



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

Uthukela District Municipality  
Unaudited Annual financial statements  
for the year ended 30 June 2018

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## General Information

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<b>Legal form of entity</b>	District Municipality
<b>Nature of business and principal activities</b>	The main business operations of the municipality is to engage in Local Government activities, which includes planning and promotion of integrated development planning, economic, social and environmental development and supplying of the following services to the community: the supply of water 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 Cllr. N.W. Sibiyi (Deputy Mayor) Cllr. M.V. Khumalo Cllr. S.V. Shabalala Cllr. T.P. Shabalala Cllr. S.A. Mvelase
Councillors	Cllr. D.C.P. Mazibuko (Speaker) Cllr. G. Ndaba Cllr. S.Z. Khumalo Cllr. G.S. Mdluli Cllr. Z. Msobomvu Cllr. N.M. Hadebe Cllr. N.K.P. Mgongwa Cllr. B.S. Dladla Cllr. E.S. Ndumo Cllr. S.E. Mbongwa Cllr. M.C. Mkhize Cllr. E.M. Majola Cllr. G.E. Mbhele Cllr. M.R. Suddaby Cllr. M.N. Mlotshwa Cllr. M.B. Mbhele Cllr. N.L. Zikalala Cllr. S.B. Dlungwane Cllr. S.Z.P. Msibi Cllr. T.B. Njapha Cllr. M.M. Khoza Cllr. T.P. Dlamini Cllr. X.F. Mhlongo Cllr. S.M. Buthelezi Cllr. P.A.M. Mfuphi Cllr. M.H. Msimanga
<b>Grading of local authority</b>	Grade 4 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

Unaudited Annual Financial Statements for the year ended 30 June 2018

## General Information

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	Ladysmith Tel: 036-6385100 Fax: 036-6385126 municipalmanager@uthukeladm.co.za
<b>Business address</b>	33 Forbes Street Ladysmith Kwazulu Natal 3370
<b>Postal address</b>	PO Box 116 Ladysmith Kwazulu Natal 3370
<b>Bankers</b>	First National Bank Nedbank Investec ABSA
<b>Auditors</b>	Auditor General - South Africa
<b>Attorneys</b>	Ramkhelewan Incorporated Shepstone & Wylie

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
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

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Officer's Responsibilities and Approval

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

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

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

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and 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 unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 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 year continue in operational existence for the foreseeable future.

The Accounting Officer certifies that the salaries, allowances and benefits of Councillors as disclosed in note 27 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 Equity Share and revenue from water sales for continued funding of operations. The unaudited 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 unaudited annual financial statements set out on page 1 to 92, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2018 and were signed on its behalf by:

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**S.N. Kunene**  
Accounting Officer

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Statement of Financial Position as at 30 June 2018

	Note(s)	2018 R	2017 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	9	6,895,436	5,925,957
Receivables from exchange transactions	10	3,222,937	2,865,026
Receivables from non-exchange transactions	11	920,047	2,109,300
Consumer debtors	12	207,824,177	173,296,113
Cash and cash equivalents	13	6,010,767	5,997,885
		<b>224,873,364</b>	<b>190,194,281</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	4	2,512,950,792	2,301,554,021
Intangible assets	5	542,209	587,965
Receivables from exchange transactions	10	1,658,406	1,658,406
Receivables from non-exchange transactions	11	4,592,424	4,592,424
Prepayments	8	2,196	-
		<b>2,519,746,027</b>	<b>2,308,392,816</b>
<b>Total Assets</b>		<b>2,744,619,391</b>	<b>2,498,587,097</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	6	159,528	134,263
Payables from exchange transactions	18	140,240,508	110,139,266
Other accruals "Provisions"	19	22,420,123	18,941,603
Consumer deposits	20	23,595,479	13,581,655
Employee benefit obligation	7	547,340	991,102
Unspent conditional grants and receipts	15	47,227,435	69,711,254
VAT payable	17	64,732,312	66,126,176
Other liability "Advance receipts - transfers"	51	23,370,656	8,602,484
		<b>322,293,381</b>	<b>288,227,803</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	7	31,812,818	28,135,528
		<b>31,812,818</b>	<b>28,135,528</b>
<b>Total Liabilities</b>		<b>354,106,199</b>	<b>316,363,331</b>
<b>Net Assets</b>		<b>2,390,513,192</b>	<b>2,182,223,766</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Statement of Financial Performance

	Note(s)	2018 R	2017 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	177,077,705	167,440,975
Interest received (trading)	21	43,393,190	43,647,586
Other income	21&23	7,220,750	4,747,943
Public contributions and donations	23	7,786,949	20,000
Interest received - investment	24	4,191,714	7,189,148
Actuarial gains	7	1,172,704	2,363,782
<b>Total revenue from exchange transactions</b>		<b>240,843,012</b>	<b>225,409,434</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	25	670,799,908	621,619,784
<b>Total revenue</b>		<b>911,642,920</b>	<b>847,029,218</b>
<b>Expenditure</b>			
Employee related costs	26	(253,202,908)	(218,667,448)
Remuneration of councillors	27	(6,546,749)	(5,482,999)
Depreciation and amortisation	28	(68,227,863)	(62,577,084)
Impairment loss	4&29	(5,629,839)	(10,807,571)
Finance costs	30	(2,788,880)	(2,554,911)
Lease rentals	36	(836,040)	(10,863,782)
Debt Impairment provision	31	(109,458,724)	(94,881,113)
Bad debt written off	47	(13,392,510)	(32,257,350)
Bulk purchases	32	(3,439,550)	(8,439,311)
Contracted services	33	(88,697,573)	(120,136,356)
Loss on disposal of assets and liabilities	4	(3,884,205)	(5,204,839)
Inventories losses/write-downs		-	(828,880)
General Expenses	34	(139,301,202)	(208,601,966)
<b>Total expenditure</b>		<b>(695,406,043)</b>	<b>(781,303,610)</b>
<b>Surplus for the year</b>		<b>216,236,877</b>	<b>65,725,608</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
<b>Balance at 01 July 2016</b>	<b>2,116,498,158</b>	<b>2,116,498,158</b>
Changes in net assets		
Restated surplus for the year	65,725,608	65,725,608
Total changes	65,725,608	65,725,608
Opening balance restated	2,182,223,766	2,182,223,766
<b>Restated* Balance at 01 July 2017 as restated*</b>	<b>2,182,223,766</b>	<b>2,182,223,766</b>
Changes in net assets		
Surplus for the year	216,236,877	216,236,877
Movement in accumulated surplus - reconciliation of 2017/2018 opening balance	(7,947,451)	(7,947,451)
Total changes	208,289,426	208,289,426
<b>Balance at 30 June 2018</b>	<b>2,390,513,192</b>	<b>2,390,513,192</b>



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Cash Flow Statement

	Note(s)	2018 R	2017 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service charges		220,470,895	199,125,404
Grants		670,799,908	621,619,784
Interest income		4,191,714	7,189,148
Other cash item		7,220,750	4,767,943
		<u>902,683,267</u>	<u>832,702,279</u>
<b>Payments</b>			
Employee and councillor costs		(259,749,657)	(224,150,447)
Suppliers and others		(405,264,535)	(445,099,930)
Finance costs		(2,788,880)	(2,554,911)
		<u>(667,803,072)</u>	<u>(671,805,288)</u>
<b>Net cash flows from operating activities</b>	37	<b><u>234,880,195</u></b>	<b><u>160,896,991</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(241,235,133)	(193,065,673)
Donated assets		7,786,949	-
		<u>(233,448,184)</u>	<u>(193,065,673)</u>
<b>Net cash flows from investing activities</b>		<b><u>(233,448,184)</u></b>	<b><u>(193,065,673)</u></b>
<b>Cash flows from financing activities</b>			
Nett increase in other liability (Consumer Deposits)		(1,393,864)	1,695,748
Increase / (decrease) in finance lease liability		(25,265)	(244,590)
		<u>(1,419,129)</u>	<u>1,451,158</u>
<b>Net cash flows from financing activities</b>		<b><u>(1,419,129)</u></b>	<b><u>1,451,158</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>12,882</b>	<b>(30,717,524)</b>
Cash and cash equivalents at the beginning of the year		5,997,885	36,715,409
<b>Cash and cash equivalents at the end of the year</b>	13	<b><u>6,010,767</u></b>	<b><u>5,997,885</u></b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	264,566,000	9,000,000	<b>273,566,000</b>	177,077,705	<b>(96,488,295)</b>	PER 1
Interest received	40,774,000	(10,000,000)	<b>30,774,000</b>	43,393,190	<b>12,619,190</b>	PER 2
Other income	4,384,000	1,828,000	<b>6,212,000</b>	7,220,750	<b>1,008,750</b>	PER 3
Other income - donations	-	-	-	7,786,949	<b>7,786,949</b>	PER 4
Government grants-Transfers recognised (operational)	367,387,000	(67,133,000)	<b>300,254,000</b>	369,840,706	<b>69,586,706</b>	PER 5
Interest received - investment	11,539,000	(3,539,000)	<b>8,000,000</b>	4,191,714	<b>(3,808,286)</b>	PER 6
<b>Total revenue from exchange transactions</b>	<b>688,650,000</b>	<b>(69,844,000)</b>	<b>618,806,000</b>	<b>609,511,014</b>	<b>(9,294,986)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants-Transfers recognised (capital)	367,339,000	-	<b>367,339,000</b>	300,959,202	<b>(66,379,798)</b>	PER 7
<b>Total revenue</b>	<b>1,055,989,000</b>	<b>(69,844,000)</b>	<b>986,145,000</b>	<b>910,470,216</b>	<b>(75,674,784)</b>	
<b>Expenditure</b>						
Personnel	(241,092,000)	(10,000,000)	<b>(251,092,000)</b>	(253,202,908)	<b>(2,110,908)</b>	PER 8
Remuneration of councillors	(6,454,000)	-	<b>(6,454,000)</b>	(6,546,749)	<b>(92,749)</b>	PER 9
Depreciation and amortisation	(53,137,000)	(18,863,000)	<b>(72,000,000)</b>	(68,227,863)	<b>3,772,137</b>	PER 10
Reversal of impairments	-	-	-	(5,629,839)	<b>(5,629,839)</b>	PER 11
Finance costs	(313,000)	(220,000)	<b>(533,000)</b>	(2,788,880)	<b>(2,255,880)</b>	PER 12
Lease rentals	(1,793,373)	963,825	<b>(829,548)</b>	(836,040)	<b>(6,492)</b>	PER 13
Bad debt provision	(76,395,000)	-	<b>(76,395,000)</b>	(109,458,724)	<b>(33,063,724)</b>	PER 14
Bad debt written off	-	-	-	(13,392,510)	<b>(13,392,510)</b>	PER 15
Repairs and maintenance	(40,322,000)	(1,703,000)	<b>(42,025,000)</b>	(30,053,455)	<b>11,971,545</b>	PER 16
Bulk purchases	(6,255,000)	-	<b>(6,255,000)</b>	(3,439,550)	<b>2,815,450</b>	PER 17
Contracted Services	(40,611,000)	(7,033,000)	<b>(47,644,000)</b>	(88,697,573)	<b>(41,053,573)</b>	PER 18
Government Grant Expenditure	(26,600,000)	-	<b>(26,600,000)</b>	-	<b>26,600,000</b>	PER 19
General Expenses	(106,438,627)	14,308,175	<b>(92,130,452)</b>	(109,247,747)	<b>(17,117,295)</b>	PER 20
<b>Total expenditure</b>	<b>(599,411,000)</b>	<b>(22,547,000)</b>	<b>(621,958,000)</b>	<b>(691,521,838)</b>	<b>(69,563,838)</b>	
<b>Operating surplus</b>	<b>456,578,000</b>	<b>(92,391,000)</b>	<b>364,187,000</b>	<b>218,948,378</b>	<b>(145,238,622)</b>	
Loss on disposal of assets and liabilities	-	-	-	(3,884,205)	<b>(3,884,205)</b>	PER 21
Actuarial gains/losses	-	-	-	1,172,704	<b>1,172,704</b>	PER 22
	-	-	-	<b>(2,711,501)</b>	<b>(2,711,501)</b>	
<b>Surplus before taxation</b>	<b>456,578,000</b>	<b>(92,391,000)</b>	<b>364,187,000</b>	<b>216,236,877</b>	<b>(147,950,123)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>456,578,000</b>	<b>(92,391,000)</b>	<b>364,187,000</b>	<b>216,236,877</b>	<b>(147,950,123)</b>	

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	5,000,000	-	<b>5,000,000</b>	6,895,436	<b>1,895,436</b>	POS 23
Receivables from exchange transactions	-	-	-	3,222,937	<b>3,222,937</b>	POS 24
Receivables from non-exchange transactions	8,000,000	-	<b>8,000,000</b>	920,047	<b>(7,079,953)</b>	POS 25
Consumer debtors from exchange transactions	190,988,000	25,142,000	<b>216,130,000</b>	207,824,177	<b>(8,305,823)</b>	POS 26
Cash and cash equivalents	55,341,000	(73,880,000)	<b>(18,539,000)</b>	6,010,767	<b>24,549,767</b>	POS 27
	<b>259,329,000</b>	<b>(48,738,000)</b>	<b>210,591,000</b>	<b>224,873,364</b>	<b>14,282,364</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	2,577,218,000	(3,450,000)	<b>2,573,768,000</b>	2,512,950,792	<b>(60,817,208)</b>	POS 28
Intangible assets	238,000	-	<b>238,000</b>	542,209	<b>304,209</b>	POS 29
Receivables from exchange transactions	-	-	-	1,658,406	<b>1,658,406</b>	POS 30
Receivables from non-exchange transactions	-	-	-	4,592,424	<b>4,592,424</b>	POS 31
Prepayments	-	-	-	2,196	<b>2,196</b>	POS 32
	<b>2,577,456,000</b>	<b>(3,450,000)</b>	<b>2,574,006,000</b>	<b>2,519,746,027</b>	<b>(54,259,973)</b>	
<b>Total Assets</b>	<b>2,836,785,000</b>	<b>(52,188,000)</b>	<b>2,784,597,000</b>	<b>2,744,619,391</b>	<b>(39,977,609)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Operating lease liability	-	-	-	159,528	<b>159,528</b>	POS 33
Payables from exchange transactions	23,155,000	95,052,000	<b>118,207,000</b>	140,240,508	<b>22,033,508</b>	POS 34
Other accruals "Provisions"	-	-	-	22,420,123	<b>22,420,123</b>	POS 35
Consumer deposits	14,131,000	-	<b>14,131,000</b>	23,595,479	<b>9,464,479</b>	POS 36
Employee benefit obligation	-	-	-	547,340	<b>547,340</b>	POS 37
Unspent conditional grants and receipts	-	-	-	47,227,435	<b>47,227,435</b>	POS 38
Other liabilities (VAT payable)	-	-	-	64,732,312	<b>64,732,312</b>	POS 39
Other liability	-	-	-	23,370,656	<b>23,370,656</b>	POS 40
	<b>37,286,000</b>	<b>95,052,000</b>	<b>132,338,000</b>	<b>322,293,381</b>	<b>189,955,381</b>	
<b>Non-Current Liabilities</b>						
Provisions (Retirement benefit obligation)	19,504,000	14,485,000	<b>33,989,000</b>	31,812,818	<b>(2,176,182)</b>	POS 42
<b>Total Liabilities</b>	<b>56,790,000</b>	<b>109,537,000</b>	<b>166,327,000</b>	<b>354,106,199</b>	<b>187,779,199</b>	
<b>Net Assets</b>	<b>2,779,995,000</b>	<b>(161,725,000)</b>	<b>2,618,270,000</b>	<b>2,390,513,192</b>	<b>(227,756,808)</b>	

