

Unaudited Annual Financial Statements

for

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY

As at 30 June 2018

Province: KwaZulu Natal

AFS rounding: R (i.e. only cents)

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**ILEMBE DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
As at 30 June 2018**

General information (continued)

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ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY

(Registration number DC 29)

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data. The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The Accounting Officer acknowledges that she is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, she 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 endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints. The Accounting Officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year 1 July 2017 to 30 June 2018 and, in the light of this review and the current financial position, she is satisfied that the Municipality has access to adequate resources to continue in operational existence for the foreseeable future. The Consolidated Annual Financial Statements set out on pages 4 to 50, which have been prepared on the going concern basis, were approved by her on 30 June 2018.



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N G KUMALO

ACCOUNTING OFFICER

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
ANNUAL FINANCIAL STATEMENTS
As at 30 June 2018

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ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Note	GROUP 2018 R	IDM 2018 R	GROUP 2017	IDM 2017 R
ASSETS					
Current Assets					
Cash and cash equivalents	3	75,813,667	70,703,174	6,295,610	5,766,622
Trade and other receivables from exchange transac	2	108,629,846	103,009,156	101,557,521	96,827,171
Trade and other receivables from non exchange tra	4	36,198,724	36,172,374	27,423,456	27,423,456
Inventories	6	8,200,327	7,917,309	13,020,058	13,020,058
Total current assets		228,842,563	217,802,012	148,296,644	143,037,306
Non-current assets					
Non-current receivables	7	453,265	453,265	20,632	20,632
Long term Investments	8	27,286,429	27,286,429	25,809,873	25,809,873
Other non-current financial assets	5	-	100	-	100
Property, plant and equipment	10	2,487,155,607	2,463,076,210	2,259,585,311	2,234,604,507
Intangible assets	12	4,158,040	4,158,039	5,327,111	5,325,083
Heritage Assets	11	205,578	205,578	205,578	205,578
Biological assets	13	391,400	-	390,000	-
Total non-current assets		2,519,650,319	2,495,179,621	2,291,338,504	2,265,965,772
Total assets		2,748,492,882	2,712,981,634	2,439,635,148	2,409,003,079
LIABILITIES					
Current liabilities					
Trade and other payables from exchange transacti	14	198,908,757	196,821,722	236,269,770	234,300,058
Trade and other payables from non - exchange trar	15	16,611,222	15,779,853	6,558,917	962,942
Current portion of borrowings	16	2,110,760	2,110,760	5,475,551	5,475,551
Current portion of finance lease liability	17	953,465	953,465	14,124,319	14,124,319
Current portion of employee benefits	38	734,000	734,000	494,551	494,551
Total current current liabilities		219,318,204	216,399,802	262,923,109	255,357,421
Non-current liabilities					
Non-current borrowings	16	77,085,254	77,085,254	79,373,305	79,373,305
Non-current finance lease liability	17	1,902,247	1,902,247	-	-
Employee benefits	38	8,792,817	8,792,817	7,764,215	7,764,215
Total non-current liabilities		87,780,318	87,780,318	87,137,520	87,137,520
Total liabilities		307,098,522	304,180,119	350,060,629	342,494,942
Net assets		2,441,394,360	2,408,801,594	2,089,574,519	2,066,508,141
NET ASSETS					
Accumulated surplus		2,441,394,360	2,408,801,594	2,089,574,519	2,066,508,141
Total net assets		2,441,394,360	2,408,801,594	2,089,574,519	2,066,508,141

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
STATEMENT OF FINANCIAL PERFORMANCE
As at 30 June 2018

	Note	GROUP 2018	IDM 2018 R	GROUP 2017	IDM 2017 R
Revenue from exchange transactions		180,898,034	163,102,745	176,523,963	167,774,228
Service charges	18	130,251,315	130,251,315	136,637,461	136,637,461
Rental of facilities and equipment	19	75,763	9,676	85,244	13,244
Interest earned - external investments	20	8,359,539	8,086,492	3,107,911	2,854,791
Interest earned - outstanding receivables	21	15,452,338	15,452,338	18,997,572	18,997,572
Fines and Penalties	23.2	380,438	380,438		
Sale of produce	23.4	18,079,256	-	9,055,559	
Other income	23	8,299,386	8,922,486	8,640,216	9,271,161
Revenue from non exchange transactions		800,522,032	799,855,706	762,914,830	762,531,580
Government grants and subsidies	22	800,522,032	799,855,706	762,914,830	762,531,580
Total revenue		981,420,066	962,958,450	939,438,792	930,305,808
Expenses					
Employee related costs	24	200,765,089	186,408,391	185,749,993	173,684,174
Remuneration of councillors	25	8,405,692	8,405,692	8,020,646	8,020,646
Bad debts	2	41,676,124	41,676,124	40,241,279	40,241,279
Directors' attendance fees	25	550,856	-	563,686	-
Depreciation, impairment and amortisation exp	26	82,953,161	81,789,590	90,430,512	87,979,450
Finance costs	27	9,745,722	9,745,722	9,976,764	9,976,764
Bulk purchases	28	86,505,612	86,505,612	75,803,000	75,803,000
Contracted services	29	151,081,431	132,725,421	93,647,026	83,189,143.76
General expenses	31	94,181,317	111,903,016	103,937,280	120,962,390
Total expenses		675,865,006	659,159,569	608,370,186	599,856,847
Gain / (loss) on sale of assets		(379,364)	(340,819)	(823,952)	(20,314)
Forex gain/(loss)				78,247	78,247
		305,175,697	303,458,064	330,322,902	330,506,894

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
STATEMENT OF CHANGES IN NET ASSETS
As at 30 June 2018

Note	GROUP Accumulated Surplus/(Deficit) and Total	IDM Accumulated Surplus/(Deficit) Total
		R
Balance at 30 June 2016	1,847,366,601	1,827,293,292
Prior year adjustments	32 (92,904,303)	(90,604,710)
Restated balance	1,754,462,298	1,736,688,582
Net gains and losses not recognised in the statement of financial performance		-
<i>Other items</i>	-687,256	(687,256)
<i>Other items</i>		-
Transfers to / from accumulated surplus/(deficit)	5,476,577	(79)
Surplus / (deficit) for the period	330,322,902	330,506,894
Balance at 30 June 2017, as previously reported	2,089,574,520	2,066,508,140
Opening Balance, 1 July 2017	2,089,574,520	2,066,508,140
Correction of prior period error	32 45,813,445	38,004,734
Prior year adjustments		-
Restated balance	2,135,387,965	2,104,512,874
Net gains and losses not recognised in the statement of financial performance		
Transfers to / from accumulated surplus/(deficit)	830,700	830,700
Surplus / (deficit) for the period	305,175,697	303,458,064
Balance at 30 June 2018	2,441,394,361	2,408,801,594

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
CASH FLOW STATEMENT
As at 30 June 2018

	Note	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
Receipts		968,057,336	949,301,819	894,128,340	880,802,126
Sales of goods and services		132,829,086	115,803,698	113,884,228	113,884,228
Grants		835,228,250	833,498,121	780,244,112	766,917,898
Payments		(529,327,512)	(515,180,413)	(527,882,152)	(518,202,039)
Employee costs		207,815,710	193,459,012	192,403,143	179,773,639
Suppliers		321,511,803	321,721,402	335,479,009	338,428,400
CASH GENERATED FROM OPERATIONS	33	438,729,824	434,121,406	366,246,187	362,600,087
Interest received		8,359,539	8,086,492	3,107,911	2,854,791
Interest paid		(9,745,722)	(9,745,722)	(9,976,764)	(9,976,764)
Net cash flows from operating activities		437,343,641	432,462,176	359,377,334	355,478,114
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of fixed assets (PPE)		(333,914,248)	(338,518,602)	(360,554,474)	(356,957,612)
Proceeds from sale of fixed assets		-	-	198,862	198,862
Increase in investments		(6,380,870)	(1,476,557)	(1,390,163)	(1,390,163)
Purchase of intangibles		(196,800)	(196,800)	(1,884,400)	(1,884,400)
Decrease/(Increase) in Loans and receivables		-	-	-	-
Net cash flows from investing activities		(340,491,918)	(340,191,960)	(363,630,174)	(360,033,312)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(10,020,472)	(10,020,472)	(3,665,526)	(3,665,526)
Repayment of finance lease liability		(17,313,194)	(17,313,194)	(21,928,940)	(21,928,940)
Net cash flows from financing activities		(27,333,666)	(27,333,666)	(25,594,466)	(25,594,466)
Net increase / (decrease) in net cash and cash equivalents		69,518,057	64,936,551	(29,847,306)	(30,149,663)
Net cash and cash equivalents at beginning of period		6,295,610	5,766,623	36,142,916	35,916,286
Net cash and cash equivalents at end of period	34	75,813,667	70,703,174	6,295,610	5,766,623

ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
As at 30 June 2018

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)		Virement (Council Approved By-law)	Final Budget	Actual Income/ Expenditure	Variance	% Variance	Explanation of variances
		2	3						
	1	R	R	R	4	5	7	8	9
Service Charges	159,035,904	-28,094,791			130,951,113	130,251,315	-699,798	-1%	Accept the variance as immaterial
Investment Revenue	1,943,831	7,691,080	0		9,634,912	8,359,539	-1,275,373	-13%	Variance attributable to higher budget compared to actual interest earned, mostly due to low cash balance.
Transfers Recognised - Operational	441,250,000	19,000,055	0		460,250,055	559,489,059	99,239,004	22%	Variance within acceptable threshold
Other Own Revenue	43,603,738	10,019,501	0		53,623,238	42,287,181	-11,336,058	-21%	The variance is attributable to low interest raised on outstanding debtors.
Total Revenue (Excluding Capital Transfers)	645,833,473	8,625,845	0	0	654,459,318	740,387,094	85,927,776		
Employee Costs	204,889,225	-612,768			204,276,457	200,765,089	-3,511,368	-2%	Accept the variance as immaterial
Remuneration Of Councillors	11,809,498	-2,293,503			9,515,995	8,956,548	-559,447	-6%	Accept the variance as immaterial
Debt Impairment	44,232,410	0			44,232,410	41,676,124	-2,556,285	-6%	Accept the variance as immaterial
Depreciation & Asset Impairment	76,970,325	311,000			77,281,325	82,953,161	5,671,836	7%	Accept the variance as immaterial
Finance Charges	10,906,303	-1,444,506			9,461,797	9,745,722	283,924	3%	Accept the variance as immaterial
Bulk Purchases	84,465,519	-3,965,519			80,500,000	86,505,612	6,005,612	7%	Accept the variance as immaterial
Contracted Services	69,348,893	17,042,593			86,391,486	151,081,431	64,689,946	75%	Variance attributable to various items, the item for security due to escalations compared to the allowed budget. The distribution of water through water tankers.
Other Expenditures	139,324,619	2,016,337			141,340,956	94,181,317	-47,159,638	-33%	The variance is attributable to various items including electricity, consumables stock, etc.
Total Expenditure	641,946,793	11,053,633	0	0	653,000,426	675,865,006	22,864,580		
Surplus/(Deficit)	3,886,681	-2,427,788	0	0	1,458,892	64,522,088	63,063,195		

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Final Budget	Actual Income/Expenditure	Variance	% Variance	Explanation of variances
Transfers Recognised - Capital	392,626,000	-18,000,000	0	374,626,000	241,032,973	-133,593,027	-36%	2016/17 financial year and which is within the MTREF approved budget.
Contributions Recognised - Capital & Contributed Assets		0	0	0	0	0		
Surplus/(Deficit) After Capital Transfers & Contributions	396,512,681	-20,427,788	0	376,084,892	305,555,061	-70,529,832	#####	
Profit/(Loss)					-379,364			
Surplus/(Deficit For The Year	396,512,681	-20,427,788	0	376,084,892	305,175,697	-70,529,832		
Capital Expenditure & Funds Sources								
Capital Expenditure	343,970,175	-15,350,875	0	328,619,300	301,161,252	-27,458,048	-8%	Accept variance as immaterial
Transfers Recognised - Capital								The under-spending is attributable to
Internally Generated Funds	10,750,000	-2,066,123	0	8,683,877	4,995,848	-3,688,029	-42%	implementation of the austerity measures.
Total Sources Of Capital Funds	354,720,175	-17,416,998	0	337,303,177	306,157,100	-31,146,077		

1 BASIS OF PREPARATION

1.1 STATEMENT OF COMPLIANCE

These annual financial statements have been prepared in accordance with the effective South African Standards of Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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

1.2 BASIS OF MEASUREMENT

The annual financial statements have been prepared on the accrual basis except for the following material item in the statement of financial position:

the defined benefit liability is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

1.4 OFFSETTING

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.5 GOING CONCERN ASSUMPTION

These annual 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.

1.6 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income, expenses and other reports. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

Post-Retirement Benefits and Multi-Employer Retirement Benefit Plans

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 using the actuarial valuation. 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 that best approximated by reference to market yields at the reporting date on government 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 assumption for pension obligation are based on current market conditions. Additional information is disclosed in notes. The Municipality contributes to Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds. The Municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of financial statement are compiled for each fund not per employer. Further details of this plan is included in the notes to the Financial Statements.

Provision for impairment of trade receivables

The provision for impairment is measured as the difference between the assets' carrying amount and the present value of estimated recoverable future cash flow based on past recovery trends.

Non-cash generating and cash generating impairment testing

Management used the fair value less cost to sell to determine the recoverable amount of assets with an indefinite useful life and identifying assets that may have been impaired. Additional disclosure of these estimates is included in note – Impairment of assets

All assets owned/recognised by the municipality are held for the provision of basic service and are considered to be non-cash generated assets

Provision

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provision are included in notes to Financial Statements.

Provision are measured at the head of department's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

A provision is recognised when:

The municipality has a present obligation (legal or constructive) as a result of a past event;

It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

A reliable estimate can be made of the obligation.

1.7 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The municipality shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget. The municipality shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget (refer note 1.10).

1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The effective dates are currently unknown.

- GRAP 18 Segment Reporting
- GRAP 20 Related Party Disclosures
- GRAP 32 Service Concession Arrangements (Grantor)
- GRAP 34 Separate Financial
- GRAP 36 Investments in Associates
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interest in other Entities
- GRAP 108 Statutory Debtors
- GRAP 109 Standard of GRAP on Accounting by Principals
- GRAP 110 Living and Non living Resources

1.9 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The Minister has determined the following GRAP standards as approved effective:

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 The Effects of Changes in Foreign Exchange Rates
- GRAP 5 Borrowing Costs
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 7 Investments in Associates
- GRAP 8 Interest in Joint Ventures
- GRAP 9 Revenue from Exchange Transactions
- GRAP 10 Financial Reporting in Hyperinflationary Economies
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 16 Investment Property
- GRAP 17 Property Plant and Equipment
- GRAP 18 Segment Reporting
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 21 Impairment of Non-cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 26 Impairment of Cash-generating assets
- GRAP 27 Agriculture
- GRAP 31 Intangible Assets
- GRAP 100 Discontinued Operations
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 105 - Transfer of Functions Between Entities Under Common Control
- GRAP 106 Transfer of Functions Between Entities Not Under Common Control
- GRAP 107 Mergers

Interpretations of the standard of GRAP Approved and effective

- IGRAP1 Applying The Probability Test On Initial Recognition Of Revenue
- IGRAP2 Changes in Existing Decommissioning Restoration and Similar Liabilities
- IGRAP3 Determining Whether an Arrangement Contains a Lease
- IGRAP 4 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP5 Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
- IGRAP6 Loyalty Programmes
- IGRAP7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 Distributions of Non-cash Assets to Owners
- IGRAP10 Assets Received from Customers
- IGRAP11 Consolidation - Special Purpose Entities
- IGRAP12 Jointly Controlled Entities - Non-Monetary Contributions
- IGRAP13 Operating Leases - Incentives
- IGRAP14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP15 Revenue - Barrier Transactions Involving Advertising Services
- IGRAP16 Intangible Assets - Website Costs

Interpretations of the standard of GRAP Approved and not yet effective

- IGRAP17 Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
- IGRAP18 Interpretation of the Standard of GRAP on Recognition and Derecognition of Land
- IGRAP19 Liabilities to Pay Levies

1.10 PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The budget is mainly approved on a cash basis by functional classification. The approved budget covers the period from 1 July 2016 to 30 June 2017. The budget and accounting bases for some votes differ. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. The amounts of these adjustments are identified in note 41. A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the cash flow statement for the period ended 30 June 2017 is presented in note 41. The financial statements and budget documents are prepared for the same period. There is a basis difference: the budget is mainly prepared on a cash basis and the financial statements on the accrual basis. The reconciliation as required by GRAP 24 is also shown in note 41. The statement of comparison of budget and actual amounts is disclosed as a statement in the annual financial statements.

