</b>         |                         |                    |                    |                      |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| General vehicles            | 46,355,649              | 2,444,639          | (3,296,402)        | 9,337,089            | -                    | -                                   | <b>54,840,975</b>          | (9,931,215)                | 2,167,938         | (6,694,594)       | (9,122,313)          | -                       | <b>(23,580,184)</b>        | 31,260,791                |
| Plant & equipment           | 93,255                  | -                  | -                  | -                    | -                    | -                                   | <b>93,255</b>              | (60,300)                   | -                 | -                 | (15,889)             | -                       | <b>(76,189)</b>            | 17,066                    |
| Computer Equipment          | 3,748,296               | 1,352,114          | (428,871)          | -                    | -                    | -                                   | <b>4,671,539</b>           | (2,192,348)                | 355,375           | -                 | (486,069)            | -                       | <b>(2,323,042)</b>         | 2,348,497                 |
| Furniture & Fittings        | 2,797,268               | 1,135,640          | (120,411)          | -                    | -                    | -                                   | <b>3,812,497</b>           | (1,909,760)                | 107,475           | -                 | (256,252)            | -                       | <b>(2,058,537)</b>         | 1,753,960                 |
| Office Equipment            | 1,550,848               | 605,367            | (299,531)          | 318,000              | -                    | -                                   | <b>2,174,684</b>           | (1,084,742)                | 327,134           | -                 | (221,853)            | -                       | <b>(979,461)</b>           | 1,195,223                 |
| Work in progress            | 445,955,089             | 174,573,818        | -                  | (241,252,976)        | -                    | -                                   | <b>379,275,931</b>         | -                          | -                 | -                 | -                    | -                       | -                          | 379,275,931               |
| Other Assets - Leased       | 9,337,089               | -                  | -                  | (9,337,089)          | -                    | -                                   | -                          | (6,694,594)                | -                 | 6,694,594         | -                    | -                       | -                          | -                         |
| Lab equipment               | 227,906                 | -                  | -                  | -                    | -                    | -                                   | <b>227,906</b>             | (154,360)                  | -                 | -                 | (23,338)             | -                       | <b>(177,698)</b>           | 50,208                    |
|                             | <b>510,065,400</b>      | <b>180,111,578</b> | <b>(4,145,215)</b> | <b>(240,934,976)</b> | -                    | -                                   | <b>445,096,787</b>         | <b>(22,027,319)</b>        | <b>2,957,922</b>  | -                 | <b>(10,125,714)</b>  | -                       | <b>(29,195,111)</b>        | <b>415,901,676</b>        |