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
Accumulated surplus	2,779,995,000	(161,725,000)	<b>2,618,270,000</b>	2,390,513,192	<b>(227,756,808)</b>	

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	119,055,000	12,256,000	<b>131,311,000</b>	220,470,895	<b>89,159,895</b>	
Grants	734,726,000	(68,361,000)	<b>666,365,000</b>	670,799,908	<b>4,434,908</b>	
Other receipts	4,384,000	1,828,000	<b>6,212,000</b>	7,220,750	<b>1,008,750</b>	
Interest income	15,617,000	(3,539,000)	<b>12,078,000</b>	4,191,714	<b>(7,886,286)</b>	
	<b>873,782,000</b>	<b>(57,816,000)</b>	<b>815,966,000</b>	<b>902,683,267</b>	<b>86,717,267</b>	
<b>Payments</b>						
Employee costs	(247,546,000)	-	<b>(247,546,000)</b>	(259,749,657)	<b>(12,203,657)</b>	
Suppliers and other	(192,733,000)	(3,683,000)	<b>(196,416,000)</b>	(405,264,535)	<b>(208,848,535)</b>	
Finance costs	-	-	-	(2,788,880)	<b>(2,788,880)</b>	
Transfers and grants	(29,600,000)	-	<b>(29,600,000)</b>	-	<b>29,600,000</b>	
	<b>(469,879,000)</b>	<b>(3,683,000)</b>	<b>(473,562,000)</b>	<b>(667,803,072)</b>	<b>(194,241,072)</b>	
<b>Net cash flows from operating activities</b>	<b>403,903,000</b>	<b>(61,499,000)</b>	<b>342,404,000</b>	<b>234,880,195</b>	<b>(107,523,805)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(371,539,000)	3,450,000	<b>(368,089,000)</b>	(241,235,133)	<b>126,853,867</b>	
Donated assets	-	-	-	7,786,949	<b>7,786,949</b>	
<b>Net cash flows from investing activities</b>	<b>(371,539,000)</b>	<b>3,450,000</b>	<b>(368,089,000)</b>	<b>(233,448,184)</b>	<b>134,640,816</b>	
<b>Cash flows from financing activities</b>						
Movement in other liability (consumer deposits)	1,148,000	-	<b>1,148,000</b>	(1,393,864)	<b>(2,541,864)</b>	
Movement in finance lease liability	-	-	-	(25,265)	<b>(25,265)</b>	
<b>Net cash flows from financing activities</b>	<b>1,148,000</b>	<b>-</b>	<b>1,148,000</b>	<b>(1,419,129)</b>	<b>(2,567,129)</b>	
Net increase/(decrease) in cash and cash equivalents	33,512,000	(58,049,000)	<b>(24,537,000)</b>	12,882	<b>24,549,882</b>	
Cash and cash equivalents at the beginning of the year	21,829,000	(15,831,000)	<b>5,998,000</b>	5,997,885	<b>(115)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>55,341,000</b>	<b>(73,880,000)</b>	<b>(18,539,000)</b>	<b>6,010,767</b>	<b>24,549,767</b>	
<b>Reconciliation</b>						

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

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

#### Statement of financial performance.

PER 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 2018/2019 financial year. Consultants have been appointed whom have identified meters where no readings have been 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.

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

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

PER 4 - Donations - These are asset which were donated to the municipality during the year.

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

PER 6 - "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.

PER 7 - "Government grants (transfers recognized)" - capital" - the municipality has strived to achieve 100% expenditure on capital grants which includes roll over amounts from the 2016/2017 financial year, however due to slow spending on the Regional Bulk Infrastructure grant (RBIG) and Rural Road Asset Management grant (RRAM) this could not be achieved. Application has been made for a roll over as the funds have been committed for the 2018/2019 financial year.

PER 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.

PER 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 2017. It was under provided for.

PER 10 - "Depreciation and amortization" - Provision was made in the budget for the 2017/2018 financial year for the additional assets the Municipality purchased during the year.

PER 11 - "Reversal of impairments" - PPE was impaired during the 2017/2018 financial year. This was not budgeted for.

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

PER 13 - "Lease rentals on operating leases" - This is a new line item in the statement of financial performance and was budgeted for accordingly.

PER 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.

PER 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.

PER 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

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

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

PER 17 - "Bulk purchases" - This represents the bulk water purchased from the Department of Water (DWA) and payments are made on actual invoices received. Statements are obtained from DWA at year end and reconciled with payments made

PER 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.

PER 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.

PER 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.

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

PER 22 - "Actuarial gains/losses" - This was not budgeted for.

### Statement of financial position.

POS 23 - "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. Inventory also includes water and chemical stock on hand at year end

POS 24 - "Receivables from exchange transactions" - Represents sundry debtors and deposits paid.

POS 25 - "Receivables from non-exchange transactions" - Mainly due to unpaid cheques and overpayments to contractors.

POS 26 - "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.

POS 27 - "cash and cash equivalents" - Was not accurately budgeted for as the budget was based on the prior years performance.

POS 28 - "Property Plant & Equipment" - The variance between the budget and actual amount is due to to the capitalization and asset impairment which were not accurately budgeted for.

POS 29 - "Intangible assets" - The variance is as a result of the purchase of new computer software from Munsoft CC in respect of mSCOA.

POS 30 - "Receivables from exchange transactions" - Represents deposits paid and was not budgeted for.

POS 31 - "Receivables from non-exchange transactions" - Represents Salary fraud.

POS 32 - "Prepayments" - Represents office rent paid in advance.

POS 33 - "Operating lease liability" - The liability is in respect of operating leases and this is not budgeted for.

POS 34 - "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.

POS 35 - "Other accruals" - Consists of leave pay and bonus accruals which were not budgeted for.

POS 36 - "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.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

POS 37 - "Employee benefit obligation" - This is in respect of post retirement medical aid and long service awards which were not budgeted for.

POS 38 - "Unspent conditional grants and receipts" - Represents the unspent liability as at 30 June 2018 not accurately budgeted for.

POS 39 - "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.

POS 40 - "Other liabilities" - Represents payments recieved of which the source has not been identified.

POS 41 - "Bank overdraft" - Themunicipality has a positive bank balance at the end pf the financial year. the amount disclosed represents the cashbook balances at year end.

POS 42 - "Provision for retirement benefit obligation" - Is the medical aid and long service award obligation as at 30 June 2018.



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>2018</b>											
<b>Financial Performance</b>											
Service charges	305,340,000	(1,000,000)	304,340,000	-	-	304,340,000	177,077,705	-	(127,262,295)	58 %	58 %
Investment revenue	11,539,000	(3,539,000)	8,000,000	-	-	8,000,000	4,191,714	-	(3,808,286)	52 %	36 %
Transfers recognised - operational	367,387,000	(67,133,000)	300,254,000	-	-	300,254,000	369,840,706	-	69,586,706	123 %	101 %
Other own revenue	4,384,000	1,828,000	6,212,000	-	-	6,212,000	59,573,593	-	53,361,593	959 %	1,359 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>688,650,000</b>	<b>(69,844,000)</b>	<b>618,806,000</b>	<b>-</b>	<b>-</b>	<b>618,806,000</b>	<b>610,683,718</b>	<b>-</b>	<b>(8,122,282)</b>	<b>99 %</b>	<b>89 %</b>
Employee costs	(241,092,000)	(10,000,000)	(251,092,000)	-	-	(251,092,000)	(253,202,908)	-	(2,110,908)	101 %	105 %
Remuneration of councillors	(6,454,000)	-	(6,454,000)	-	-	(6,454,000)	(6,546,749)	-	(92,749)	101 %	101 %
Debt impairment	(76,395,000)	-	(76,395,000)	-	-	(76,395,000)	(109,458,724)	-	(33,063,724)	143 %	143 %
Depreciation and asset impairment	(53,137,000)	(18,863,000)	(72,000,000)	-	-	(72,000,000)	(73,857,702)	-	(1,857,702)	103 %	139 %
Finance charges	(313,000)	(220,000)	(533,000)	-	-	(533,000)	(2,788,880)	-	(2,255,880)	523 %	891 %
Materials and bulk purchases	(6,255,000)	-	(6,255,000)	-	-	(6,255,000)	(3,439,550)	-	2,815,450	55 %	55 %
Transfers and grants	(26,600,000)	-	(26,600,000)	-	-	(26,600,000)	-	-	26,600,000	- %	- %
Other expenditure	(189,164,000)	6,536,000	(182,628,000)	-	-	(182,628,000)	(246,111,530)	-	(63,483,530)	135 %	130 %
<b>Total expenditure</b>	<b>(599,410,000)</b>	<b>(22,547,000)</b>	<b>(621,957,000)</b>	<b>-</b>	<b>-</b>	<b>(621,957,000)</b>	<b>(695,406,043)</b>	<b>-</b>	<b>(73,449,043)</b>	<b>112 %</b>	<b>116 %</b>
<b>Surplus/(Deficit)</b>	<b>89,240,000</b>	<b>(92,391,000)</b>	<b>(3,151,000)</b>	<b>-</b>	<b>-</b>	<b>(3,151,000)</b>	<b>(84,722,325)</b>	<b>-</b>	<b>(81,571,325)</b>	<b>2,689 %</b>	<b>(95)%</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	367,339,000	-	367,339,000	-		367,339,000	300,959,202		(66,379,798)	82 %	82 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>456,579,000</b>	<b>(92,391,000)</b>	<b>364,188,000</b>	<b>-</b>		<b>364,188,000</b>	<b>216,236,877</b>		<b>(147,951,123)</b>	<b>59 %</b>	<b>47 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>456,579,000</b>	<b>(92,391,000)</b>	<b>364,188,000</b>	<b>-</b>		<b>364,188,000</b>	<b>216,236,877</b>		<b>(147,951,123)</b>	<b>59 %</b>	<b>47 %</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Appropriation Statement

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	R
<b>2017</b>				
<b>Financial Performance</b>				
Service charges				167,440,975
Investment revenue				7,189,148
Transfers recognised - operational				347,535,111
Other own revenue				50,779,311
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>572,944,545</b>
Employee costs	5,831,860	-	5,831,860	(218,667,448)
Remuneration of councillors	1,069,001	-	1,069,001	(5,482,999)
Debt impairment	(23,081,113)	-	(23,081,113)	(94,881,113)
Depreciation and asset impairment	(4,901,084)	-	(4,901,084)	(73,384,655)
Finance charges	(2,554,911)	-	(2,554,911)	(2,554,911)
Materials and bulk purchases	(2,161,187)	-	(2,161,187)	(8,439,311)
Transfers and grants	25,000,000	-	25,000,000	-
Other expenditure	(152,645,042)	-	(152,645,042)	(377,893,173)
<b>Total expenditure</b>	<b>(153,442,476)</b>	<b>-</b>	<b>(153,442,476)</b>	<b>(781,303,610)</b>
<b>Surplus/(Deficit)</b>				<b>(208,359,065)</b>
Transfers recognised - capital				274,084,673
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>65,725,608</b>
<b>Surplus/(Deficit) for the year</b>				<b>65,725,608</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1. Presentation of Unaudited Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

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

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

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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

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

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:

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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.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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

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

The 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.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.4 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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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.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.5 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

- equity instruments or similar forms of unitised capital;
- 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.



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.5 Financial instruments (continued)

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

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

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

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

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

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

#### Classification

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

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

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

<b>Class</b>	<b>Category</b>
Payables from exchange transactions	Financial liability measured at amortised cost
Other accruals	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
VAT payables	Financial liability measured at amortised cost
Other financial liability	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.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.5 Financial instruments (continued)

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

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

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

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

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

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.5 Financial instruments (continued)

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

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

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

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

#### Fair value measurement considerations

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

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

### 1.6 Leases

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

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

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.6 Leases (continued)

#### Finance leases - lessee

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

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

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

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

#### 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

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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

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

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

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

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

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

#### 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

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 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:

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

### 1.10 Share capital / contributed capital

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

### 1.11 Employee benefits

#### Defined contribution plans

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

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

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Defined benefit plans

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

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

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

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

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

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

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

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

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

### 1.12 Provisions and contingencies

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

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

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

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

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

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

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

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

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



# Uthukela District Municipality

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## Accounting Policies

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### 1.12 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

### 1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.14 Revenue from exchange transactions

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

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

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

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.14 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

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

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

### 1.15 Revenue from non-exchange transactions

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

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

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

#### Government grants

Government grants are recognised as revenue when:

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

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

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

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

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 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

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 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 2017-07-01 to 2018-06-30.

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

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

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

### 1.23 Related parties

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

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

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

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.23 Related parties (continued)

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

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

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

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

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

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

### 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

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

2018

2017

### 2. Changes in accounting policy

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

### 3. New standards and interpretations

#### 3.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements</li></ul>	01 April 2019	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 7 (as revised 2010): Investments in Associates</li></ul>	01 April 2019	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 8 (as revised 2010): Interests in Joint Ventures</li></ul>	01 April 2019	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 18 (as amended 2016): Segment Reporting</li></ul>	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
<ul style="list-style-type: none"><li>GRAP 20: Related parties</li></ul>	01 April 2019	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 32: Service Concession Arrangements: Grantor</li></ul>	01 April 2019	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 105: Transfers of functions between entities under common control</li></ul>	01 April 2019	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 106 (as amended 2016): Transfers of functions between entities not under common control</li></ul>	01 April 2019	The impact of the is not material.