Differences between budget and actual amounts are regarded as material when a more than 10% variance exists.

All material differences are explained in the notes to the annual financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies had been applied consistently during the current and previous reporting period, as set out in note 1.2

2.1 PROPERTY, PLANT AND EQUIPMENT

2.1.1 INITIAL RECOGNITION

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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.1.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 Non-current assets held for sale and discontinued operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Heritage assets and land are not depreciated.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipality will obtain ownership by the end of the lease term.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	Years	Other	Years
Water	10 - 60	Machinery and equipment	3 - 20
Sewerage	10 - 60	Furniture and equipment	3 - 50
Other	10 - 50	Motor vehicles	4 - 20

An entity shall assess at each reporting date whether there is an indication that the entity's expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. No longer a requirement to review residual values and useful lives each year.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance - refer to note 19 for further information on impairment of assets.

2.1.4 DERECOGNITION

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.1.5 LEASED ASSETS

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset 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.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software and websites 2 - 5 Years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date - refer to note 19 for further information on impairment of assets. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 HERITAGE ASSETS

4.1 INITIAL RECOGNITION AND MEASUREMENT

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

Heritage assets are recognised as an asset when:

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

If the municipality holds an asset that might be regarded as a heritage asset, but on initial recognition, the asset does not meet the above recognition criteria because it cannot be measured reliably, relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.

On the date of initial recognition, heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

4.3 DEPRECIATION & IMPAIRMENT

Heritage assets are not depreciated. The municipality assesses at each reporting date whether there is any indication that a heritage asset may be impaired - refer to note 18 for further information on impairment of assets.

In assessing whether there is an indication that an asset may be impaired, the municipality considers, as a minimum, the following indications:

4.3.1 External sources of information

(a) During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

(b) The absence of an active market for a revalued heritage asset.

4.3.2 Internal sources of information

(a) Evidence is available of physical damage or deterioration of a heritage asset.

(b) A decision to halt the construction of the heritage asset before it is complete or in a usable form.

4.4 DERECOGNITION

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

5 INVENTORIES

5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

5.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

5.3 WATER INVENTORY

Water inventory represents water housed in reservoirs within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government, the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is a determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

Readings of water levels are taken at year-end, which is quantified at the above fair value.

Water and purified effluent are measured at the lowest of purified cost and net realisable value insofar as it is stored and controlled in reservoirs at year-end.

6 INVESTMENTS IN CONTROLLED ENTITIES

In the municipality's separate annual financial statements, investments in controlled entities are measured at cost.

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

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

cash;

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 with another entity under conditions that are potentially unfavourable to the entity.

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions. Financial assets are recognised using trade date accounting.

7.2 INITIAL MEASUREMENT

Financial instruments are initially measured at fair value and plus transaction costs for financial instruments at amortised cost or cost. Fair value is usually the transaction cost at the date of recognition. For financial instruments at amortised cost, if the transaction cost is not market related i.e. no interest is charged for deferred payments or when the account is overdue, or interest charged is at below-market related rate, the municipality determines the fair value. The fair value is the present value of the expected future cash flows, without taking into account any future losses or the possibility of default, discounted using a market related interest rate, adjusted for credit risk over the expected life of the financial instrument. For financial instruments at fair value, the fair value is determined based on quoted prices in an active market. If there is no active market, it is determined using valuation techniques. For financial instruments at cost, the financial instrument is only measured at cost if the fair value can not be measured reliably. Where a financial instrument contains both a liability and a residual interest component, the municipality allocates the instrument into its component parts. The municipality recognises the liability at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its components.

7.3 SUBSEQUENT MEASUREMENT

Financial assets and liabilities are subsequently measured either at fair value, or amortised cost or cost using the following categories:

- (a) Financial instruments at fair value
- (b) Financial instruments at amortised cost
- (c) Financial instruments at cost

7.3.1 FINANCIAL INSTRUMENTS AT FAIR VALUE

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, financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost and non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition. Financial instrument at fair value are subsequently measured at fair value with changes in fair value recognised in surplus or deficit.

7.3.2 FINANCIAL INSTRUMENTS AT AMORTISED COST

Financial instruments at amortised cost, are non-derivative financial assets or financial liabilities that have fixed or determinable payments, excluding those the municipality designates at fair value at initial recognition or are held for trading. Financial instruments at amortised cost are subsequently measured at amortised cost using effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated cash flows associated with the financial instrument through the expected life of the instrument (or in some cases a shorter period) to the net carrying amount at initial recognition. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

7.3.3 FINANCIAL INSTRUMENTS AT COST

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 cost are subsequently measured at cost if the fair value cannot be reliably determined. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

7.4 RECLASSIFICATIONS

The municipality does not reclassify a financial instrument when it is issued or held, except for a combined instrument that is required to be measured at fair value or an investment in residual interest subject to certain requirements.

7.5 GAINS AND LOSSES

Gains and losses on fair value measurements, reclassifications, impairment, derecognition are recognised in surplus or deficit.

7.6 IMPAIRMENT AND UNCOLLECTABILITY OF FINANCIAL ASSETS

Financial assets are subject to annual impairment review as follows:

7.6.1 FINANCIAL ASSETS AT AMORTISED COST

For financial assets at amortised cost, the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset, (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The impairment loss is recognised in surplus or deficit by reducing the carrying amount either directly or through the use of an allowance account. If, in a period after an impairment loss has been recognised, events occur or circumstances change that indicate that the impairment loss recognised in a previous period should be reversed, the municipality reverses the impairment loss previously recognised either directly or by adjusting an allowance account.

7.6.2 FINANCIAL ASSETS AT COST

For financial assets at cost, the municipality assesses whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for similar financial assets. The impairment loss is recognised in surplus or deficit by reducing the carrying amount directly. The impairment loss is never reversed in subsequent periods.

7.7 DERECOGNITION

7.7.1 FINANCIAL ASSETS

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when

- (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality shall:
 - (i) derecognise the asset; and
 - (ii) recognise separately any rights and obligations created or retained in the transfer.

7.7.2 FINANCIAL LIABILITIES

The municipality removes a financial liability from its statement of financial position when, and only, it is extinguished. A financial liability is extinguished when the debtor either:

- (a) Discharges the liability by paying the creditor, normally with cash, other financial liabilities, goods or services;
 - (b) is legally released from primary responsibility for the liability either by process (expies) of law or by the creditor (cancelled). If the debtor has given a guarantee, this condition may still be met.
 - (c) Waives the debt or it is assumed by another municipality by way of a non- exchange transaction.
- Interest, dividends or similar distributions, losses and gains relating to a financial instrument or a component that is a financial liability should be recognised as revenue or expense in surplus or deficit. A financial asset and a financial liability should be offset and the net amount presented in the statement of financial position when and when, the municipality:
- (i) Currently has a legally enforceable right to set off the recognised amounts; and
 - (ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

8 FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

9 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is defined in section 1 of the MFMA as follows:

"unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act.

9.1 IDENTIFICATION AND INTERNAL REPORTING

Unauthorised expenditure is identified through the municipality's financial system application controls. On identification of the unauthorised expenditure due to overspending on specific votes, the relevant Head of department is notified, where funds are available on other votes within the directorate, virements are made within the provisions of the virement policy. If after the provisions of the virement policy are applied, the unauthorised expenditure still remains/exists, it is recorded in the unauthorised expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

9.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Unauthorised expenditure that is incurred before the adjustment budget process is finalised is condoned by council through the adjustment budget. Unauthorised expenditure that is incurred after the adjustments budget is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the unauthorised expenditure as irrecoverable and write - off, the unauthorised expenditure is disclosed in the notes to the financial statements as condoned by council. Where MPAC determines after investigation, that the unauthorised expenditure must be recovered from the relevant official, the unauthorised expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the unauthorised expenditure note as unauthorised expenditure incurred in the current financial year.