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

June 2017

**Analysis of property, plant and equipment as at 30 June 2016**  
**Cost/Revaluation** **Accumulated depreciation**

|   | Opening Balance<br>Rand | Additions<br>Rand  | Disposals<br>Rand  | Transfers<br>Rand | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|---|-------------------------|--------------------|--------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Total property plant and equipment</b> |                         |                    |                    |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Land and buildings                        | 32,970,729              | 18,750             | -                  | (318,000)         | -                    | -                                   | <b>32,671,479</b>          | (495,408)                  | -                 | -                 | (969,220)            | -                       | <b>(1,464,628)</b>         | 31,206,851                |
| Infrastructure                            | 1,991,350,206           | 3,675,427          | -                  | 241,252,976       | -                    | -                                   | <b>2,236,278,609</b>       | (494,994,222)              | -                 | -                 | (46,069,476)         | -                       | <b>(541,063,698)</b>       | 1,695,214,911             |
| Community Assets                          | 810,512                 | -                  | -                  | -                 | -                    | -                                   | <b>810,512</b>             | (652,462)                  | -                 | -                 | (91,183)             | -                       | <b>(743,645)</b>           | 66,867                    |
| Other assets                              | 510,065,400             | 180,111,578        | (4,145,215)        | (240,934,976)     | -                    | -                                   | <b>445,096,787</b>         | (22,027,319)               | 2,957,922         | -                 | (10,125,714)         | -                       | <b>(29,195,111)</b>        | 415,901,676               |
|   | <b>2,535,196,847</b>    | <b>183,805,755</b> | <b>(4,145,215)</b> | <b>-</b>          | <b>-</b>             | <b>-</b>                            | <b>2,714,857,387</b>       | <b>(518,169,411)</b>       | <b>2,957,922</b>  | <b>-</b>          | <b>(57,255,593)</b>  | <b>-</b>                | <b>(572,467,082)</b>       | <b>2,142,390,305</b>      |
| <b>Agricultural/Biological assets</b>     |                         |                    |                    |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| <b>Intangible assets</b>                  |                         |                    |                    |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Computers - software & programming        | 297,956                 | 543,600            | (55,000)           | -                 | -                    | -                                   | <b>786,556</b>             | (59,755)                   | 11,457            | -                 | (84,884)             | -                       | <b>(133,182)</b>           | 653,374                   |
|   | <b>297,956</b>          | <b>543,600</b>     | <b>(55,000)</b>    | <b>-</b>          | <b>-</b>             | <b>-</b>                            | <b>786,556</b>             | <b>(59,755)</b>            | <b>11,457</b>     | <b>-</b>          | <b>(84,884)</b>      | <b>-</b>                | <b>(133,182)</b>           | <b>653,374</b>            |
| <b>Investment properties</b>              |                         |                    |                    |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| <b>Total</b>                              |                         |                    |                    |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Land and buildings                        | 32,970,729              | 18,750             | -                  | (318,000)         | -                    | -                                   | <b>32,671,479</b>          | (495,408)                  | -                 | -                 | (969,220)            | -                       | <b>(1,464,628)</b>         | 31,206,851                |
| Infrastructure                            | 1,991,350,206           | 3,675,427          | -                  | 241,252,976       | -                    | -                                   | <b>2,236,278,609</b>       | (494,994,222)              | -                 | -                 | (46,069,476)         | -                       | <b>(541,063,698)</b>       | 1,695,214,911             |
| Community Assets                          | 810,512                 | -                  | -                  | -                 | -                    | -                                   | <b>810,512</b>             | (652,462)                  | -                 | -                 | (91,183)             | -                       | <b>(743,645)</b>           | 66,867                    |
| Other assets                              | 510,065,400             | 180,111,578        | (4,145,215)        | (240,934,976)     | -                    | -                                   | <b>445,096,787</b>         | (22,027,319)               | 2,957,922         | -                 | (10,125,714)         | -                       | <b>(29,195,111)</b>        | 415,901,676               |
| Intangible assets                         | 297,956                 | 543,600            | (55,000)           | -                 | -                    | -                                   | <b>786,556</b>             | (59,755)                   | 11,457            | -                 | (84,884)             | -                       | <b>(133,182)</b>           | 653,374                   |
|   | <b>2,535,494,803</b>    | <b>184,349,355</b> | <b>(4,200,215)</b> | <b>-</b>          | <b>-</b>             | <b>-</b>                            | <b>2,715,643,943</b>       | <b>(518,229,166)</b>       | <b>2,969,379</b>  | <b>-</b>          | <b>(57,340,477)</b>  | <b>-</b>                | <b>(572,600,264)</b>       | <b>2,143,043,679</b>      |