#### 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 01 July 2018 or later periods:

<ul style="list-style-type: none"><li>GRAP 107: Mergers</li></ul>	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>GRAP 108: Statutory Receivables</li></ul>	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>GRAP 109: Accounting by Principals and Agents</li></ul>	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures</li></ul>	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</li></ul>	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land</li></ul>	01 April 2019	Unlikely there will be a material impact

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4,770,772	-	4,770,772	4,770,772	-	4,770,772
Buildings	39,776,698	(3,004,440)	36,772,258	40,082,997	(1,795,894)	38,287,103
Infrastructure	3,095,685,274	(648,437,660)	2,447,247,614	2,821,480,015	(590,229,562)	2,231,250,453
Other property, plant and equipment (Movables)	72,344,997	(48,184,849)	24,160,148	66,361,180	(39,115,487)	27,245,693
<b>Total</b>	<b>3,212,577,741</b>	<b>(699,626,949)</b>	<b>2,512,950,792</b>	<b>2,932,694,964</b>	<b>(631,140,943)</b>	<b>2,301,554,021</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Transfers	Work in progress	Other changes, movements	Depreciation	Impairment loss	Total
Land	4,770,772	-	-	-	-	-	-	-	-	4,770,772
Buildings	25,666,783	10,352,682	-	-	-	1,961,336	-	(1,208,543)	-	36,772,258
Infrastructure	1,835,925,124	222,954,106	(2,992,009)	-	(351,052)	455,799,103	(1,956,997)	(56,500,822)	(5,629,839)	2,447,247,614
Other property, plant and equipment (movables)	27,245,879	7,928,345	(892,386)	351,052	-	-	-	(10,472,742)	-	24,160,148
	<b>1,893,608,558</b>	<b>241,235,133</b>	<b>(3,884,395)</b>	<b>351,052</b>	<b>(351,052)</b>	<b>457,760,439</b>	<b>(1,956,997)</b>	<b>(68,182,107)</b>	<b>(5,629,839)</b>	<b>2,512,950,792</b>



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Work in progress	Depreciation	Impairment loss	Total
Land	4,770,772	-	-	-	-	-	4,770,772
Buildings	27,421,066	-	(895,645)	12,620,319	(858,637)	-	38,287,103
Infrastructure	1,699,001,903	191,906,116	(2,097,489)	395,325,334	(52,571,426)	(313,985)	2,231,250,453
Other property, plant and equipment	37,920,867	1,159,557	(2,211,877)	-	(9,622,854)	-	27,245,693
	<b>1,769,114,608</b>	<b>193,065,673</b>	<b>(5,205,011)</b>	<b>407,945,653</b>	<b>(63,052,917)</b>	<b>(313,985)</b>	<b>2,301,554,021</b>

Impairment losses R10,409,583 (2016/2017) have been recognized for Property, Plant and Equipment in the statement of financial performance and R5,629,830 (2017/2018) (appendix B).

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

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<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	455,452,391	407,945,653
<b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>		
Moyeni/Zwelisha WTW - Contract 172/2015 Start date 01/02/2016 end date 30/06/2016.	2,714,591	2,714,591
Fitty Park - Contract 100/2012 Start date 21/08/2015 end date 13/04/2016.	14,320,657	14,320,657
Bhekuzulu/Emphangweni Phase 7 Start date 22/02/2016 end date 22/05/2017.	29,141,908	12,335,853
Fitty Park CWSS Phase 2 Start date 18/10/2016 end date 14/01/2018.	26,232,308	-
Kwanobamba Ezitendeni Sanitation Start date 18/10/2016 end date 23/05/2018.	23,134,118	-
Ezakheni Sanitation Phaze 2 Dart date 28/11/2016 end date 29/06/2018.	19,824,950	-
Hobsland to Indaka Stage 2 Start date 29/05/2017 end date 20/04/2018.	20,212,493	-
	<b>135,581,025</b>	<b>29,371,101</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 Phase10B Contract was cancelled due to poor performance.	-	14,280,657
Bhekuzulu Phase 3 Contract was cancelled due to poor performance	-	3,646,362
Bhekuzulu Phase 5 Contract was cancelled due to poor performance	-	76,789,923
Bergville sewer/sanitation - Contract 114/2013 Contract was cancelled due to poor performance	-	8,203,477
	-	<b>102,920,419</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
Khetani refurbishment & upgrade	-	2,009,725
Bergville sewer/sanitation	-	542,383
	-	<b>10,409,585</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>4. Property, plant and equipment (continued)</b>		
<b>Reconciliation of Work-in-Progress 2018</b>		
	Included within Other PPE	Total
Opening balance	407,945,653	407,945,653
Additions/capital expenditure	276,214,220	276,214,220
Other movements	(2,308,049)	(2,308,049)
Transferred to completed items	(226,399,433)	(226,399,433)
	<b>455,452,391</b>	<b>455,452,391</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 2017

	Included within Other PPE	Total
Opening balance	381,274,680	381,274,680
Additions/capital expenditure	239,490,111	239,490,111
Expensed	(12,307,615)	(12,307,615)
Transferred to completed projects	(190,101,937)	(190,101,937)
Impairment	(10,409,586)	(10,409,586)
	<b>407,945,653</b>	<b>407,945,653</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 costs)	33,025,224	23,543,215
Maintenance to buildings and offices	97,687	999,616
Maintenance to vehicles	12,183,926	6,317,680
Maintenance to pipelines and reservoirs	6,560,041	9,125,960
Maintenance to plant and equipment - water treatment and waste water treatment works	728,680	482,762
Maintenance to pumps	8,945,406	5,943,068
Maintenance to roads	-	7,772
Maintenance to disinfection system "blue drop and green drop"	694,629	376,508
Refurbishment of existing schemes	-	12,307,615
Maintenance to electrical equipment	782,164	75,154
Maintenance to furniture and equipment	60,922	-
	<b>63,078,679</b>	<b>59,179,350</b>

Expenditure incurred to repairs and maintenance on property plant and equipment amounting to R35,636,135 (2016/2017) and R30,053,455 (2017/2018) is included in general expenditure in the statement of financial performance.

Refer to note 34 on repairs and maintenance.

Employee related costs R23,543,215 (2016/2017) and R33,025,224 (2017/2018) is included in employee related costs in the statement of financial performance.

Refer to note 26 on employee related costs (overtime and standby).

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018			2017		
	R			R		
<b>5. Intangible assets</b>						
	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	786,557	(244,348)	542,209	786,557	(198,592)	587,965

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

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	2018 R	2017 R
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### 5. Intangible assets (continued)

#### Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	587,965	(45,756)	542,209

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#### Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software	653,374	(65,409)	587,965

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### 6. Operating lease liability

Current liabilities	<u>(159,528)</u>	<u>(134,263)</u>
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The operating lease liability in respect of the rental of offices occupied by the municipality amounted to R134,263 - 2016/2017 and R159,528 - 2017/2018.

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

Refer to note 39 on operating lease commitments.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<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 2017/2018 financial years.		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Medical aid post retirement obligation	(18,324,275)	(17,057,808)
Long service awards	(14,035,883)	(12,068,822)
	<b>(32,360,158)</b>	<b>(29,126,630)</b>
Non-current liabilities	(31,812,818)	(28,135,528)
Current liabilities	(547,340)	(991,102)
	<b>(32,360,158)</b>	<b>(29,126,630)</b>
<b>Changes in the present value of the post retirement medical aid plan obligation are as follows:</b>		
Opening balance	17,057,808	16,304,317
Net expense recognised in the statement of financial performance	1,266,467	753,491
	<b>18,324,275</b>	<b>17,057,808</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	1,290,242	1,261,457
Interest cost	1,644,167	1,558,140
Actuarial (gains) losses	(1,219,667)	(1,722,042)
Expected contributions (benefits paid)	(448,275)	(344,064)
	<b>1,266,467</b>	<b>753,491</b>
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) losses – Obligation	(1,219,667)	(1,722,042)
<b>Movement in the retirement medical aid obligation are as follows:</b>		
Opening balance	17,057,808	16,304,317
Current service costs	1,290,242	1,261,457
Interest cost	1,644,167	1,558,140
Expected employer benefit payments	(448,275)	(344,064)
Actuarial (gain/loss)	(1,219,667)	(1,722,042)
	<b>18,324,275</b>	<b>17,057,808</b>

The municipality expects to contribute R547,340 to its defined benefit plans in the 2018/2019 financial year and R587,953 in the 2019/2020 financial year.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
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### 7. Employee benefit obligation (continued)

#### Key assumptions used

The principal actuarial assumptions were as follows;

Discount rates used	9.62 %	9.76 %
Health care cost inflation rate	7.42 %	8.04 %
Net-of-health-care-cost-inflation discount rate	2.05 %	1.60 %
Maximum subsidy inflation rate	5.19 %	5.65 %
Net-of-maximum-subsidy-inflation discount rate	4.21 %	3.89 %

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	24%	15%
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.

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

Value at the beginning of the year	12,068,822	11,013,246
Increase in value of obligation	1,967,061	1,055,576
	<b>14,035,883</b>	<b>12,068,822</b>

Independent valuers, ARCH Actuarial Consulting, carried out the valuations for the 2017/2018 financial years.

The total liability has increased by 16% or (R1,967,061) during the 2017/2018 financial year due to the increase in salaries and more eligible employees.

The principal actuarial assumptions used were as follows;

<b>Rates</b>	<b>2018</b>	<b>2017</b>
Discount rates	8.75%	8.71%
General salary inflation (long term)	6.30%	6.54%
Net discount rate	2.30%	2.04%

The valuation was performed at the end of June 2018 and the next valuation at the end of June 2019.

#### Examples of mortality rates

	<b>2018</b>	<b>2017</b>
Average retirement age	65	65
Pre-retirement mortality	SA 85-90	SA 85-90

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<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	14,035,883	12,068,822
<b>Movement in the long service obligation</b>		
Balance at the beginning of the year	12,068,822	11,013,246
Current service costs	1,434,287	1,286,350
Interest costs	1,028,638	945,845
Benefit payments	(542,827)	(534,879)
Actuarial loss / (gain)	46,963	(641,740)
<b>Balance at the end of the year</b>	<b>14,035,883</b>	<b>12,068,822</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	14,035,883	12,068,822
<b>Statement of financial performance obligation loss / (gain)</b>		
Long service awards	46,963	(641,740)
<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>		
Ms. A. Good rental of satellite office at 63/69 Sir George Street - Colenso	2,196	-
<b>9. Inventories</b>		
Chemicals	820,621	736,810
Purified water stock	538,146	626,435
Stores	5,536,669	4,562,712
	<b>6,895,436</b>	<b>5,925,957</b>
<b>10. Receivables from exchange transactions</b>		
Deposits	1,658,406	1,658,406
Sundry debtors	3,222,937	2,865,026
	<b>4,881,343</b>	<b>4,523,432</b>



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>10. Receivables from exchange transactions (continued)</b>		
Non-current assets	1,658,406	1,658,406
Current assets	3,222,937	2,865,026
	<b>4,881,343</b>	<b>4,523,432</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	890,693	2,079,946
	<b>5,512,471</b>	<b>6,701,724</b>
Non-current assets	4,592,424	4,592,424
Current assets	920,047	2,109,300
	<b>5,512,471</b>	<b>6,701,724</b>

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 of (R890,693) include an amount of R316,398 which is in respect of overpayments made to contractors and R574,295 in respect of the salary control account.

A payment made to the Auditor General was incorrectly deposited into the account of a Ms. Mashishi.

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

As at 30 June 2018 R705,365 out of R899,250 has been recovered from Ms. Mashishi and R407,310 out of R503,752 has been recovered in respect of the duplicate payments made.

Shepstone and Wylie Attorneys instituted legal action on behalf of the Municipality to recover the outstanding monies which were erroneously paid into the bank account belonging to Ms. Mashishi. They have been instructed by the Municipality to execute against the debtors goods for the recovery of the outstanding balance. Action was instituted in the Johannesburg Magistrates Court to recover the balance through an emoluments attachment order as the debtor is known to be employed. On the advice of the Magistrate Shepstone & Wylie were advised to proceed with a section 65 first in order for the Magistrate to hold an enquiry into the debtors financial position. Shepstone & Wylie is currently attending to the necessary procedure to have the matter set down for section 65.

As at 30 June 2018 the current assets of R920,047 represents (unpaid cheques of R29,354), (amount due by Ms. Mashishi R193,886), (over payments made to contractors R96,442), (shortage Estcourt cashier R26,070) and (salary control account R574,295).

As at 30 June 2018 other receivables from non exchange transactions amounts to R890,693 which represents R193,886 outstanding in respect of the payment made to Ms. Mashisi, R96,442 in respect of over payments made to contractors, R26,070 in respect of the Estcourt cashier shortages and R574,295 in respect of the salary control account.

The amount of R574,295 "salary suspense account" included in other receivables from non exchange transactions "employee related costs" will be recovered by 31 July 2018.

Standard operating procedures were updated to strengthen our internal controls. Warning letters were also issued to staff members involved and they were informed that disciplinary action will be taken in future.

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.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

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2018	2017
R	R

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### 11. Receivables from non-exchange transactions (continued)

Except for the salary fraude the municipality expects to realize these debtors within twelve months.