9.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any unauthorised expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such unauthorised expenditure; and
- (c) The steps that have been taken:
 - (i) To recover or rectify such expenditure; and
 - (ii) To prevent a recurrence of such expenditure

10 IRREGULAR EXPENDITURE

Irregular expenditure is defined in section 1 of the MFMA as follows:

"irregular expenditure", in relation to a municipality or municipal entity, means—

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

10.1 IDENTIFICATION AND INTERNAL REPORTING

Every expenditure item is reviewed before payment is made to identify any instances of non-compliance with the relevant Acts and supply chain management policy of the municipality. Where an expenditure item is identified as irregular expenditure, it is recorded in the irregular expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

10.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Irregular expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the irregular expenditure as irrecoverable and write - off, the irregular expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the irregular expenditure must be recovered from the relevant official, the irregular expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the irregular expenditure note as irregular expenditure incurred in the current financial year.

10.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any irregular expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such irregular expenditure; and
- (c) The steps that have been taken:
 - (i) To recover or rectify such expenditure; and
 - (ii) To prevent a recurrence of such expenditure

11 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as follows:

"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

11.1 IDENTIFICATION AND INTERNAL REPORTING

Every expenditure item is reviewed before payment is made to identify whether it meets the definition of fruitless and wasteful expenditure. Where an expenditure item is identified as fruitless and wasteful expenditure, it is recorded in the fruitless and wasteful expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

11.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Fruitless and wasteful expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the fruitless and wasteful expenditure as irrecoverable and write - off, the fruitless and wasteful expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the fruitless and wasteful expenditure must be recovered from the relevant official, the fruitless and wasteful expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the fruitless and wasteful expenditure note as fruitless and wasteful expenditure incurred in the current financial year.

11.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any irregular expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such fruitless and wasteful expenditure; and
- (c) The steps that have been taken:
 - (i) To recover or rectify such expenditure; and
 - (ii) To prevent a recurrence of such expenditure

12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

13 LEASES

13.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

13.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.
The tariff in respect of sewerage is based on the value of consumption used from one point of meter supply

14

REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Further adjustments are made to take into account staggered tariffs where applicable. The estimates of consumption between meter readings are based on 6 months average reading history.

Service charges from sewerage and sanitation are based on the value of consumption used from one point of meter supply and this is set out in the tariffs of charges approved by Council.

Revenue from the sale of water prepaid meter cards is recognized based on consumption except where a reliable estimate cannot be made after every reasonable effort to gather appropriate information had been made. In these instances, revenue is recognized at the point of sale.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.2 REVENUE FROM NON - EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions are transactions where the municipality receives revenue and provide no or a nominal consideration directly in return.

A transaction can be a combination of exchange and non-exchange transactions. In these instances the municipality determines what portion of the transaction is an exchange transaction and what portion is a non-exchange transaction and then recognise it separately.

Most non-exchange transactions that the municipality enters into involve stipulations on transferred assets are in terms in laws or regulations, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality. Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions the municipality may be required to use the transferred asset for a particular purpose. The municipality uses substance over form to determine whether a stipulation is a condition or restriction.

14.3 RECOGNITION

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognised as an asset when all of the following criteria have been satisfied.

- When the resource is controlled by the entity as a result of a past event,
- It is probable that the future economic benefits or service potential associated with the resource will flow to the municipality; and
- The fair value of the resource can be measured reliably.

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

Liabilities are recognised for conditions to be met which is attached to the transferred asset. The liability is discharged and revenue recognised as the conditions are satisfied.

The municipality does not recognise service in - kind.

The municipality recognises revenue from vat refunds on cash basis.

14.4 MEASUREMENT

Non-monetary assets such as property, plant and equipment, investment property and inventory, acquired through a non-exchange transaction, are initially measured at its fair value on acquisition date.

Monetary assets arising out of a contractual agreement, such as cash and receivables, are initially measured at fair value on acquisition date.

Revenue is measured at the amount equal to the increase in net assets (i.e. the net effect)

The amount recognised as a liability is the best estimate of the amount required to settle the present obligation at the reporting date.

Revenue from vat refunds is measured at gross amounts.

15

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

16

EMPLOYEES BENEFITS

16.1 SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

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

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

16.2 POST-EMPLOYMENT BENEFITS

16.2.1 DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after end of the period in which the employees render the related service, they are discounted using a risk-free rate determined by reference to market yields at the reporting date on government bonds, or by reference to market yields on high quality corporate bonds. The municipality contributes to various national and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

16.2.2 DEFINED BENEFITS PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine its present value. 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 reduced by the fair value of plan assets.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the municipality. An economic benefit is available to the municipality if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

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. The expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in surplus or deficit on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in surplus or deficit.

The municipality immediately recognises all actuarial gains and losses arising from defined benefit plans directly in net assets.

16.2.3 OTHER LONG - TERM BENEFITS PLANS

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

16.2.4 TERMINATION BENEFITS

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

17 VALUE ADDED TAX (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis.

18 IMPAIRMENT OF ASSETS

Primary objective for cash generating assets is to generate a commercial return and the primary objective for non-cash generating asset is service delivery. The municipality uses the following sets of questions as a criteria to distinguish between cash generating and non-cash generating assets:

- Was the asset acquired to generate a commercial return?
- Does the asset operate independently from other assets?
- Does the asset generate cash flows independently from other assets?

If the answer is yes to all of these questions, then the municipality accounts for the asset as a cash generating asset. If the above criteria is not met, the municipality accounts for the asset as non-cash generating asset.

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a non-cash generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable carrying amount is higher of its fair value less cost to sell and its value in use.

Value in use of a cash generating asset is determined as 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. Value in use of a non-cash generating asset is determined as the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2018

TRADE AND OTHER RECEIVABLES 2 FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for Bad debts	Net Balance	IDM Total
	R			
Trade receivables				
As at 30 June 2018				
Service debtors				
Water and Sewerage	273,390,840	186,482,910	86,907,930	86,907,930
Direct Deposits	(2,010,795)	-	(2,010,795)	(2,010,795)
Total	271,380,045	186,482,910	84,897,135	84,897,135
Other Receivables				
Umngeni water debtor		-	-	
Department of Education	5,325,361		5,325,361	
Accrued interest	749,373	-	749,373	749,373
Ilembe Enterprise		-	-	
Outstanding deposits	2,073,133	-	2,073,133	2,073,133
Sundry Debtors	10,832,235		10,832,235	10,536,906
Other debtors	4,752,609	-	4,752,609	4,752,609
RD Cheques	-	-	-	-
Sundry Debtors - F/W Expenditure	76,804	76,804	-	-
Acknowledgement of debt	-	-	-	-
Vat receivable	-	-	-	-
Total other Receivables	23,809,514	76,804	23,732,710	18,112,020
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.				
Total Trade and other receivables	295,189,560	186,559,714	108,629,846	103,009,156

As at 30 June

Service debtors

Water and Sewerage	229,180,297	144,325,200	84,855,096	84,855,096
Direct Deposits	(875,772)	-	(875,772)	(875,772)
Total	228,304,525	144,325,200	83,979,325	83,979,325

Other receivables

Umngeni water debtor	67,122	-	67,122	67,122
Department of Education	4,271,492		4,271,492	
Accrued interest	291	-	291	291
Outstanding deposits	868,962	-	868,962	868,962
Sundry Debtors	4,151,851		4,151,851	4,151,851
RD Cheques	-	-	-	-
Sundry Debtors - F/W Expenditure	538,879	533,864	5,015	5,015
Other debtors	6,557,756	-	6,557,756	6,446,558
Acknowledgement Of Debts	209,513	-	209,513	209,513
Vat receivable	1,446,195	-	1,446,195	1,098,535
Other receivables	18,112,060	533,864	17,578,196	12,847,846