# Uthukela District Municipality

## Appendix E(1)

June 2017

### Yearly

|  | Current year<br>2017<br>Adjusted<br>budget<br>Rand | Current year<br>2017<br>Act. Bal.<br>Rand | Variance<br>Rand   | Var           | Explanation of Significant Variances<br>greater than 10% versus Budget   |
|--|--|---|--------------------|---------------|--|
| <b>Revenue</b>   |  |   |                    |               |  |
| Service charges  | 248,652,000  | 154,021,456                               | 94,630,544         | 61.4          | Budget was not realistic and could not be achieved   |
| Interest received (trading)  | 38,321,000   | 44,409,522                                | (6,088,522)        | (13.7)        |  |
| Government grants -<br>operating   | 339,353,000  | 347,535,111                               | (8,182,111)        | (2.4)         | Operating Grants   |
| Government grants -<br>capital   | 326,691,000  | 274,084,673                               | 52,606,327         | 19.2          | RBIG amount of R16,000,000 disallowed due to underspending   |
| Other income   | 3,395,000  | 4,761,034                                 | (1,366,034)        | (28.7)        | More income was received than anticipated  |
| Interest received -<br>investment  | 7,672,000  | 7,189,148                                 | 482,852            | 6.7           |  |
| Public contributions and<br>donations  | -  | 20,000                                    | (20,000)           | (100.0)       | This was not budgeted for  |
|  | <b>964,084,000</b>                                 | <b>832,020,944</b>                        | <b>132,063,056</b> | <b>15.9</b>   |  |
| <b>Expenses</b>  |  |   |                    |               |  |
| Personnel  | (224,480,000)                                      | (218,649,140)                             | (5,830,860)        | 2.7           | Vacant positions which were budgeted for were not filled   |
| Remuneration of<br>councillors   | (6,552,000)  | (5,482,999)                               | (1,069,001)        | 19.5          | When the budget was compiled the backpay in respect of Councillors upper limites which is adjusted every year were over estimated                        |
| Depreciation   | (57,676,000)                                       | (62,577,084)                              | 4,901,084          | (7.8)         |  |
| Impairments  | -  | (10,807,571)                              | 10,807,571         | (100.0)       | Impairment of PPE was not budgeted for   |
| Finance costs  | -  | (11,686,266)                              | 11,686,266         | (100.0)       | Budgeted under general expenditure   |
| Debt Impairment  | (71,800,000)                                       | (94,881,113)                              | 23,081,113         | (24.3)        | Debt impairment provision was more than anticipated  |
| Collection costs   | -  | -   | -                  | -             |  |
| Bad debt write off   | -  | (32,257,350)                              | 32,257,350         | (100.0)       | This was not budgeted for  |
| Repairs and maintenance<br>- General   | (47,974,000)                                       | -   | (47,974,000)       | -             | Repairs and maintenance included in general expenditure disclosed under note 4 "PPE"   |
| Lease rentalson operating<br>leases  | -  | (768,735)                                 | 768,735            | (100.0)       | Budgeted under general expenditure   |
| Bulk purchases   | (5,901,000)  | (8,061,187)                               | 2,160,187          | (26.8)        | Bulk purchases were not accurately provided for  |
| Contracted Services  | (46,775,000)                                       | (95,543,247)                              | 48,768,247         | (51.0)        | Due to the drought water tankers were used to provide water in areas were communities could not be supplied with water through the reticulation network. |
| Transfers and Subsidies  | (25,000,000)                                       | -   | (25,000,000)       | -             | Grant expenditure now disclosed bay nature of expence under general expenditure  |
| General Expenses   | (105,400,000)                                      | (204,285,783)                             | 98,885,783         | (48.4)        | This was not accuratle budgeted for.   |
|  | <b>(591,558,000)</b>                               | <b>(745,000,475)</b>                      | <b>153,442,475</b> | <b>(20.6)</b> |  |
| <b>Other revenue and costs</b>   |  |   |                    |               |  |
| Gain or loss on disposal<br>of assets and liabilities                                    | -  | (5,204,839)                               | 5,204,839          | (100.0)       | Loss on disposal of assets   |
| Inventories losses/write-<br>downs   | -  | (828,880)                                 | 828,880            | (100.0)       | This represent inventory losses as at year end   |
| Fair value adjustments on<br>actuarial valuations  | -  | 2,363,782                                 | (2,363,782)        | (100.0)       | Actuarial valuations were performed at year end and the liability adjusted acourdingly   |
| Gain or loss on disposal<br>of non-current assets held<br>for sale or disposal<br>groups | -  | -   | -                  | -             |  |
| Discontinued operations  | -  | -   | -                  | -             |  |
|  | -  | (3,669,937)                               | 3,669,937          | (100.0)       |  |
| Net surplus/ (deficit) for<br>the year   | <b>372,526,000</b>                                 | <b>83,350,532</b>                         | <b>289,175,468</b> | <b>346.9</b>  |  |