Refer to note 56 for disclosure on Fraudulant activities.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>12. Consumer debtors</b>		
<b>Gross balances</b>		
Water and sanitation	836,398,858	694,447,219
Other (consumer agreements on arrears)	6,182,469	4,147,320
	<b>842,581,327</b>	<b>698,594,539</b>
<b>Less: Allowance for impairment</b>		
Water and sanitation	(634,757,150)	(525,298,426)
<b>Net balance</b>		
Water and sanitation	201,641,708	169,148,793
Other (consumer agreements on arrears)	6,182,469	4,147,320
	<b>207,824,177</b>	<b>173,296,113</b>
<b>Water</b>		
Current (0 -30 days)	20,471,107	4,753,277
31 - 60 days	4,497,915	3,367,924
61 - 90 days	3,181,048	2,719,559
91 - 120 days	2,672,344	2,180,014
121 - 365 days	170,819,294	156,128,019
	<b>201,641,708</b>	<b>169,148,793</b>
<b>Other (Agreements)</b>		
> 365 days	6,182,469	4,147,320

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>12. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	40,244,707	12,605,472
31 - 60 days	12,432,058	11,846,761
61 - 90 days	11,846,654	10,031,287
91 - 120 days	11,228,936	7,764,763
121 - 365 days	686,421,757	604,606,539
> 365 days	6,182,469	-
	<u>768,356,581</u>	<u>646,854,822</u>
Less: Allowance for impairment	(576,786,671)	(485,536,559)
	<b><u>191,569,910</u></b>	<b><u>161,318,263</u></b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	10,110,832	2,064,454
31 - 60 days	2,470,934	1,072,889
61 - 90 days	893,442	730,022
91 - 120 days	592,073	708,986
121 - 365 days	28,315,360	27,563,275
	<u>42,382,641</u>	<u>32,139,626</u>
Less: Allowance for impairment	(33,101,386)	(24,699,237)
	<b><u>9,281,255</u></b>	<b><u>7,440,389</u></b>
<b>National and provincial government</b>		
Current (0 -30 days)	5,697,616	1,157,128
31 - 60 days	5,636,637	1,628,487
61 - 90 days	1,786,087	986,142
91 - 120 days	382,188	943,078
121 - 365 days	18,339,576	14,885,256
	<u>31,842,104</u>	<u>19,600,091</u>
Less: Allowance for impairment	(24,869,092)	(15,062,630)
	<b><u>6,973,012</u></b>	<b><u>4,537,461</u></b>
<b>Total</b>		
Current (0 -30 days)	56,053,155	16,108,453
31 - 60 days	20,539,629	14,307,769
61 - 90 days	14,526,183	11,735,245
91 - 120 days	12,203,197	9,334,383
121 - 365 days	733,076,694	647,108,689
> 365 days	6,182,469	-
	<u>842,581,327</u>	<u>698,594,539</u>
Less: Allowance for impairment	(634,757,150)	(525,298,426)
	<b><u>207,824,177</u></b>	<b><u>173,296,113</u></b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(35,582,048)	(11,073,777)
31 - 60 days	(16,041,714)	(11,180,215)
61 - 90 days	(11,345,135)	(9,027,892)
91 - 120 days	(9,530,853)	(7,236,813)
121 - 365 days	(562,257,400)	(486,779,729)
	<b><u>(634,757,150)</u></b>	<b><u>(525,298,426)</u></b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>12. Consumer debtors (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(525,298,426)	(430,417,314)
Contributions to allowance	(109,458,724)	(94,881,112)
	<u><b>(634,757,150)</b></u>	<u><b>(525,298,426)</b></u>

At the end of June 2017 (2016/2017 financial year) consumer debtors amounted to R698,594,539 and a provision for impairment was made to the amount of R525,298,426 with net debtors being R173,296,113 at year end.

At the end of June 2018 (2017/2018 financial year) consumer debtors amounted to R842,581,327 and a provision for impairment was made to the amount of R634,757,150 with net debtors being R207,824,177 at year end.

### Fair value of consumer debtors

Consumer debtors	<u>207,824,177</u>	<u>173,296,113</u>
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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 R634,757,150 as at 30 June 2018.

### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

The actual cash on hand in the FNB main account amounts to R5,611,190 as at 30 June 2018 as disclosed below.

Cashier float and petty cash	11,800	11,800
Cash Bank	5,611,190	3,663,098
Short-term deposits	387,777	2,322,987
	<u><b>6,010,767</b></u>	<u><b>5,997,885</b></u>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R			2017 R		
<b>13. Cash and cash equivalents (continued)</b>						
<b>The municipality had the following bank accounts</b>						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
FNB - main account 62252306280	5,611,190	2,106,534	903,858	5,611,190	2,106,534	903,858
FNB - water account 62253072385	-	24,889	-	-	1,556,564	603,948
FNB business money account 62283176644	338,213	265,672	250,625	-	-	-
FNB short term deposit account 62600579679	1,245	236,417	173,035	-	-	-
FNB short term deposit account 62600812102	48,319	131,361	390,949	-	-	-
Nedbank call deposit account 7881108134	-	2,502	509,176	-	-	-
Nedbank call deposit account 7881108142	-	37,876	35,498	-	-	-
Nedbank call deposit account 7881108150	-	41,001	38,427	-	-	-
Nedbank call deposit account 7881108185	-	891	181,252	-	-	-
Nedbank call deposit account 7881108207	-	129,418	121,295	-	-	-
Nedbank call deposit account 7881108215	-	12,936	12,124	-	-	-
Nedbank call deposit account 7881108223	-	749	702	-	-	-
Nedbank call deposit account 7881108258	-	16,673	15,627	-	-	-
Nedbank call deposit account 7881108266	-	2,089	425,181	-	-	-
Nedbank call deposit account 7881108274	-	997	935	-	-	-
Nedbank call deposit account 7881108282	-	7,056	6,613	-	-	-
Nedbank call deposit account 7881113375	-	125,351	2,027,746	-	-	-
Nedbank call deposit account 7881006110	-	23,151	10,685	-	-	-
Investec call deposit account 50007868808	-	-	1,383,438	-	-	-
Investec call deposit account 50007609828	-	-	6,862,382	-	-	-
Investec call deposit account 50007621328	-	-	934,315	-	-	-
Investec call deposit account 50007621342	-	-	24	-	-	-
Investec call deposit account 50007621374	-	-	123,863	-	-	-
Investec call deposit account 50008183042	-	57,641	20,654,510	-	-	-
Investec call deposit account 50008274324	-	-	1,037,101	-	-	-
ABSA call deposit account 9328134049	-	1,231,206	-	-	-	-
<b>Total</b>	<b>5,998,967</b>	<b>4,454,410</b>	<b>36,099,361</b>	<b>5,611,190</b>	<b>3,663,098</b>	<b>1,507,806</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
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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 6.13% for the period ending 30 June 2018.

### 14. Accumulated surplus

#### Ring-fenced internal funds and reserves within accumulated surplus - 2018

	Accumulated surplus	Total
Opening balance	2,182,223,766	2,182,223,766
Movement in accumulated surplus - reconciliation of 2017/2018 opening balance	(7,947,451)	(7,947,451)
Operating surplus/(deficit) as at 30 June 2018	216,236,877	216,236,877
	<b>2,390,513,192</b>	<b>2,390,513,192</b>

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

	Accumulated surplus	Total
Opening balance	2,116,498,158	2,116,498,158
Operating surplus/(deficit) as at 30 June 2017	65,725,608	65,725,608
	<b>2,182,223,766</b>	<b>2,182,223,766</b>

### 15. Unspent conditional grants and receipts

Unspent conditional grants are disclosed in the statement of financial performance as a 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)	46,379,798	67,083,172
LGSETA Training Grant	336,942	285,499
Growth and development summit	300,000	-
KZN DPSS	210,695	1,115,192
Rural Road Asset Management Grant	-	1,227,391
	<b>47,227,435</b>	<b>69,711,254</b>

#### Movement during the year

Balance at the beginning of the year	69,711,254	16,155,732
Additions during the year	353,831,260	342,805,304
Income recognition during the year	(308,004,517)	(289,249,782)
Less application for roll over disapproved	(68,310,562)	-
	<b>47,227,435</b>	<b>69,711,254</b>

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

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

See note 25 for reconciliation of grants from National/Provincial Government.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>16. Other financial liabilities - Development Bank of South Africa</b>		
<p>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.</p> <p>The municipality has not taken up any new loans and there are no outstanding loans in the 2017/2018 financial year.</p>		
<b>17. Vat Payable</b>		
<p>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.</p> <p>Monthly VAT returns are up to date.</p> <p>The municipality has received VAT refunds to the amount of R53,705,658 during the 2016/2017 financial year and R44,246,223 during the 2017/2018 financial year.</p>		
VAT payable to SARS	<u>64,732,312</u>	<u>66,126,176</u>
<b>18. Payables from exchange transactions</b>		
Trade payables	99,264,884	60,979,623
Department of Water Affairs (DWA) Accrual	6,719,411	19,907,051
Trust funds- late estates	5,196,190	3,485,008
Retentions	27,698,990	23,925,546
Debtors refunds	(432,210)	52,754
Sundry creditors	1,793,243	1,789,284
	<u><b>140,240,508</b></u>	<u><b>110,139,266</b></u>



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>18. Payables from exchange transactions (continued)</b>		
<b>Fair value of Trust funds</b>		
Estate late N.M Khumalo	21,483	20,242
Estate late J. Shabalala	149,287	140,664
Estate late F.N. Nhlebela	18,638	17,562
Estate late P.B. Vilikazi	65,524	61,740
Estate late Z.G. Mvelase	8,268	7,790
Estate late T.C. Mabaso	145,624	137,213
Estate late M.N. Sithole	904	852
Estate late J.P. Sokhela	146,242	137,795
Estate late G. Matotoka	185,026	174,339
Estate late C. Buthelezi	71,804	67,657
Estate late S.I. T. Ndlovu	24,180	22,783
Estate late Z.P. Mthabela	1,185,645	1,117,163
Estate late J.B. Sithole	67,669	63,760
Estate late M.M. Mncube	33	31
Estate late S.A. Luthuli	101,450	95,590
Estate late P.T. Majola	121,289	114,284
Estate late J.S. Sithole	4,434	4,178
Estate late L. Mbatha	224,729	211,749
Estate late E.Q. Xaba	323,587	304,897
Estate late X.M. Zimba	53,773	50,667
Estate late L.W. Ndimande	183,866	173,246
Estate late T.A. Malinga	545,734	514,213
Estate late M.J. Ntshaba	3,461	3,261
Estate late M.V. Buthelezi	18,562	17,490
Estate late D.G. Khoza	5,555	5,234
Estate late M. Mbatha	21,872	20,608
Estate late T.V.N. Sithole	1,008,405	-
Estate late E. Ngcobo	11,911	-
Estate late S. zama	16,541	-
Estate late J.G. Mtshali	2	-
Estate late M.C. Zungu	3,169	-
Estate late N. Sithole	457,523	-
	<b>5,196,190</b>	<b>3,485,008</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.

Trust funds held by the Municipality earns interest on an annual bases. Interest is calculated at the average interest rate the Municipality earned on investments made.

### 19. Other accruals "Provisions"

Bonus accrual	6,457,437	5,337,823
Leave pay accrual	15,962,686	13,603,780
	<b>22,420,123</b>	<b>18,941,603</b>

Other accruals amounts to R18,941,603 (2016/2017) as at 30 June 2017 and R22,420,123 (2017/2018) as at 30 June 2018.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>19. Other accruals "Provisions" (continued)</b>		
The bonus accrual amounted to R5,337,823 (2016/2017) as at 30 June 2017 and R6,457,437 (2017/2018) as at 30 June 2018.		
The leave pay accrual amounted to R13,603,780 (2016/2017) as at 30 June 2017 and R15,962,686 (2017/2018) as at 30 June 2018.		
<b>20. Consumer deposits</b>		
Water	23,595,479	13,581,655
Consumer deposits represents deposits held (R13,581,655 - 2016/2017) and (R23,595,479 - 2017/2018) in respect of water debtor accounts.		
<b>21. Revenue</b>		
Service charges	177,077,705	167,440,975
Interest received - trading services	43,393,190	43,647,586
Other income	7,220,750	4,747,943
Other income - Public contributions and donations	7,786,949	20,000
Interest received - investment	4,191,714	7,189,148
Government grants & subsidies	670,799,908	621,619,784
	<b>910,470,216</b>	<b>844,665,436</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	177,077,705	167,440,975
Interest received - trading services	43,393,190	43,647,586
Other income	7,220,750	4,747,943
Other income - Public contributions and donations	7,786,949	20,000
Interest received - investment	4,191,714	7,189,148
	<b>239,670,308</b>	<b>223,045,652</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	670,799,908	621,619,784
<b>Nature and type of Bequests, gifts, donations and goods in-kind are as follows:</b>		
Donations	Donation received from FNB for sports events hosted by the municipality	
<b>22. Service charges</b>		
Sale of water	174,219,509	151,480,117
Sewerage and sanitation charges	2,858,196	15,960,858
	<b>177,077,705</b>	<b>167,440,975</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>23. Other revenue</b>		
Other income	7,220,750	4,747,943
Other income - donations	7,786,949	20,000
	<b>15,007,699</b>	<b>4,767,943</b>
<b>The amount included in other revenue arising from exchanges of goods or services are as follows:</b>		
Clearance certificates	206,887	171,226
Copies of building plans	400,327	1,103
Sundry income	57,106	187,661
Connections - water	1,555,736	993,898
Connections - sewerage	58,871	25,643
Trade effluent	1,855,295	2,001,620
Insurance claims received	2,950,321	354,529
Tender documents	136,207	235,504
Proceeds from sale of assets	-	776,759
Donations received - sports events	-	20,000
	<b>7,220,750</b>	<b>4,767,943</b>
<b>The amount included in other revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Fines - Illegal connections and tampering	20,000	-
<b>24. Investment revenue</b>		
<b>Interest revenue</b>		
Interest received - Investments	4,191,714	7,189,148

The amount included in Investment revenue arising from non-exchange transactions amounted to R7,189,148 (2016/2017) and R4,191,714 (2017/2018).

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>25. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	362,795,391	332,370,000
Finance Management Grant	1,795,000	1,460,000
EPWP Integrated Grant	3,724,000	3,169,000
KZN Projects	1,526,315	536,111
Drought Relief	-	10,000,000
	<b>369,840,706</b>	<b>347,535,111</b>
<b>Capital grants</b>		
Regional Bulk Infrastructure Grant	28,672,202	12,605,020
Municipal Infrastructure Grant	187,304,000	178,506,000
Municipal Water Infrastructure grant	82,500,000	81,807,000
Rural Transport Services Plan	2,483,000	1,166,653
	<b>300,959,202</b>	<b>274,084,673</b>
	<b>670,799,908</b>	<b>621,619,784</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	362,795,391	289,249,784
Unconditional grants received	308,004,517	332,370,000
	<b>670,799,908</b>	<b>621,619,784</b>

### Equitable Share

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

All registered indigent consumers received a monthly subsidy of 6 Kiloliters - (2018: R62.04) 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 and R3,465,864 in respect of the 2017/2018 financial year.

The cost of free basic services - water supplied by water tankers for the 2016/2017 financial year amounted to R78,329,405 and R50,693,750 in respect of the 2017/2018 financial year.

### Municipal Infrastructure Grant

Current-year receipts	187,304,000	178,506,000
Conditions met - transferred to revenue	(187,304,000)	(178,506,000)
	<b>-</b>	<b>-</b>

Conditions still to be met at year end - remain liabilities (see note 15).

The Municipal Infrastructure Grant programme is aimed at providing all South Africans with at least a basic level of service through the provision of grant funding aimed at covering the capital cost of basic infrastructure for the poor. The MIG programme is a key part of Government's overall drive to alleviate poverty in the Country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish.