Total Trade and other receivables **246,416,585** **144,859,064** **101,557,521** **96,827,171**

Summary of Debtors by Customer Class

	Residential	Industrial/Comm ercial	National and Provincial Government
	R	R	R
As at 30 June 2018			
Current (0 – 30 days)	8,347,904	1,972,255	2,379,166
31 - 60 Days	17,189,276	481,361	1,319,814
61 - 90 Days	10,128,801	188,552	1,030,286
91 - 120 Days	6,401,878	137,460	725,134
121 - 365 Days	13,584,214	98,812	502,944
+ 365 Days	192,084,913	1,459,353	15,358,717
Sub-total	247,736,987	4,337,792	21,316,061
Less: Provision for doubtful debts	(186,482,910)	-	-
Total debtors by customer classification	61,254,077	4,337,792	21,316,061

At 30 June 2017

Current (0 – 30 days)	6,657,275	1,809,961	2,372,573
31 - 60 Days	6,485,981	520,036	927,292
61 - 90 Days	6,253,168	269,574	773,444
91 - 120 Days	6,087,848	211,925	520,826
121 - 365 Days	6,185,592	190,011	543,909
+ 365 Days	190,180,557	3,078,484	17,969,308
Sub-total	221,850,420	6,079,990	23,107,352
Less: Provision for doubtful debts	(144,325,200)	-	-
Total debtors by customer classification	77,525,220	6,079,990	23,107,352

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
Water and Sewerage: Ageing				
Current (0 – 30 days)	12,699,325	12,699,325	10,839,809	10,839,809
31 - 60 Days	18,990,450	18,990,450	7,933,309	7,933,309
61 - 90 Days	11,347,639	11,347,639	7,296,186	7,296,186
91 - 120 Days	7,264,472	7,264,472	6,820,599	6,820,599
121 - 365 Days	14,185,970	14,185,970	6,919,511	6,919,511
+ 365 Days	208,902,984	208,902,984	189,370,883	189,370,883
Total	273,390,840	273,390,840	229,180,297	229,180,297

Reconciliation of the doubtful debt provision

Balance at beginning of the year	144,859,064	144,859,064	132,337,373	132,337,373
Contributions to provision	41,676,124	41,676,124	40,241,279	40,241,279
Bad debts recovered/ Consumer Accounts Adjustments	3,039,733	3,039,733	(1,242,920)	(1,242,920)
Doubtful debts written off against provision	(3,015,207)	(3,015,207)	(26,476,668)	(26,476,668)
Waiver of Debt (Mandeni) applied against the provision	-	-	-	-
Balance at end of year	186,559,714	186,559,714	144,859,064	144,859,064

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Petty cash and cash on hand	44,870	44,000	44,344	44,000
Credit Card			8,640	
Bank statement balance	75,768,796.60	70,659,174.18	6,242,626	5,722,622
	75,813,667	70,703,174	6,295,610	5,766,622

The Municipality has the following bank accounts: -

Water Bank Account

*ABSA Bank Account - Durban Branch
Account Number 4057878321 - Current Account*

Cash book balance at beginning of year	24,088	24,088	24,088	(167,655)
Cash book balance at end of year	24,088	24,088	24,088	24,088
Bank statement balance at beginning of year	856,768	856,768	856,768	665,025
Bank statement balance at end of year	1,963,162	1,963,162	856,768	856,768

Salaries Bank Account

*First National Bank - Durban Branch
Account Number 62006302385 - Current Account*

Cash book balance at beginning of year	(1,847,676)	(1,847,676)	46,022	46,022
Cash book balance at end of year	1,553,521	1,553,521	(1,847,676)	(1,847,676)
Bank statement balance at beginning of year	32,506	32,506	46,022	46,022
Bank statement balance at end of year	1,572,176	1,572,176	32,506	32,506

Main Bank Account

*First National Bank Account - Durban Branch
Account Number 50851211546 : Current Account*

Cash book balance at beginning of year	1,506,472	1,506,472	(861,487)	(861,487)
Cash book balance at end of year	20,746,862	20,746,862	1,506,472	1,506,472
Bank statement balance at beginning of year	1,523,674	1,523,674	10,082	10,082
Bank statement balance at end of year	20,759,130	20,759,130	1,523,674	1,523,674

Revenue Bank Account

*First National Bank - Durban Branch
Account Number 62409366722 : Current Account*

Cash book balance at beginning of year	1,243,347	1,243,347	2,459,601	2,459,601
Cash book balance at end of year	14,966,407	14,966,407	1,243,347	1,243,347
Bank statement balance at beginning of year	414,843	414,843	912,060	912,060
Bank statement balance at end of year	12,963,561	12,963,561	414,843	414,843

Projects Bank Account

*First National Bank - Durban Branch
Account Number 62046718641 - Current Account*

Cash book balance at beginning of year	91	91	212,664	212,664
Cash book balance at end of year	70,437	70,437	91	91
Bank statement balance at beginning of year	51	51	34,002,174	34,002,174
Bank statement balance at end of year	95,908	95,908	51	51
Inter Bank Transfers	-	-	881,679	881,679

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
Enterprise Ilembe Rocablox - Trust Bank Account				
First National Bank Account - Kloof Branch Account Number 62347813471 - Current Account				
Cash book balance at beginning of year	205,219		205,998	-
Cash book balance at end of year	205,218		205,219	-
Bank statement balance at beginning of year	205,219		205,998	-
Bank statement balance at end of year	205,218		205,219	-
 Enterprise iLembe FNB Main Account - Stanger Branch				
<i>First National Bank Account - Account Number 62347809272- Current Account</i>				
Cash book balance at beginning of year	308,223		20 187	-
Cash book balance at end of year	91		308,223	-
Bank statement balance at beginning of year	308,223		20 187	-
Bank statement balance at end of year	91		308,223	-
11.2.4 First National Bank Account - Business Investment Desk Branch				
<i>Account Number 62602914138 - Call Account</i>				
Cash book balance at beginning of year	6,563		-	-
Cash book balance at end of year	16111.41		6,563	-
Bank statement balance at beginning of year	6,563		-	-
Bank statement balance at end of year	16111.41		6,563	-
Investment Current Account				
<i>ABSA Bank Account - Durban Branch Account Number 9114541258 : Call Account</i>				
Bank statement balance at the beginning of the year	1 134	1 134	1 180	1 180
Bank statement balance at the end of the year	831	831	1 134	1 134
Investment Current Account				
<i>FNB Bank Call Account - Business Nstd : Call account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	6 362 957	6 362 957	-	-
Investment Current Account				
<i>ABSA Bank Account - Durban Branch Account Number 9095950633 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	26	26
Bank statement balance at the end of the year	-	-	-	-
Investment Current Account				
<i>FNB Call Account - Account Number 61085067093 - Call Account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	9 996 661	9 996 661	-	-
Investment Current Account				
<i>First National Bank Account - Durban Branch Account Number 61085067093 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	19	19
Bank statement balance at the end of the year	-	-	-	-

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2018

	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<u>Investment Current Account</u>				
<i>First National Bank Account - Durban Branch Account Number 62758088746 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	14 857 081	14 857 081	-	-
<u>Investment Current Account</u>				
<i>First National Bank Account Number 62313562309 : Call Account</i>				
Bank statement balance at the beginning of the year	2 011 967	2 011 967	-	-
Bank statement balance at the end of the year	1 108 822	1 108 822	2 011 967	2 011 967
<u>Investment Current Account</u>				
<i>First National Bank Account - Durban Branch Specify (INVESTEC BANK (1100435877457)); Call Account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	978 885	978 885	-	-
<u>Investment Current Account</u>				
<i>Rand Merchant Bank Account Account Number XS021900669 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	235 700	235 700
Bank statement balance at the end of the year	-	-	-	-
<u>11.2.1 First National Bank Account - Business Investment Desk Branch</u>				
<i>Account Number 74767676876 Fixed Maturity Notice</i>				
Cash book balance at beginning of year	-			
Cash book balance at end of year	1,003,710			
Bank statement balance at the beginning of the year	-			
Bank statement balance at the end of the year	1,003,710			
<u>11.2.2 First National Bank Account - Business Investment Desk Branch</u>				
<i>Account Number 74767678161 Fixed Maturity Notice</i>				
Cash book balance at beginning of year	-			
Cash book balance at end of year	1,000,000			
Bank statement balance at beginning of year	-			
Bank statement balance at end of year	1,000,000			
<u>11.2.3 First National Bank Account - Business Investment Desk Branch</u>				
<i>Account Number 74769875781 Fixed Maturity Notice</i>				
Cash book balance at beginning of year	-			
Cash book balance at end of year	805,994			
Bank statement balance at beginning of year	-			
Bank statement balance at end of year	805,994			

IEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2018

	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
11.2.5 Investec - Grayston Drive Branch				
Account Number 1100546992530 Business Top5				
Cash book balance at beginning of year	-			
Cash book balance at end of year	2,078,498			
Bank statement balance at beginning of year	-			
Bank statement balance at end of year	2,078,498			
Credit card			8 640	
Petty cash and cash on hand	44,870	44,000	44,344	44,000
Total investments	38,209,551	33,305,238	2,019,665	2,013,102
Bank Statement Balance	37,559,246	37,353,937	3,341,282	2,827,841
Cash book balance at beginning of year	2,374,426	1,852,001	2,373,230	1,852,001
Cashbook balance at year end	37,611,494	37,405,315	2,374,426	1,852,001

4 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Ndwedwe Local Municipality (Town Development)	-	-	-	-
Deposits	26,350			
Department of Water & Sanitation (Emergency Drou)	-	-	-	-
Department of Cooperative Governance & Tradition:	33,197,109	33,197,109	-	-
Department of Water & Sanitation (MWIG)	2,975,265	2,975,265	-	-
Department of Water Affairs (RBIG/LTBWSS)			27,423,456	27,423,456
Total Other Debtors	36,198,724	36,172,374	27,423,456	27,423,456

5 OTHER NON-CURRENT FINANCIAL ASSETS

Investments in municipal entity - Enterprise Iembe Develop	-	100	-	100
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6 INVENTORIES

Opening balance of inventories:	13,020,058	13,020,058	13,020,058	13,020,058
Consumable stores - at Net Replacement Cost	12,109,477	12,109,477	12,109,477	12,109,477
Water	910,581	910,581	910,581	910,581
Movements:	(5,102,749)	(5,102,749)	-	-
Consumable stores	(5,338,285)	(5,338,285)	-	-
Water	235,537	235,537	-	-
Closing balance of Inventories:	8,200,327	7,917,309	13,020,058	13,020,058
Consumable stores	7,054,209	6,771,191	12,109,477	12,109,477
Water	1,146,118	1,146,118	910,581	910,581

7 NON-CURRENT RECEIVABLES

Staff loans	91,164	91,164	257,126	257,126
Councillor A Baardman Salary Overpayment	362,102	362,102		
Less: Provision for bad debts	-		(236,494)	(236,494)
Total	453,266	453,266	20,632	20,632

These loans were as a result of bursaries granted to certain staff members as part of a bursary scheme approved by council in previous financial years.

8 INVESTMENTS

Financial Instruments				
ABSA zero coupon investment	27,286,429	27,286,429	25,809,873	25,809,873
This investment has been ceded as security against the long term loan from ABSA disclosed in Note 16				

NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2018

10 PROPERTY, PLANT AND EQUIPMENT

10.1 Reconciliation of Carrying Value

	Land		Buildings		Agriculture PPE		Infrastructure Water & Sewer		Other Assets		Finance lease assets		Total		IDM Total		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
As at 1 July 2017	3,242,908	10,488,546	18,162,558	2,208,805,285	28,383,920	1,334,755	2,237,437,174										
Cost/Revaluation	3,242,908	19,413,153	24,733,393	2,646,467,194	28,534,643	41,055,594	2,731,246,153										
Correction of prior year error (note 31) - C	-	(306,086)	-	(3,613,436)	(4,369,735)	-	(8,289,258)										
Correction of prior year error (note 31) - A	-	284,718	-	1,906,094	8,931,112	-	11,121,924										
Accumulated depreciation and impairment	-	(8,903,238)	(6,570,836)	(435,954,566)	(12,712,100)	(39,720,838)	(496,641,646)										
Acquisitions	-	53,247	-	-	508,913	3,328,957	3,891,117										
Capital under Construction	-	-	-	302,431,862	-	-	302,431,862										
Depreciation	-	(1,156,514)	(968,186)	(74,219,589)	(3,029,160)	(1,936,840)	(80,148,190)										
Carrying value of disposals	-	-	-	-	(98,728)	(293,012)	(391,741)										
Cost/Revaluation	-	-	-	-	(662,167)	(41,025,594)	(41,687,761)										
Accumulated depreciation and impairment	-	-	-	-	563,439	40,732,581	41,021,222										
Impairment loss/Reversal of impairment loss	-	-	-	116,682	-	-	116,682										
Transfers	-	13,874,638	-	(13,874,638)	-	-	(0)										
Other movements	-	-	-	-	-	-	-										
As at 30 June 2018	3,242,908	23,259,919	17,194,372	2,423,259,603	17,764,944	2,433,859	2,487,155,607										
Cost/Revaluation	3,242,908	33,034,953	24,733,393	2,831,410,982	32,942,766	3,358,957	3,000,457,054										
Accumulated depreciation and impairment	-	(9,775,034)	(7,539,021)	(508,151,378)	(15,177,821)	(925,098)	(537,300,642)										

Assets Under Construction is made of the following:

	GROUP	IDM
Balcome/Kwasizabantu	69,866,255	69,866,255
Building Alterations	1,112,939	1,112,939
Driefontein Water Borne Sewer	1,566,309	1,566,309
EPWP	5,424,503	5,424,503
Groutville Rural Housing	89,814,256	89,814,256
Intelligent Meters	70,371,494	70,371,494
Inyoni Housing Bulk Sewer Supply	4,758,790	4,758,790
Inyoni Housing Bulk Water Supply	31,056,558	31,056,558
Maccambini Water Supply	79,712,859	79,712,859
Mandeni WC & Demand MNGT	4,347,913	4,347,913
MWIG	179,403,396	179,403,396
Nat Disaster Man Cent: Drought	6,511,457	6,511,457
Ndulinde Water Supply	31,649,409	31,649,409
Ndwedwe Town Development	20,721,364	20,721,364
Ngcebo/Kwadukuza Bulk Water Supply	115,202,220	115,202,220
Ozwalini/Phambela Water	5,139,496	5,139,496
Regional Bulk Offtakes	211,460,934	211,460,934
Southern Regional Bulk Water Sewer	924,391	924,391
Sundumbili Waste water Upgrade	1,759,620	1,759,620
Telemetry System	1,893,754	1,893,754
Wosiyane Extension	6,244,397	6,244,397
Buildings	818,811	-
Biodiesel Equipment	5,777,329	-
Broadband	522,1181	-
	950,759,632	938,942,311

Capital Projects - Cancelled/Delays in

Name of the Project	GROUP		IDM	
	R	R	R	R
There were no delayed or cancelled Capital Projects				
Asset under Construction				
Opening Balance at 1 July 2016		750,879,142		738,493,421
Additions		302,233,213		200,448,890
		354,178,478		354,343,580
Transferred to completed projects		(153,900,690)		(153,900,690)
Closing Balance at 30 June 2017		1,053,112,355		938,942,311