The MIG is the major funding mechanism for all municipal infrastructure for basic services to the poor such as roads, electricity, recreation facilities and water and sanitation. The MIG funding is provided to municipalities with certain conditions attached.

### Municipal Water Infrastructure

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>25. Government grants and subsidies (continued)</b>		
Current-year receipts	82,500,000	81,807,000
Conditions met - transferred to revenue	(82,500,000)	(81,807,000)
	<u>-</u>	<u>-</u>

Conditions still to be met at year end - remain liabilities (see note 15).

The Municipal Water Infrastructure grant is to assist Water Services Authorities (WSA's) to provide water supply services to consumers currently without services, particularly those in rural areas.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

Access to water supply enabled through the development of new infrastructure and/or refurbishment and/or upgrading of existing infrastructure to communities identified as not having a basic water supply service.

It is also aimed at the reduction of waterlosses and non-revenue water.

### Regional Bulk Infrastructure

Balance unspent at beginning of year	67,083,172	15,688,191
Current-year receipts	75,052,000	64,000,000
Conditions met - transferred to revenue	(28,672,202)	(12,605,019)
Application for rollover disallowed	(67,083,172)	-
	<u><b>46,379,798</b></u>	<u><b>67,083,172</b></u>

Conditions still to be met at year end - remain liabilities (see note 15).

RBIG is a specific purpose capital grant with the objective to supplement the financing of the social component of regional bulk water supply and sanitation infrastructure.

The application of these funds is specifically for "water supply" and "sanitation" regional bulk infrastructure, with the focus on "regional" characteristics and the "infrastructure" element.

This includes all aspects relating to the implementation of the infrastructure, planning, design, procurement, construction as well as setting up the institutional arrangements for sustainable operation and management.

The rollover application for the amount of R67,083,172 was declined. R25.1 million was recovered from the December 2017 equity share allocation, R27.2 million from the March 2018 equity share allocation and R14.8 million will be recovered from the July 2018 equity share allocation.

### LGSETA Grant - Training

Balance unspent at beginning of year	285,499	195
Current-year receipts	423,260	285,304
Conditions met - transferred to revenue	(371,817)	-
	<u><b>336,942</b></u>	<u><b>285,499</b></u>

Conditions still to be met at year end - remain liabilities (see note 15).

LGSETA is a discretionary grant which assist the Local Government sector to adapt to changes in the economy and needs of the country and ensuring that the skills levy is effectively targeted to meet the skills needs of employers and employees in the Local Government sector.

The strategic objective of the LGSETA grant is for the development of a skilled and capable workforce supporting a responsive, accountable, efficient and effective Local Government system, through a range of learning programmes that focus on scarce and critical skills.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>25. Government grants and subsidies (continued)</b>		
Training programmes focuses on employment equity, provision of opportunities for young people, support enterprise development and improving the skills profile of those from poorer social-economic backgrounds and assisting in career-pathing from lower graded to higher graded jobs within the organization.		
<b>KZN District Growth and Development</b>		
Current-year receipts	300,000	-
Conditions still to be met - remain liabilities (see note 15).		
The purpose of the District Growth and Development grant is to mobilise and synchronise strategic plans and investment priorities in all spheres of Government, State owned entities, businesses, higher education institutions, labour, civil society and all other social partners in order to achieve the desired growth and development goals, objectives and outcomes.		
Spatially contextualise and prioritise interventions so as to achieve greater spatial equity.		
Develop clearly defined institutional arrangements that ensure decisive leadership, robust management, through implementation and ongoing review of the growth and development plan.		
<b>Drought Relief</b>		
Current-year receipts	-	10,000,000
Conditions met - transferred to revenue	-	(10,000,000)
	-	-
Conditions still to be met at year end - remain liabilities (see note 15).		
Severe drought conditions are affecting large parts of the Country, and is placing extreme strain on the supply of water, especially to rural communities where there is no reticulation network.		
The purpose of this conditional grant is to provide short term assistance to Provinces and Municipalities to respond effectively to the water crisis.		
<b>KZN DPSS Shared Services</b>		
Balance unspent at beginning of year	1,115,192	451,303
Current-year receipts	250,000	1,200,000
Conditions met - transferred to revenue	(1,154,497)	(536,111)
	<b>210,695</b>	<b>1,115,192</b>
Conditions still to be met at year end - remain liabilities (see note 15).		
Shared services are the joint provision, performance or delivery of a service, facility, or activity by two or more Local Government entities that each may be separate.		
Local Governments may determine that delivery of services on a regional basis is the most cost-effective method of providing services. To accomplish this, Local Government entities may either enter into joint agreements or transfer the services to another entity.		
Activities that will provide significant long-term savings to one or more Municipalities. Including training for programs and services that cross jurisdictional boundaries.		
<b>Rural Road Asset Management</b>		
Balance unspent at beginning of year	1,227,391	16,043
Current-year receipts	2,483,000	2,378,000

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>25. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(2,483,001)	(1,166,652)
Application for roll over disallowed	(1,227,390)	-
	<u>-</u>	<u>1,227,391</u>

Conditions still to be met at year end - remain liabilities (see note 15).

The main purpose of the RRAM grant is to assist District Municipalities in setting up their road asset management system, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA) as well as to improve the road sector to being more efficient and internationally competitive.

The program is aimed at building road sector management capacity at local level.

The roll over application for the amount of R1,227,390, which was declined, was offset against the equity share allocation for the 2017/2018 financial year.

### Finance Management Grant

Current-year receipts	1,795,000	1,460,000
Conditions met - transferred to revenue	(1,795,000)	(1,460,000)
	<u>-</u>	<u>-</u>

Conditions still to be met at year end - remain liabilities (see note 15).

The purpose of the grant is for capacity building which must be seen as an attempt to build individual, organisational, institutional and environmental processes to strengthen the service delivery mandate of Municipalities.

Proper systems and processes are the cornerstone to the translation of public funding into service delivery support by competent officials.

The Municipal Finance Management Internship Programme (MFMIP) is a further attempt to build capacity to deliver on their financial management responsibilities and thus their constitutional obligations.

### EPWP Integrated Grant

Current-year receipts	3,724,000	3,169,000
Conditions met - transferred to revenue	(3,724,000)	(3,169,000)
	<u>-</u>	<u>-</u>

Conditions still to be met at year end - remain liabilities (see note 15).

The Expanded Public Works Programme (EPWP) is one of an array of Government strategies aimed at addressing unemployment.

The intention of the EPWP incentive grant is to increase job creation efforts by Provinces and Municipalities by providing a financial performance reward.

The incentive is structured to reward Provinces and Municipalities that create EPWP work by reimbursing them a portion of their wage costs. The more employment created, the higher the incentive that will be paid.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>26. Employee related costs</b>		
Basic	158,430,508	142,154,057
Bonus	12,091,708	9,532,888
Medical aid - employers contribution	5,776,782	5,159,525
UIF	1,238,392	1,166,587
WCA	-	21,500
SDL	2,168,074	1,922,208
SALGA BC	66,127	58,074
Leave pay accrual	2,358,906	(414,637)
Leave pay	2,129,102	1,835,985
Standby allowance	7,196,254	6,442,065
Defined contribution plans	1,733,427	1,668,864
Travel, motor car, accommodation, subsistence and other allowances	3,658,000	6,145,881
Overtime payments	25,828,970	17,101,150
Acting allowances	1,102,708	707,231
Car allowance	8,171,217	8,157,212
Housing benefits and allowances	1,717,696	1,104,083
Surcharge Pension Fund	19,535,037	15,904,775
	<b>253,202,908</b>	<b>218,667,448</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	1,435,297	1,465,500
Car Allowance	60,000	180,000
Performance Bonuses	-	139,580
Contributions to UIF, Medical and Pension Funds	1,785	1,785
SDL	16,470	13,933
Leave paid out	234,480	-
Travelling and subsistence	62,321	74,814
	<b>1,810,353</b>	<b>1,875,612</b>
The Municipal Manager was appointed as from 14 August 2013.		
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	579,330	540,545
Car Allowance	340,141	385,389
Performance Bonuses	-	79,251
Contributions to UIF, Medical and Pension Funds	1,785	1,785
SDL	12,139	12,010
Housing subsidy	254,893	275,278
Travelling and subsistence	72,371	67,622
Leave paid out	19,219	76,877
	<b>1,279,878</b>	<b>1,438,757</b>
The Chief Financial Officer was appointed as from 6 January 2014.		
<b>Remuneration of Manager Technical Services</b>		
Annual Remuneration	-	247,546
Car Allowance	-	36,305
Contributions to UIF, Medical and Pension Funds	-	446
Acting allowance	90,832	-
SDL	-	2,766
Back pay	77,346	-
Standby	414,863	-



# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>26. Employee related costs (continued)</b>	<b>583,041</b>	<b>287,063</b>

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

The PMU Manager is acting in this position.

### Remuneration of Manager Health, Environmental Services and WSA

Annual Remuneration	699,280	874,932
Car Allowance	208,000	255,535
Performance Bonuses	-	85,610
Contributions to UIF, Medical and Pension Funds	1,933	1,785
Housing subsidy	162,532	7,428
SALGA	-	8
SDL	12,378	13,228
Leave paid out	31,725	154,659
Backpay	82,617	71,796
	<b>1,198,465</b>	<b>1,464,981</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	852,429	1,135,404
Car Allowance	160,000	-
Performance Bonuses	-	96,311
Contributions to UIF, Medical and Pension Funds	1,785	1,785
Housing subsidy	140,000	-
Acting allowance	8,180	46,929
Travelling and subsistence	27,292	23,552
SDL	14,663	11,463
Leave paid out	231,622	-
	<b>1,435,971</b>	<b>1,315,444</b>

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

### Remuneration of Manager Corporate Services

Annual Remuneration	828,568	934,892
Car Allowance	154,149	200,512
Performance Bonuses	-	74,909
Contributions to UIF, Medical and Pension Funds	1,785	1,785
SDL	13,529	10,953
Housing subsidy	80,000	-
Travelling and subsistence	5,786	10,778
Leave paid out	198,047	-
Backpay	40,512	-
	<b>1,322,376</b>	<b>1,233,829</b>

The previous General Manager Corporate Services was appointed on the 1st of July 2013 and his contract terminated on the 15th of October 2017.

The current General Manager Corporate Services was appointed in this position as from 1 November 2017.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>26. Employee related costs (continued)</b>		
<b>Remuneration of Manager Water Services</b>		
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.		
<b>27. Remuneration of councillors</b>		
Mayor	704,084	1,058,504
Deputy Mayor	203,644	495,678
EXCO	666,263	712,592
Speaker	725,726	567,375
Councillors	4,247,032	2,648,850
	<u>6,546,749</u>	<u>5,482,999</u>
<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>28. Depreciation and amortisation</b>		
Property, plant and equipment	68,182,107	62,577,084
Intangible assets	45,756	-
	<u>68,227,863</u>	<u>62,577,084</u>
<b>29. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	<u>5,629,839</u>	<u>10,807,571</u>
The main classes of assets affected by impairment losses are infrastructure:		
<b>30. Finance costs</b>		
Bank	<u>2,788,880</u>	<u>2,554,911</u>
Finance costs "bank" represents the total bank charges expenced on the Municipal bank accounts R2,554,911 (2016/2017) and R2,788,880 (2017/2018).		
<b>31. Debt impairment</b>		
Debt impairment - Consumer debtors	<u>109,458,724</u>	<u>94,881,113</u>
The debt impairment provision has increased by R94,881,113 for the 2016/2017 financial year and R109,458,724 for the 2017/2018 financial year.		
<b>32. Bulk purchases</b>		
Water	<u>3,439,550</u>	<u>8,439,311</u>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>32. Bulk purchases (continued)</b>		
Bulk purchases relates to raw water purchased from DWA which is purified by the Municipality and distributed via the reticulation networks to consumers.		
<b>33. Contracted services</b>		
Water tankering	50,693,750	78,329,405
Plant and equipment hire	3,021,545	2,520,797
Insurance	4,387,707	4,226,360
Chemicals	8,915,730	9,123,720
Security (safe guarding of municipal property) and (VIP security)	21,678,841	25,936,074
	<b>88,697,573</b>	<b>120,136,356</b>

The municipality spent R78,329,405 on water tankers during the 2016/2017 financial year as a result of the drought and R50,693,750 during the 2017/2018 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 R25,936,074 (2016/2017) and R21,678,841 (2017/2018) is in respect of security guards required to guard municipal property which includes the water and waste water treatment plants.

The amount of R4,226,360 (2016/2017) and R4,387,707 (2017/2018) is in respect of the renewal of the municipalities insurance portfolio.

The amount of R9,123,720 (2016/2017) and R8,915,730 (2017/2018) is in respect of chemical used for the purification of water.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>34. General expenses</b>		
Advertising	789,006	2,204,597
Auditors remuneration	2,989,767	2,494,036
Bank charges	706,472	636,523
Cleaning	892,859	908,517
Commission paid	412,508	428,523
Computer expenses	-	226,798
Consulting and professional fees	7,176,605	16,920,844
Consumables	391,897	2,744,630
Entertainment	2,450,033	3,463,814
Conferences and seminars	775,371	2,054,543
IT expenses	2,356,671	417,640
Fleet	479,106	1,099,820
Medical expenses	146,930	199,730
Motor vehicle expenses	1,089,074	813,087
Fuel and oil	3,720,815	10,281,101
Postage and courier	820	10,063
Printing and stationery	2,397,666	3,300,657
Protective clothing	192,991	3,576,678
Subscriptions and membership fees	2,481,125	2,410,692
Telephone and fax	2,719,009	3,166,579
Training	999,604	2,282,626
Assets expensed	18,817,451	25,941,772
Electricity	54,386,163	60,433,355
Water - internal use	112,146	446,069
Audit committee	194,576	209,518
Government grant expenditure	1,918,585	4,776,406
Repairs and maintenance	30,053,455	35,636,135
Other expenses	650,497	21,517,213
	<b><u>139,301,202</u></b>	<b><u>208,601,966</u></b>

Government grant expenditure represents projects expenditure funded by grants 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 R1,037,463 paid to Inside Data for the printing of consumer debtors statements.

Maintenance and repairs R35,636,135 (2016/2017) and R30,053,455 (2017/2018) is now disclosed under note 4 "PPE" - Grap 1 - Presentation of financial statements.

Other expences relates to R239,214 (transport provided to events), R24,000 (burial services), R19,700 (artist and performers), R339,688 (development agency), R27,895 (performance management).