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for year ended 30 June 2016

10.2 Reconciliation of Carrying Value

	Land		Buildings		Agriculture PPE		Infrastructure Water & Sewer		Assets Under Construction		Other Assets		Finance lease assets		Total		IDM Total		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
As at 1 July 2016	3,242,908	10,479,697	18,917,254	1,187,469,328	738,493,421		10,356,914	15,039,506	1,983,999,032		1,959,139,919								
Cost/Revaluation	3,242,908	18,594,342	24,475,905	1,553,883,172	738,493,421		23,609,741	40,690,454	2,402,989,943		2,372,163,579								
Correction of prior year error (note 31) - Cost	-	-	-	-	-		102,174	-	102,174										
Accumulated depreciation and impairment losses	-	-	2,278,323	(3,635,724)	-		22,053	-	(1,335,348)		(3,635,724)								
Accumulated depreciation and impairment losses	-	(8,114,644)	(7,836,974)	(362,778,117)	-		(13,377,053)	(25,660,948)	(417,757,736)		(409,387,932)								
Acquisitions	-	818,811	303,836	-	-		7,343,224	365,140	8,831,011		7,512,468								
Capital under Construction	-	-	-	-	354,349,580		198,649	-	354,548,229		354,548,229								
Depreciation	-	(788,594)	(980,142)	(62,912,488)	-		(1,859,546)	(14,069,891)	(80,610,661)		(79,492,402)								
Carrying value of disposals	-	-	(19,238)	(2,681)	-		(216,497)	-	(238,415)		(219,176)								
Cost/Revaluation	-	-	(46,347)	(60,329)	-		(2,719,145)	-	(2,825,821)		(2,779,474)								
Accumulated depreciation and impairment losses	-	-	27,110	57,648	-		2,502,648	-	2,587,406		2,560,298								
Impairment loss/Reversal of impairment losses	-	-	(59,152)	(6,685,885)	-		-	-	(6,745,037)		(6,685,885)								
Transfers	-	-	-	153,702,041	(153,900,690)		-	-	(198,649)		(198,649)								
*Other movements	-	-	-	-	-		-	-	-		-								
As at 30 June 2017	3,242,908	10,509,914	18,162,558	1,271,570,315	938,942,311		15,822,745	1,334,755	2,259,585,311		2,234,604,507								
Cost/Revaluation	3,242,908	19,413,153	24,733,393	1,707,524,894	938,942,311		28,534,643	41,055,594	2,763,446,886		2,731,246,153								
Correction of prior year error (note 31) - Cost	-	-	-	-	-		-	-	-		-								
Accumulated depreciation and impairment losses	-	(8,903,238)	(6,570,856)	(435,954,566)	-		(12,711,898)	(39,720,839)	(503,861,377)		(496,641,646)								

*Other movements consist of
Refer to Appendix B for more detail on property, plant and equipment

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2018

11 HERITAGE ASSETS

	Moveable Objects	Total	IDM Total
11.1 Reconciliation of carrying value			
	R		
As at 1 July 2017	205,578	205,578	205,578
Cost	205,578	205,578	205,578
Accumulated impairment losses	-	-	-
 As at 30 June 2018	 205,578	 205,578	 205,578
Cost	205,578	205,578	205,578
Accumulated impairment losses	-	-	-
 11.2 Reconciliation of carrying value			
	Moveable Objects	Total	
	R	R	
As at 1 July 2016	205,578	205,578	205,578
Cost	205,578	205,578	205,578
Accumulated impairment losses	-	-	-
 As at 30 June 2017	 205,578	 205,578	 205,578
Cost	205,578	205,578	205,578
Accumulated impairment losses	-	-	-

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2018

12 INTANGIBLE ASSETS

12 Reconciliation of carrying value	Licenses R	Computer Software R	Total R	IDM Total
As at 1 July 2017	3,157,151	2,169,957	5,327,111	5,325,084
Cost	6,575,759	7,848,895	14,424,654	14,395,839
Prior year error		-	-	-
Accumulated amortisation and impairment	(3,418,608)	(5,678,938)	(9,097,545)	(9,070,755)
Acquisitions	196,800	-	196,800	196,800
Other Movements	(741,559)	-	-	-741,559
Amortisation	(622,286)	(1,472)	(623,758)	(622,286)
Carrying value of disposals	-	555	555	-
Cost		28,816	28,816	
Accumulated amortisation		(28,261)	(28,261)	
As at 30 June 2018	1,990,108	2,167,930	4,158,040	4,158,039
Cost	6,031,001	7,820,079	13,851,080	13,851,081
Accumulated amortisation and impairment	(4,040,893)	(5,652,149)	(9,693,042)	(9,693,041)

12 Reconciliation of carrying value

12 Reconciliation of carrying value	Licenses R	Computer Software R	Total R	IDM Total R
As at 1 July 2016	3,395,914	2,172,048	5,536,694.96	5,563,848
Cost	4,852,359	7,848,895	12,701,254	12,672,439
Prior year error (note 32)	161,000	-	161,000	161,000
	31,267			31,267
Accumulated amortisation and impairment	(1,648,712)	(5,676,847)	(7,325,559)	(7,300,860)
Acquisitions	1,884,400	-	1,884,400	1,884,400
Other Movements	-	-	-	-
Amortisation	(1,801,162)	(2,091)	(1,803,253)	(1,801,162)
As at 30 June 2017	3,157,151	2,169,957	5,327,110.66	5,325,083
Cost	6,575,759	7,848,895	14,424,654	14,395,839
Accumulated amortisation and impairment	(3,418,608)	(5,678,938)	(9,097,545)	(9,070,755)

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2018

13 BIOLOGICAL ASSETS

13.1 Reconciliation of carrying value	Moringa Plantation	Vineyards assets R	Total R	IDM Total R
As at 1 July 2017		390,000	390,000	-
Cost		1,710,000	1,710,000	-
Accumulated amortisation and impairment losses		(1,320,000)	(1,320,000)	-
Gain on fair value		1,400	1,400	-
Amortisation		-	-	-
As at 30 June 2018		391,400	391,400	-
Cost		1,710,000	1,710,000	-
Accumulated amortisation and impairment losses		(1,318,600)	(1,318,600)	-

13.2 Reconciliation of carrying value

	Moringa Plantation	Biological Assets R	Total R	IDM Total R
As at 1 July 2016	-	1,174,400	1,174,400	-
Cost	1,064,800	1,710,000	2,774,800	-
Accumulated amortisation and impairment losses	-1,064,800	(535,600)	(1,600,400)	-
Loss on fair value		(784,400)	(784,400)	-
Amortisation		-	-	-
Carrying value of disposals		-	-	
Cost		-	-	-
Accumulated amortisation		-	-	-
Impairment loss/Reversal of impairment loss		-	-	-
Transfers		-	-	-
Other movements		-	-	-
As at 30 June 2017		390,000	390,000	-
Cost	1,064,800	1,710,000	2,774,800	-
Accumulated amortisation and impairment losses	-1,064,800	(1,320,000)	(2,384,800)	-

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2018

	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2,017 R
14 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS				
Trade creditors	89,284,879	88,118,131	123,072,464	121,983,728
Debtors with credit balances	7,504,561	7,504,561	8,307,754	8,307,754
ilembe Enterprise		646,698		
Staff leave accrual	13,680,688	13,680,688	12,510,327	11,681,239
Outstanding Payments	54,960	54,960	1,894,790	1,894,790
RD Cheques	42,150	42,150	42,150	42,150
Other creditors	75,649,925	75,310,822	79,544,781	79,492,892
Consumer water deposits	5,249,743	5,249,743	5,387,773	5,387,773
13th Cheque	6,479,838	5,251,958	5,509,732	5,509,732
Val payable	962,012.40	962,012.40	-	-
Total creditors	198,908,757	196,821,722	236,269,770	234,300,058

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

15 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Unspent Conditional Grants and Receipts				
Provincial Township Establishment	1,200,000	1,200,000	962,942	962,942
RBIG	14,579,853	14,579,853		
Agri Processing Facilities Ex DCGTA			1,296,709	-
LED Strategy			335,182	-
Rural Transport Service Grant			-	-
Grants - Other			311,073	-
Amacambini Dev Project Ex DCGTA			757,666	-
Maphumulo Small Town Rehabilitation			85,965	-
Moringa Tree Plantations			2,400,001	-
Maphumulo IEC Grant	700,000			
District Growth and Development Summit - 2018	131,369			
Fresh Produce Market			278,049	-
Tourism King Shaka Route			57,000	-
Growth Summit			74,330	-
Total Unspent Conditional Grants and Receipts	16,611,222	15,779,853	6,558,917	962,943
Non-current unspent conditional grants and receipts			-	-
Current portion of unspent conditional grants and receipts	16,611,222	15,779,853	6,558,917	962,942

See Note 22 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

16 BORROWINGS

Development Bank of South Africa	49,196,015	49,196,015	53,281,994	53,281,994
ABSA	30,000,000	30,000,000	31,566,863	31,566,863
	79,196,015	79,196,015	84,848,857	84,848,857
Less : Current portion transferred to current liabilities	2,110,760	2,110,760	5,475,551	5,475,551
Development Bank of South Africa	2,110,760	2,110,760	3,908,688	3,908,688
ABSA			1,566,863	1,566,863
Non current portion of borrowings	77,085,254	77,085,254	79,373,305	79,373,305

Development Bank of South Africa

Bear interest at rates between 9.02% and 11.04% per annum and are repayable every six months with the last repayment due on 30 September 2025.