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

### Consulting and professional fees

Legal Fees	1,001,403	1,865,111
Consultants	3,732,717	6,506,506
Asset verification	1,793,053	4,857,854
VAT audit	649,432	3,691,373
	<b><u>7,176,605</u></b>	<b><u>16,920,844</u></b>

### 35. Auditors' remuneration

Fees	<u>2,989,767</u>	<u>2,494,036</u>
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# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>36. Lease rentals on operating leases</b>		
<b>Agreement of leases - Lessor</b>		
Dedekind real Estate - Rental of parking space in Ladysmith	297,000	269,280
Sarjoo V.R. - Rental of satellite office in Weenen	34,486	39,881
Enambithi Construction - Rental of main office at 33 Forbes Street Ladysmith	-	10,058,160
Moon Magic Investments - Rental of satellite office in Estcourt	28,840	58,526
A. Good - Rental of satellite office in Colenso	24,031	24,030
Konika Minolta - Rental of office machines (photo copiers)	451,683	391,905
Richmond and Associates	-	22,000
	<b>836,040</b>	<b>10,863,782</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 of offices	159,528	134,263
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# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>37. Cash generated from operating activities</b>		
Surplus	216,236,877	65,725,608
<b>Adjustments for:</b>		
Depreciation and amortisation	68,227,863	62,577,084
Loss on sale of assets	3,884,205	5,204,839
Impairment deficit	5,629,839	10,807,571
Debt impairment	109,458,724	94,881,113
Movements in operating lease assets and accruals	25,265	(244,590)
Changes accumulated surplus	3,233,528	1,809,067
<b>Changes in working capital:</b>		
Inventories	(969,479)	(378,995)
Increase/(decrease) receivables from exchange transactions	(357,911)	(124,919)
Increase/(decrease) receivables from non-exchange transactions	(143,986,788)	(120,182,389)
Other receivables from non-exchange transactions	1,189,253	(676,943)
Increase/ (decrease) prepayments	(2,196)	139,624
Increase/(decrease) in payables from exchange transactions	47,726,160	(11,845,661)
Increase/ (decrease) in VAT	-	1,674,842
Increase/ (decrease) in other accruals	3,478,520	546,466
Increase unspent conditional grants and receipts	(22,483,819)	53,555,522
Contribution to provisions - non-current	10,013,824	1,695,748
Other financial liabilities	(66,423,670)	(4,266,996)
	<b>234,880,195</b>	<b>160,896,991</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

##### Carrying values

Carrying value of a group of assets (vehicles)	2,219,790	2,924,133
Carrying value of a group of assets (computer equipment)	26,677	93,347
Carrying value of a group of assets (furniture and fittings)	36,890	136,509
Carrying value of a group of assets (office equipment)	12,210	67,509
Carrying value of a group of assets (infrastructure)	6,914,580	6,015,956
Carrying value of a group of assets (buildings)	-	1,338,029

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>39. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	194,296,316	340,014,209
<b>Infrastructure Grants - MIG, MWIG, WSIG &amp; RRAMS</b>		
Bhekuzulu phase 1 - reticulation	15,627,752	25,243,495
Bhekuzulu phase 2 - reticulation	9,084,542	13,606,204
Bhekuzulu phase 7	7,056,592	19,168,822
Bhekuzulu phase 8	-	8,799,423
Bhekuzulu consultants	15,426	3,850,469
Kwanobamba / Ezitendeni consultants	155,663	5,966,332
kwanobamba / Ezitendeni pahse 1F	-	12,369,911
Kwanobamba / Ezitendeni phase 2C	1,605,152	2,028,010
Kwanobamba / Ezitendeni phase 2B	-	9,194,956
Kwanobamba / Ezitendeni water treatment works	-	4,735,414
Kwanobamba / Ezitendeni sanitation	-	13,205,902
Kwanobamba / Ezitendeni WWWT civil and building works	24,843,446	30,525,062
Ezakheni / Emnambithi refurbishment	34,096,692	35,481,215
Ezakheni sanitation phase 2	9,839,153	23,041,004
Umhlumayo projects	9,778,560	17,488,991
Fitty Park phase 2	2,191,871	17,924,219
District Disaster Centre	166,388	127,110
Rural road asset management	-	747,445
Hopsland to Indaka phase 2	19,156,252	37,597,543
Moyeni / Zelisha	1,982,344	1,982,344
Mimosadale	12,400,153	18,570,323
Umtshezi east regional water	4,022,827	5,240,710
Dredging of Oliphantskop dam	21,083,082	33,119,305
Bhekuzul Phase 5	21,190,421	-
	<b>194,296,316</b>	<b>340,014,209</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Property, plant and equipment (creditors orders issued as at 30 June)	-	144,566
<b>Total capital commitments</b>		
Already contracted for but not provided for	194,296,316	340,014,209
Not yet contracted for and authorised by accounting officer	-	144,566
	<b>194,296,316</b>	<b>340,158,775</b>
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Rental Offices	407,493	449,710
• Rental Office Machines	341,318	355,301
• Red Spike Security - guarding of municipal property	15,665,688	10,975,356
	<b>16,414,499</b>	<b>11,780,367</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Creditors orders issued as at 30 June	1,993,550	3,112,832
<b>Total operational commitments</b>		
Already contracted for but not provided for	16,414,499	11,780,367
Not yet contracted for and authorised by accounting officer	1,993,550	3,112,832

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>39. Commitments (continued)</b>		
	<b>18,408,049</b>	<b>14,893,199</b>
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	194,296,316	340,158,775
Authorised operational expenditure	18,408,049	14,893,199
	<b>212,704,365</b>	<b>355,051,974</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	352,810	805,011
- in second to fifth year inclusive	248,498	601,308
	<b>601,308</b>	<b>1,406,319</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

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<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	15,190,398	15,190,398
Shepstone & Wylie - S. Sewepersad	3,000,000	3,000,000
Shepstone & Wylie - Ubunzima Trading Exterprise 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 - Rasp Consultants CC	65,857	65,857
Shepstone & Wylie - Rasp Consultants CC	63,400	63,400
Shepstone & Wylie - T.T. Keswa	1,853,170	1,853,170
Shepstone & Wylie - Ndlalabeyidida Trading (Pty) Ltd	90,000	-
	<b>29,966,227</b>	<b>29,876,227</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** - Amount claimed 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

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

2018	2017
R	R

### 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 plaintiff has already lodged its appeal and the matter is currently awaiting the allocation of a hearing date.

**S. 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 allegedly dug by the Municipality's employees and was not cordoned off. The Municipality has referred this to its insurers who are in the process of investigating the matter. No further instructions were received from the Municipality and Shepstone & Wylie closed their file in August 2017.

**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 have already commenced.

**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 amend 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 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 adjournment. The matter has been settled on the basis that the plaintiff withdraws her action against the Municipality and each party is to pay its own costs.

**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 amend 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 alleged 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. The matter has been settled on the bases that the plaintiff withdraws her action against the Municipality and each party is to pay its own costs.

**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.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
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### 40. Contingent Liabilities (continued)

**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. The Municipality has filed their discovery and Shepstone & Wylie has called upon the plaintiff's attorneys to file their discovery. To date no further steps have been taken by the plaintiff's attorneys to pursue the matter to its finality. Shepstone & Wylie wrote to the Municipality advising of same and seeking advice whether they could close the file and render their final account statement. Their instructions were to set the matter down for cost purposes. Shepstone & Wylie instructed local agents to proceed with the necessary steps to obtain pre-trial and trial dates. They are currently awaiting allocation of the pre-trial and trial dates from court.

**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.

The Municipality has filed their discovery and the plaintiff's attorneys have filed their discovery. To date no further steps have been taken by the plaintiff's attorneys to pursue the matter to its finality. Shepstone & Wylie wrote to the Municipality advising of same and seeking advice whether they could close their file and render their final account statement. Their instructions were to set the matter down for cost purposes. They are proceeding to instruct local agents to proceed with the necessary steps to obtain pre-trial and trial dates. Shepstone & Wylie is currently awaiting allocation of the pre-trial and trial dates from court.

**T.R. Keswa** - Thuk3974.22 - Claim amount R1,853,170 - 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. On instruction from the Municipality Shepstone & Wylie have closed their file.

**Ndlalabeyidida Trading (Pty) Ltd** - Thuk3974.25 - Claim amount R90,000 - Summons were issued against the municipality for the payment of R90,000. The claim is in respect of an alleged verbal agreement where the plaintiff alleges that she contracted with the Municipality to supply meals at the Uthukela Winter Disaster Awareness, the plaintiff alleges that she honored the contract but the Municipality failed to make payment. The matter has been defended on behalf of the Municipality. Pleadings have closed but the plaintiff has done nothing to pursue the matter to its finality. Steps are being taken to have the matter set down for trial.

### Contingent assets

#### Contingent assets

Namandla Roads and Civils

7,770,981

7,770,981

**Namandla Roads And Civils** - Thuk3974.21 - 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.

Following a proposal by MFRFL to pay the guarantee amount into the firm's trust account, depending on the outcome of an intervention application which had been launched by Namandla in the PMB High Court to be included as a party to the main proceedings, the guarantee amount would either be paid to the Municipality or back to MFRFL. The matter has been currently set down for argument on the opposed roll.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

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2018	2017
R	R

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### 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 family member of key management

Keyhealth  
Bonitas

### Key management information

<b>Board members</b>	<b>Executive Committee</b>	<b>6</b>
Senior Management	Municipal Manager	1
Senior Management	Chief Financial Officer	1
Senior Management	General manager Corporate Services	1
Senior Management	General Manager Water, Sanitation & Technical Services	1
Senior Management	General Manager Municipal Health & Water Services Authority	1
Senior Management	General Manager Social & Economic Services	1

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>42. Prior period errors and restatements</b>		
Prior period errors relates to corrections done in the 2017/2018 financial year which relates to the 2016/2017 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 2016/2017 financial year.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Consumer debtors	13,638,000	2,646,824
Property, plant and equipment (PPE)	9,194,054	228,795,756
Payables from exchange transactions	(29,524,512)	(17,495,959)
VAT payable	1,611,278	(1,642,449)
<b>Statement of financial performance</b>		
	-	(3,005,084)
Revenue from service charges	12,644,492	(662,418)
Employee related costs	(18,307)	(19,800)
Lease rental on operating leases	(963,691)	(9,007,011)
Repairs and maintenance	-	(6,185)
Bulk purchases	(378,124)	-
Contracted services	(23,922,650)	(3,354,279)
General expenditure	(4,986,638)	(4,446,266)

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

		2018 R	2017 R		
<b>43. Prior period error and restatements - detailed</b>					
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:					
<b>Statement of financial position</b>					
<b>2017</b>					
	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories	9	5,925,957	-	-	5,925,957
Receivables from exchange transactions	10	2,865,026	-	-	2,865,026
Receivables from non exchange transactions	11	2,109,300	-	-	2,109,300
Consumer debtors	12	159,658,113	13,638,000	-	173,296,113
Cash and cash equivalents	13	5,997,885	-	-	5,997,885
Property plant and equipment	4	2,292,359,966	9,194,055	-	2,301,554,021
Intangible assets	5	587,965	-	-	587,965
Receivables from exchange transactions	10	1,658,406	-	-	1,658,406
Receivables from non-exchange transactions	11&56	4,592,424	-	-	4,592,424
Operating lease liability	6&36	(134,263)	-	-	(134,263)
Payables from exchange transactions	18	(92,577,912)	(17,624,918)	63,564	(110,139,266)
Other accruals	19	(18,941,603)	-	-	(18,941,603)
Consumer deposits	20	(13,581,655)	-	-	(13,581,655)
Employee benefit obligation	7	(991,102)	-	-	(991,102)
Unspent conditional grants	15	(69,711,254)	-	-	(69,711,254)
VAT payable	17	(64,387,770)	(1,674,842)	(63,564)	(66,126,176)
Other liabilities	51	(8,602,484)	-	-	(8,602,484)
Employee benefit obligation	7	(28,135,528)	-	-	(28,135,528)
		<b>2,178,691,471</b>	<b>3,532,295</b>	<b>-</b>	<b>2,182,223,766</b>

Other liabilities "advance receipts - transfers" 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 was 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 2018 until such time as the funder can be identified.

Payables from exchange transactions increased from R92,577,912 to R110,139,266 due to invoices submitted late in respect of expenditure which relates to the 2016/2017 financial year. The statement of financial position has been restated.

Consumer debtors increased from R159,658,113 to R173,296,113 due to correction of revenue understated as at 30 June 2017.

During the asset verification process in the 2017/2018 financial year assets to the amount of R9,194,054 were identified which were not previously capitalized, including a water plant donated by COGTA. PPE has therefore been restated as at 30 June 2017.

Total net assets therefore increased from R2,178,691,471 to R2,182,223,766 as a result of the prior period error adjustments of R3,532,295 as at 30 June 2017 and the statement of financial position has been restated.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

		2018 R	2017 R	
<b>43. Prior period error and restatements - detailed (continued)</b>				
<b>Statement of financial performance</b>				
<b>2017</b>				
	Note	As previously reported	Correction of error	Restated
Revenue from service charges	22	154,021,456	13,419,519	167,440,975
Interest received - trading services	21	44,409,522	(761,936)	43,647,586
Other income	21	4,761,034	(13,091)	4,747,943
Other income - donations	21	20,000	-	20,000
Interest received - investments	21	7,189,148	-	7,189,148
Government grants and subsidies	21&25	621,619,784	-	621,619,784
Employee related costs	26	(218,649,140)	(18,308)	(218,667,448)
Remuneration of councillors	27	(5,482,999)	-	(5,482,999)
Depreciation and amortization	28	(62,577,084)	-	(62,577,084)
Impairment loss	4	(10,807,571)	-	(10,807,571)
Finance costs	30	(2,554,911)	-	(2,554,911)
Lease rental on operating leases	36	(9,900,090)	(963,691)	(10,863,782)
Debt impairment provision	31	(94,881,113)	-	(94,881,113)
Bad debt written off	47	(32,257,350)	-	(32,257,350)
Repairs and maintenance	4	(34,234,958)	(1,401,177)	(35,636,135)
Bulk purchases	32	(8,061,187)	(378,124)	(8,439,311)
Contracted services	33	(95,543,247)	(23,922,651)	(119,465,898)
General expenditure	34	(170,050,826)	(3,585,458)	(173,636,284)
Gain / (loss) on write off of assets	7	(5,204,839)	-	(5,204,839)
Inventories losses/write downs		(828,880)	-	(828,880)
Gain / (loss) on actuarial valuations	7	2,363,782	-	2,363,782
<b>Surplus for the year</b>		<b>83,350,531</b>	<b>(17,624,917)</b>	<b>65,725,613</b>

<b>Statement to changes in nett assets</b>	As previously reported	Correction of error	Re-classification	Restated
	2,178,691,471	3,532,295	-	2,182,223,766
Subtotal	2,178,691,471	3,532,295	-	2,182,223,766
	<b>2,178,691,471</b>	<b>3,532,295</b>	<b>-</b>	<b>2,182,223,766</b>

Revenue from service charges increased with R13,419,519 from R154,021,456 to R167,440,975.

Interest received from trading services charges decreased with R761,936 from R44,409,522 to R43,647,586.

Other income decreased with R13,091 from R4,761,034 to R4,747,943.

Employee related costs increased with R18,307 from R218,649,140 to R218,667,447 as at 30 June 2017.

Lease rentals on operating leases increased with R963,691 from R9,900,090 to R10,863,782 as at 30 June 2017.

Repairs and maintenance increased with R1,401,177 from R34,234,958 to R35,636,135 as at 30 June 2017, 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 R378,124 from R8,061,187 to R8,439,311 as at 30 June 2017.

Contracted services increased with R23,922,651 from R95,543,247 to R119,465,898 as at 30 June 2017.

General expenditure increased with R3,585,458 from R170,050,826 to R173,636,284 as at 30 June 2017.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

		2018 R	2017 R	
<b>43. Prior period error and restatements - detailed (continued)</b>				
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.				
<b>Cash flow statement</b>				
<b>2017</b>				
	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Service charges		206,803,957	(2,910,610)	203,893,347
Grants received		621,619,784	-	621,619,784
Interest income		7,189,148	-	7,189,148
Employee and councillors cost		(224,090,123)	(60,324)	(224,150,447)
Suppliers and other		(465,333,349)	20,233,419	(445,099,930)
Finance costs		(2,554,911)	-	(2,554,911)
		<b>143,634,506</b>	<b>17,262,485</b>	<b>160,896,991</b>
Cash flow from investing activities				
Purchase of property, plant and equipment		(175,803,188)	(17,262,485)	(193,065,673)
Cash flow from financing activities				
Net increase in other liabilities		1,695,748	-	1,695,748
Increase / (decrease) in finance lease liabilities		(244,590)	-	(244,590)
		<b>1,451,158</b>	<b>-</b>	<b>1,451,158</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

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
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### 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	2018	2017
Bank balance and cash	6,010,767	5,997,885
Consumer debtors from exchange transactions	207,824,177	173,296,113
Other receivables from exchange transactions	4,881,343	4,523,432
Receivables from non-exchange transaction	5,512,471	6,701,724

### 45. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 2,390,513,192 and cost coverage ratio is one month.

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

Management acknowledges the decrease in the cost coverage ratio with great concern and measures have been put in place to address the situation. All high cost drivers have been identified and a strategy to deal with them has been developed and implementation is monitored.

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 R78,329,405 (2016/2017).

Critical positions which were filled during the year and together with annual increases employee related costs increase from R199,309,646 (2015/2016) to R218,667,448 (2016/2017) and R253,202,908 (2017/2018).

Contracted services increased from R68,622,703 (2015/2016) to R119,465,898 (2016/2017) and R91,108,011 (2017/2018).

Indigent support to indigent consumers amounted to R10,174,543 (2016/2017) and R3,947,089 (2017/2018).

Management has developed a revenue enhancement strategy and is implementing the credit control policy in an effort to improve revenue collection. Two service providers (debt collectors) were appointed during the financial year to assist the municipality with the collection of outstanding debt.

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

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

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

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>45. Going concern (continued)</b>		
As at 30 June 2018 the un-spent grants (R47,227,435), consumer deposits (R23,595,479), trust funds (R5,196,190) and retentions (R27,698,990) are not cashed backed. 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 disapproval of the roll over application of the unspent portions of the Regional Bulk Infrastructure grant (R67,083,172) and the Rural Road Asset Management grant (R1,227,391) as at 30 June 2017 impacted negatively on the municipality's cashflow. R52,315,000 were recovered from the equity share allocation for the 2017/2018 financial year and R14,768,171 will be recovered from the 2018/2019 equity share allocation.		
<b>46. Events after the reporting date</b>		
There are no events after reporting date to report on.		
<b>47. Bad debt written off</b>		
<b>Irrecoverable debt written off</b>		
Johnmoore accounts	-	3,128,491
Indigent write-offs	13,173,150	21,225,030
One third incentive write-offs	117,312	1,077,540
Other bad debt written off	102,048	6,826,289
	<b>13,392,510</b>	<b>32,257,350</b>
Bad debt in respect of consumer debtors accounts to the amount of R32,257,350 were written off during the 2016/2017 financial year and R13,392,510 were written off during the 2017/2018 financial year.		
<b>48. Unauthorised expenditure</b>		
Opening Balance	372,228,911	205,810,191
Less: amounts condoned with Council resolution A09/03/17 dated 31 March 2017	(205,810,191)	-
Unauthorized expenditure for the current year	73,449,043	166,418,720
Less amounts written off 2016/2017 financial year - Council resolution 12.3 - 29 June 2018	(166,418,720)	-
Less amounts written off 2017/2018 financial year - Council resolution 12.3 - 29 June 2018	(17,900,000)	-
	<b>55,549,043</b>	<b>372,228,911</b>
Unauthorized expenditure of R166,418,720 (2016/2017) and R73,449,043 (2017/2018) is the overspending of the total amounts appropriated in the municipality's budget for the financial year.		
The total operating budget amounted to R621,957,000 and the actual expenditure to R695,406,043 as at 30 June 2018.		
The total capital budget amounted to R368,089,000 and the actual expenditure to R241,235,133 as at 30 June 2018.		
<b>49. Fruitless and wasteful expenditure</b>		
<b>Reconcillation of fruitless and wasteful expenditure</b>		
Opening balance	235,566	211,590
Fruitless and wasteful expenditure for the current year	206,065	23,976
Less amounts written off 2016/2017 - Council resolution 12.3 - 29 June 2018	(235,566)	-
Less amounts written off 2017/2018 - Council resolution 12.3 - 29 June 2018	(99,333)	-
	<b>106,732</b>	<b>235,566</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>49. Fruitless and wasteful expenditure (continued)</b>		
Eskom	49,503	22,952
Watersol	28,823	-
KZN Transport	14,755	-
Telkom	180	1,024
Natal Joint Municipal Pension Fund	6,034	-
AZAR Attorneys	106,770	-
	<b>206,065</b>	<b>23,976</b>
Fruitless and wasteful expenditure in respect of Azar Attorneys amounting to R106,732 were not written off pending further investigation.		
<b>50. Irregular expenditure</b>		
Opening balance	55,681,855	711,657,392
Plus: Irregular expenditure - current year	371,813,039	217,793,221
Less: Irregular expenditure - prior year - identified in the current year	-	(136,014)
Less amounts written off 2016/2017 - Council resolution - A39/06/17	-	(873,632,744)
Less amounts written off 2017/2018 - Council resolution 12.3 - 29 June 2018	(55,681,855)	-
Less amounts written off 2017/2018 - Council resolution 12.3 - 29 June 2018	(126,220,150)	-
	<b>245,592,889</b>	<b>55,681,855</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.		
<b>Analysis of irregular expenditure per classification</b>		
Current year	371,813,039	217,657,207
Prior years	55,681,855	711,657,392
Less amounts written off 2016/2017 - Council resolution - A39/06/17	-	(873,634,744)
Less amounts written off 2017/2018 - Council resolution 12.3 - 29 June 2018	(55,681,855)	-
Less amounts written off 2017/2018 - Council resolution 12.3 - 29 June 2018	(126,220,150)	-
	<b>245,592,889</b>	<b>55,679,855</b>
<b>Irregular expenditure - corrections in respect of the previous financial year</b>		
Less than three quotations received	-	(136,014)
<b>Irregular expenditure - in respect of the current financial year</b>		
Section 36 deviations	-	576,404
Section 32 deviations	61,022,491	37,198,865
Non compliance with SCM regulations	194,661,497	76,702,680
Expired contracts	41,471,824	42,617,660
Drought relief expenditure	74,624,935	59,604,926
Less than three quotations received	32,292	1,092,686
	<b>371,813,039</b>	<b>217,793,221</b>
<b>Irregular expenditure</b>		
Irregular expenditure - corrections in respect of the previous financial year	-	(136,014)
Irregular expenditure incurred during the current financial year	371,813,039	217,793,221
	<b>371,813,039</b>	<b>217,657,207</b>

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>50. Irregular expenditure (continued)</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 No disciplinary steps taken and no criminal proceedings	873,632,744
Irregular expenditure incurred 2016/2017	No disciplinary steps taken and no criminal proceedings	55,681,855
Irregular expenditure incurred 2017/2018	No disciplinary steps taken and no criminal proceedings	126,220,150
		<b><u>1,055,534,749</u></b>
<b>Details of irregular expenditure written of</b>		
	Condoned by (condoning authority)	
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
Irregular expenditure 2017/2018	Council resolution - 12.3 - 29 June 2018	55,681,855
Irregular expenditure 2017/2018	Council resolution - 12.3 - 29 June 2018	126,220,150
		<b><u>1,055,534,749</u></b>
<b>51. Other liabilities "Advance receipts - transfers"</b>		
Advance receipts - transfers	8,602,484	8,602,484
National Treasury - in respect of the unspent Regional Bulk Infrastructure Grant as at 30 June 2017 - application for roll over from 2016/2017 to 2017/2018 disapproved	14,768,172	-
	<b><u>23,370,656</u></b>	<b><u>8,602,484</u></b>

Two transfer payments (R1,044,284) and (R7,558,200) was received on the 31st of March 2016. 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 what the funding was in respect of and whether it was a National or Provincial transfer.

To date the Municipality has been unable to establish the source of the R8,602,484 and it remains a liability as at 30 June 2018 until such time as the funder can be identified and the monies allocated accordingly.

As at year end 30 June 2017 the unspent position of the Regional Bulk infrastructure grant amounted to R67,063,172. The municipalities application for roll over was declined and National treasury informed the municipality that the amount will be recovered as follows.

- \* The first repayment against the December 2017 equity share allocation for the amount of R25.1 million.
- \* The second repayment against the March 2018 equity share allocation for the amount of R27.2 million.
- \* The third repayment will be against the July 2018 equity share allocation for the amount of R14.8 million.

Tho provide for this the municipality ceated National Treasury as a creditor at year end 30 June 2018.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>52. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	2,470,923	2,235,340
Amount paid - current year	(2,470,923)	(2,235,340)
	<u>-</u>	<u>-</u>
<b>Audit fees</b>		
Current year subscription / fee	2,989,767	2,494,036
Amount paid - current year	(2,989,767)	(2,494,036)
	<u>-</u>	<u>-</u>
<b>PAYE and UIF</b>		
Current year subscription / fee	41,301,776	34,314,889
Amount paid - current year	(41,301,776)	(34,314,889)
	<u>-</u>	<u>-</u>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	38,851,965	23,128,900
Amount paid - current year	(38,851,965)	(23,128,900)
	<u>-</u>	<u>-</u>
<b>53. Actual operating expenditure versus budgeted operating expenditure</b>		
Refer to "Statement of comparison of budget and actual amounts" for the comparison of actual operating expenditure versus budgeted expenditure.		
<b>54. Deviation from supply chain management regulations</b>		
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the unaudited annual financial statements.		
<b>55. Water Losses</b>		
<b>Estimated water losses for the year</b>		
Water losses - Quantity in kiloliters	<u>25,652,645</u>	<u>20,896,928</u>
<b>Estimated water losses for the year</b>		
Water losses - Cost (rands)	<u>161,167,807</u>	<u>127,653,102</u>

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

The estimation of water losses was done by comparing the production capacities of the water purification plants, obtained from Jeffares & 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.

# Uthukela District Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2018

## Notes to the Unaudited Annual Financial Statements

	2018 R	2017 R
<b>55. Water Losses (continued)</b>		
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.		
<b>Estimated water losses for the year (%)</b>		
Percentage water losses for the year	77	63
<b>56. Fraudulent activities</b>		
<b>Fraudulent activities</b>		
Payroll fraude - March 2012 to February 2014	4,592,424	4,592,424
Cashier shortages - Estcourt satellite office - May 2017	26,070	26,070
	<b>4,618,494</b>	<b>4,618,494</b>

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 22 were dismissed.

The employees in question referred the matter to arbitration. All cases which have been finalized were in favour of the Municipality. From the arbitration hearings two cases were referred to the Labour Court.

Council has 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 has been halted. There is doubt to the 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.

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**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2018**  
**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>Land and buildings</b>														
Land (Separate for AFS purposes)	4,770,771	-	-	-	-	-	4,770,771	-	-	-	-	-	-	4,770,771
Buildings (Separate for AFS purposes)	27,462,678	10,352,682	-	-	-	-	37,815,360	(1,795,894)	-	-	(1,208,543)	-	(3,004,437)	34,810,923
	<b>32,233,449</b>	<b>10,352,682</b>	-	-	-	-	<b>42,586,131</b>	<b>(1,795,894)</b>	-	-	<b>(1,208,543)</b>	-	<b>(3,004,437)</b>	<b>39,581,694</b>
<b>Infrastructure</b>														
Water and sewerage purification	2,426,154,683	222,954,106	(6,914,580)	-	-	-	2,642,194,209	(589,915,594)	3,922,571	-	(56,500,821)	(5,943,823)	(648,437,667)	1,993,756,542
	<b>2,426,154,683</b>	<b>222,954,106</b>	<b>(6,914,580)</b>	-	-	-	<b>2,642,194,209</b>	<b>(589,915,594)</b>	<b>3,922,571</b>	-	<b>(56,500,821)</b>	<b>(5,943,823)</b>	<b>(648,437,667)</b>	<b>1,993,756,542</b>
<b>Community Assets</b>														

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**Analysis of property, plant and equipment as at 30 June 2018**  
**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>														
<b>Other assets</b>														
General vehicles	54,467,909	7,418,901	(2,219,790)	-	-	-	<b>59,667,020</b>	(32,494,572)	1,359,991	-	(9,018,951)	-	<b>(40,153,532)</b>	19,513,488
Office equipment	2,580,034	-	(12,210)	-	-	-	<b>2,567,824</b>	(1,490,456)	4,219	-	(374,922)	-	<b>(1,861,159)</b>	706,665
Computer Equipment	5,141,799	119,296	(26,677)	-	-	-	<b>5,234,418</b>	(2,853,064)	17,416	-	(637,940)	-	<b>(3,473,588)</b>	1,760,830
Furniture & Fittings	4,171,449	741,200	(36,890)	-	-	-	<b>4,875,759</b>	(2,277,395)	21,746	-	(440,928)	-	<b>(2,696,577)</b>	2,179,182
Work in progress	407,945,652	276,214,220	-	(226,399,432)	-	<b>(2,308,049)</b>	<b>455,452,391</b>	-	-	-	-	-	-	455,452,391
	<b>474,306,843</b>	<b>284,493,617</b>	<b>(2,295,567)</b>	<b>(226,399,432)</b>	-	<b>(2,308,049)</b>	<b>527,797,412</b>	<b>(39,115,487)</b>	<b>1,403,372</b>	-	<b>(10,472,741)</b>	-	<b>(48,184,856)</b>	<b>479,612,556</b>



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**Analysis of property, plant and equipment as at 30 June 2018**  
**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	32,233,449	10,352,682	-	-	-	-	<b>42,586,131</b>	(1,795,894)	-	-	(1,208,543)	-	<b>(3,004,437)</b>	39,581,694
Infrastructure	2,426,154,683	222,954,106	(6,914,580)	-	-	-	<b>2,642,194,209</b>	(589,915,594)	3,922,571	-	(56,500,821)	(5,943,823)	<b>(648,437,667)</b>	1,993,756,542
Other assets	474,306,843	284,493,617	(2,295,567)	(226,399,432)	-	<b>(2,308,049)</b>	<b>527,797,412</b>	(39,115,487)	1,403,372	-	(10,472,741)	-	<b>(48,184,856)</b>	479,612,556
	<b>2,932,694,975</b>	<b>517,800,405</b>	<b>(9,210,147)</b>	<b>(226,399,432)</b>	-	<b>(2,308,049)</b>	<b>3,212,577,752</b>	<b>(630,826,975)</b>	<b>5,325,943</b>	-	<b>(68,182,105)</b>	<b>(5,943,823)</b>	<b>(699,626,960)</b>	<b>2,512,950,792</b>
<b>Agricultural/Biological assets</b>														
<b>Intangible assets</b>														
Computers - software & programming	786,556	-	-	-	-	-	<b>786,556</b>	(198,591)	-	-	(45,756)	-	<b>(244,347)</b>	542,209
	<b>786,556</b>	-	-	-	-	-	<b>786,556</b>	<b>(198,591)</b>	-	-	<b>(45,756)</b>	-	<b>(244,347)</b>	<b>542,209</b>
<b>Investment properties</b>														
<b>Total</b>														
Land and buildings	32,233,449	10,352,682	-	-	-	-	<b>42,586,131</b>	(1,795,894)	-	-	(1,208,543)	-	<b>(3,004,437)</b>	39,581,694
Infrastructure	2,426,154,683	222,954,106	(6,914,580)	-	-	-	<b>2,642,194,209</b>	(589,915,594)	3,922,571	-	(56,500,821)	(5,943,823)	<b>(648,437,667)</b>	1,993,756,542
Other assets	474,306,843	284,493,617	(2,295,567)	(226,399,432)	-	<b>(2,308,049)</b>	<b>527,797,412</b>	(39,115,487)	1,403,372	-	(10,472,741)	-	<b>(48,184,856)</b>	479,612,556
Intangible assets	786,556	-	-	-	-	-	<b>786,556</b>	(198,591)	-	-	(45,756)	-	<b>(244,347)</b>	542,209
	<b>2,933,481,531</b>	<b>517,800,405</b>	<b>(9,210,147)</b>	<b>(226,399,432)</b>	-	<b>(2,308,049)</b>	<b>3,213,364,308</b>	<b>(631,025,566)</b>	<b>5,325,943</b>	-	<b>(68,227,861)</b>	<b>(5,943,823)</b>	<b>(699,871,307)</b>	<b>2,513,493,001</b>

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**Appendix B**

June 2018

**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>Land and buildings</b>														
Land (Separate for AFS purposes)	4,770,772	-	-	-	-	-	<b>4,770,772</b>	-	-	-	-	-	-	4,770,772
Buildings (Separate for AFS purposes)	28,800,707	-	(1,338,028)	-	-	-	<b>27,462,679</b>	(1,379,641)	442,381	-	(858,636)	-	<b>(1,795,896)</b>	25,666,783
	<b>33,571,479</b>	-	<b>(1,338,028)</b>	-	-	-	<b>32,233,451</b>	<b>(1,379,641)</b>	<b>442,381</b>	-	<b>(858,636)</b>	-	<b>(1,795,896)</b>	<b>30,437,555</b>
<b>Infrastructure</b>														
Water purification	1,960,688,973	1,340,016	(1,775,306)	150,176,866	-	-	<b>2,110,430,549</b>	(402,247,442)	1,168,328	-	(44,102,072)	-	<b>(445,181,186)</b>	1,665,249,363
Sewerage purification	279,575,550	464,162	(4,240,650)	39,925,072	-	-	<b>315,724,134</b>	(139,015,178)	2,750,124	-	(8,469,353)	(313,985)	<b>(145,048,392)</b>	170,675,742
	<b>2,240,264,523</b>	<b>1,804,178</b>	<b>(6,015,956)</b>	<b>190,101,938</b>	-	-	<b>2,426,154,683</b>	<b>(541,262,620)</b>	<b>3,918,452</b>	-	<b>(52,571,425)</b>	<b>(313,985)</b>	<b>(590,229,578)</b>	<b>1,835,925,105</b>
<b>Community Assets</b>														
Fire, safety & emergency	810,512	-	-	-	-	-	<b>810,512</b>	(743,645)	-	-	-	-	<b>(743,645)</b>	66,867
	<b>810,512</b>	-	-	-	-	-	<b>810,512</b>	<b>(743,645)</b>	-	-	-	-	<b>(743,645)</b>	<b>66,867</b>

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

**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>														
<b>Other assets</b>														
General vehicles	56,581,527	-	(2,924,133)	-	-	-	<b>53,657,394</b>	(24,139,919)	781,985	-	(8,392,990)	-	<b>(31,750,924)</b>	21,906,470
Plant & equipment	93,255	-	-	-	-	-	<b>93,255</b>	(76,189)	-	-	(8,932)	-	<b>(85,121)</b>	8,134
Computer Equipment	4,671,539	451,608	(93,347)	-	-	-	<b>5,029,800</b>	(2,323,042)	78,990	-	(607,571)	-	<b>(2,851,623)</b>	2,178,177
Furniture & Fittings	3,863,704	444,254	(136,508)	-	-	-	<b>4,171,450</b>	(2,062,307)	109,435	-	(324,523)	-	<b>(2,277,395)</b>	1,894,055
Office Equipment	2,174,684	263,694	(67,508)	-	-	-	<b>2,370,870</b>	(979,461)	39,222	-	(271,781)	-	<b>(1,212,020)</b>	1,158,850
Work in progress	381,274,680	239,490,110	-	(190,101,937)	-	<b>(12,307,615)</b>	<b>418,355,238</b>	-	-	-	-	(10,409,583)	<b>(10,409,583)</b>	407,945,655
Lab equipment	227,906	-	-	-	-	-	<b>227,906</b>	(177,697)	-	-	(17,056)	-	<b>(194,753)</b>	33,153
	<b>448,887,295</b>	<b>240,649,666</b>	<b>(3,221,496)</b>	<b>(190,101,937)</b>	-	<b>(12,307,615)</b>	<b>483,905,913</b>	<b>(36,453,209)</b>	<b>1,009,632</b>	<b>6,694,594</b>	<b>(9,622,853)</b>	<b>(10,409,583)</b>	<b>(48,781,419)</b>	<b>435,124,494</b>

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

**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	33,571,479	-	(1,338,028)	-	-	-	<b>32,233,451</b>	(1,379,641)	442,381	-	(858,636)	-	<b>(1,795,896)</b>	30,437,555
Infrastructure	2,240,264,523	1,804,178	(6,015,956)	190,101,938	-	-	<b>2,426,154,683</b>	(541,262,620)	3,918,452	-	(52,571,425)	(313,985)	<b>(590,229,578)</b>	1,835,925,105
Community Assets	810,512	-	-	-	-	-	<b>810,512</b>	(743,645)	-	-	-	-	<b>(743,645)</b>	66,867
Other assets	448,887,295	240,649,666	(3,221,496)	(190,101,937)	-	<b>(12,307,615)</b>	<b>483,905,913</b>	(36,453,209)	1,009,632	6,694,594	(9,622,853)	(10,409,583)	<b>(48,781,419)</b>	435,124,494
	<b>2,723,533,809</b>	<b>242,453,844</b>	<b>(10,575,480)</b>	<b>1</b>	<b>-</b>	<b>(12,307,615)</b>	<b>2,943,104,559</b>	<b>(579,839,115)</b>	<b>5,370,465</b>	<b>6,694,594</b>	<b>(63,052,914)</b>	<b>(10,723,568)</b>	<b>(641,550,538)</b>	<b>2,301,554,021</b>
<b>Agricultural/Biological assets</b>														
<b>Intangible assets</b>														
Computers - software & programming	786,556	-	-	-	-	-	<b>786,556</b>	(133,182)	-	-	(65,409)	-	<b>(198,591)</b>	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	33,571,479	-	(1,338,028)	-	-	-	<b>32,233,451</b>	(1,379,641)	442,381	-	(858,636)	-	<b>(1,795,896)</b>	30,437,555
Infrastructure	2,240,264,523	1,804,178	(6,015,956)	190,101,938	-	-	<b>2,426,154,683</b>	(541,262,620)	3,918,452	-	(52,571,425)	(313,985)	<b>(590,229,578)</b>	1,835,925,105
Community Assets	810,512	-	-	-	-	-	<b>810,512</b>	(743,645)	-	-	-	-	<b>(743,645)</b>	66,867
Other assets	448,887,295	240,649,666	(3,221,496)	(190,101,937)	-	<b>(12,307,615)</b>	<b>483,905,913</b>	(36,453,209)	1,009,632	6,694,594	(9,622,853)	(10,409,583)	<b>(48,781,419)</b>	435,124,494
Intangible assets	786,556	-	-	-	-	-	<b>786,556</b>	(133,182)	-	-	(65,409)	-	<b>(198,591)</b>	587,965
	<b>2,724,320,365</b>	<b>242,453,844</b>	<b>(10,575,480)</b>	<b>1</b>	<b>-</b>	<b>(12,307,615)</b>	<b>2,943,891,115</b>	<b>(579,972,297)</b>	<b>5,370,465</b>	<b>6,694,594</b>	<b>(63,118,323)</b>	<b>(10,723,568)</b>	<b>(641,749,129)</b>	<b>2,302,141,986</b>

**Uthukela District Municipality**  
**Appendix E(1)**

**Yearly**

	<b>Current year 2018 Adjusted budget Rand</b>	<b>Current year 2018 Act. Bal. Rand</b>	<b>Variance Rand</b>	<b>Var</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
<b>Revenue</b>					
Service charges	273,566,000	177,077,705	96,488,295	54.5	Budget was not realistic and could not be achieved
Interest received (trading)	30,774,000	43,393,190	(12,619,190)	(29.1)	Interest increased due to increase in outstanding debt
Government grants - operating	300,254,000	369,840,706	(69,586,706)	(18.8)	Operating Grants
Government grants - capital	367,339,000	300,959,202	66,379,798	22.1	RBIG grant amount of R50,552,000 and RRAM grant amount of R1,227,391 disallowed due to underspending
Other income	6,212,000	7,220,750	(1,008,750)	(14.0)	More income was received than anticipated
Interest received - investment	8,000,000	4,191,714	3,808,286	90.9	Shortfall due to the shortage of surplus cash
Public contributions and donations	-	7,786,940	(7,786,940)	(100.0)	This was not budgeted for
	<b>986,145,000</b>	<b>910,470,207</b>	<b>75,674,793</b>	<b>8.3</b>	
<b>Expenses</b>					
Personnel	(251,092,000)	(253,202,908)	2,110,908	(0.8)	Not all vacant positions which were budgeted for were filled
Remuneration of councillors	(6,454,000)	(6,546,749)	92,749	(1.4)	When the budget was compiled the backpay in respect of Councillors upper limits which is adjusted every year were under estimated
Depreciation	(72,000,000)	(68,227,863)	(3,772,137)	5.5	Depreciation were over provided for
Impairments	-	(5,629,830)	5,629,830	(100.0)	Impairment of PPE was not budgeted for
Finance costs	(533,000)	(2,788,880)	2,255,880	(80.9)	Finance cost were under provided for
Debt Impairment	(76,395,000)	(109,458,724)	33,063,724	(30.2)	Debt impairment provision was more than anticipated due to the increase in outstanding debt
Collection costs	-	-	-	-	
Bad debt write off	-	(13,392,510)	13,392,510	(100.0)	This was not budgeted for
Repairs and maintenance - General	(42,025,000)	(30,056,455)	(11,968,545)	39.8	Repairs and maintenance included in general expenditure disclosed under note 4 "PPE"
Lease rental on operating leases	-	(836,040)	836,040	(100.0)	Budgeted under general expenditure
Bulk purchases	(6,255,000)	(3,439,550)	(2,815,450)	81.9	Bulk purchases were not accurately provided for
Contracted Services	(47,644,000)	(88,697,573)	41,053,573	(46.3)	Due to the drought water tankers were used to provide water in areas where communities could not be supplied with water through the reticulation network.
Transfers and Subsidies	(26,600,000)	-	(26,600,000)	-	Grant expenditure now disclosed by nature of expense under general expenditure
General Expenses	(92,959,000)	(109,244,747)	16,285,747	(14.9)	This was not accurately budgeted for.
	<b>(621,957,000)</b>	<b>(691,521,829)</b>	<b>69,564,829</b>	<b>(10.1)</b>	
<b>Other revenue and costs</b>					
Gain or loss on disposal of assets and liabilities	-	(3,884,205)	3,884,205	(100.0)	Loss on disposal of assets
Fair value adjustments on actuarial valuations	-	1,172,704	(1,172,704)	(100.0)	Actuarial valuations were performed at year end and the liability adjusted accordingly. Was not provided for in the budget
	-	(2,711,501)	2,711,501	(100.0)	
Net surplus/ (deficit) for the year	<b>364,188,000</b>	<b>216,236,877</b>	<b>147,951,123</b>	<b>68.4</b>	