ABSA Loan

Bears interest at 10.8% per annum, interest is paid quarterly and the loan is repayable in 2025.

Refer to Appendix A for more detail on borrowings.

17 FINANCE LEASE LIABILITY

As at 30 June 2018	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	1,910,578	957,113	953,465
Within two to five years	2,394,606	492,359	1,902,247
	4,305,183	1,449,472	2,855,712
Less: Amount due for settlement within 12 months (current portion)			953,465
			1,902,247
Minimum Lease payments			
Capital amount within one year	953,465	953,465	697,471
Capital amount within one year	1,902,247	1,902,247	13,426,848
	2,855,712	2,855,712	14,124,319

The leases are for a variety of motor vehicles and computers equipment that are utilised in the course of performing the Municipality's powers and functions.

Motor vehicle leases are for three years. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2015 and June 2017. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.

Computer equipment leases are for three years. The interest rate charged is linked to the prime rate. The termination dates vary between June 2014 and May 2017. The leases are repaid monthly and include maintenance and insurance. At termination of the leases the computer equipment revert to the lessor.

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2018

	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
as at 30 June 2017				
	Minimum lease payment	Future finance charges		Present value of minimum lease payments
	R	R		R
Amounts payable under finance leases				
Within one year	14,236,386	112,067		14,124,319
Within two to five years	-	-		-
Adjustment	-	-		-
	<u>14,236,386</u>	<u>112,067</u>		<u>14,124,319</u>
Less: Amount due for settlement within 12 months (current portion)				<u>14,124,319</u>
				-
Minimum Lease payments				
Capital amount within one year	953,465	953,465	697,471	697,471
Capital amount within one year	1,902,247	1,902,247	13,426,848	13,426,848
	<u>2,855,712</u>	<u>2,855,712</u>	<u>14,124,319</u>	<u>14,124,319</u>

The leases are for a variety of motor vehicles that are utilised in the course of performing the Municipality's powers and functions. The leases are for five years and 240 000 kilometres. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2013 and November 2015. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.

18 SERVICE CHARGES

Sale of water	94,899,255	94,899,255	90,737,351	90,737,351
Sewerage and sanitation charges	36,189,103	36,189,103	66,446,025	66,446,025
Revenue Forgone	(837,043)	(837,043)	(20,545,914)	(20,545,914)
Total Service Charges	<u>130,251,315</u>	<u>130,251,315</u>	<u>136,637,461</u>	<u>136,637,461</u>

Sale of water is broken down into prepaid sales and conventional meters water sales.

18.1 Sale of Water

Prepaid water sales	42,347,451	42,347,451	24,803,761	24,803,761
Conventional meters water sales	52,551,804	52,551,804	65,933,589	65,933,589
	<u>94,899,255</u>	<u>94,899,255</u>	<u>90,737,351</u>	<u>90,737,351</u>
Revenue Forgone	(837,043)	(837,043)	(512,567)	(512,567)
Total Water Sales	<u>94,062,212</u>	<u>94,062,212</u>	<u>90,224,784</u>	<u>90,224,784</u>

19 RENTAL OF FACILITIES AND EQUIPMENT

iLembe Auditorium	9,676	9,676	85,244	13,244
Rental of facilities	66,087	-	-	-
Total rentals	<u>75,763</u>	<u>9,676</u>	<u>85,244</u>	<u>13,244</u>

20 INTEREST EARNED - BANK BALANCES

Bank	<u>8,359,539</u>	<u>8,086,492</u>	<u>3,107,911</u>	<u>2,854,791</u>
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21 INTEREST EARNED - OUTSTANDING RECEIVABLES

Interest on debtors	<u>15,452,338</u>	<u>15,452,338</u>	<u>18,997,572</u>	<u>18,997,572</u>
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22 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	419,156,121	419,156,121	373,891,000	373,891,000
MIG Grant	208,967,061	208,967,061	186,984,000	186,984,000
Other Government Grants and Subsidies	172,398,850	171,732,524	202,039,830	201,656,580
Total Government Grant and Subsidies	<u>800,522,032</u>	<u>799,855,706</u>	<u>762,914,830</u>	<u>762,531,580</u>

22.1 Equitable Share

Balance unspent at beginning of year	-	-	-	-
Current year receipts	419,156,121	419,156,121	373,891,000	373,891,000
Conditions met - transferred to revenue	(419,156,121)	(419,156,121)	(373,891,000)	(373,891,000)
Conditions met	<u>(0)</u>	<u>(0)</u>	<u>-</u>	<u>-</u>

22.2 Municipal Infrastructure Grant

Balance unspent at beginning of year	2	2	(60,856,818)	(60,856,818)
Current year receipts	180,016,509	180,016,509	186,984,000	186,984,000
Conditions met - transferred to revenue	(213,213,617)	(213,213,617)	(186,984,000)	(186,984,000)
Adjustments and Transfers			60,856,819	60,856,819
Conditions met - balance remain in transfer payments debtors (see note 4)	<u>-33,197,107</u>	<u>-33,197,107</u>	<u>2</u>	<u>2</u>

Adjustments and transfers relate to amounts disclosed on note 31 as a correction of prior year overstatement

22.3 Other Grants

Balance unspent at beginning of year	-	-	300,000	300,000
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(300,000)	(300,000)
Adjustments and Transfers				
Conditions met	<u>-</u>	<u>-</u>	<u>(0)</u>	<u>(0)</u>

22.4 WATER SERVICE OPERATING GRANT

Balance unspent at beginning of year	-	-	2,915,980	2,915,980
Current year receipts	58,571,827	58,571,827	-	-
Conditions met - transferred to revenue	(61,547,092)	(61,547,092)	(2,850,182)	(2,850,182)
Adjustments and Transfers			(65,798)	(65,798)
Conditions met - balance remain in transfer payments debtors (see note 4)	<u>(2,975,265)</u>	<u>(2,975,265)</u>	<u>(0)</u>	<u>(0)</u>

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22.5 REGIONAL BULK INFRASTRUCTURE GRANT - LTBWSS				
Balance unspent at beginning of year	0	0	(56,722,601)	(56,722,601)
Current year receipts	(27,423,456)	(27,423,456)	127,452,160	127,452,160
Conditions met - transferred to revenue	145,000,000	145,000,000	(125,517,456)	(125,517,456)
Adjustments and Transfers	(102,996,691)	(102,996,691)	54,787,896	54,787,896
Conditions to be met	<u>14,579,853</u>	<u>14,579,853</u>	<u>0</u>	<u>0</u>
Adjustments and transfers relate to amounts disclosed on note 31 as a correction of prior year overstatement				
22.6 RURAL TRANSPORT SERVICE				
Balance unspent at beginning of year	-	-	104,891	104,891
Current year receipts	-	-	2,174,000	2,174,000
Conditions met - transferred to revenue	-	-	(2,049,594)	(2,049,594)
Adjustments and Transfers	-	-	(229,298)	(229,298)
Conditions met	<u>-</u>	<u>-</u>	<u>(0)</u>	<u>(0)</u>
22.7 TOWN PLANNING GRANT				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	300,000	300,000	-	-
Conditions met - transferred to revenue	(300,000)	(300,000)	-	-
Adjustments and Transfers	-	-	-	-
Conditions met	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
22.8 MUNICIPAL WATER INFRASTRUCTURE GRANT				
Balance unspent at beginning of year	-	-	(20,762,391)	(20,762,391)
Current year receipts	-	-	62,500,000	62,500,000
Conditions met - transferred to revenue	-	-	(58,500,000)	(58,500,000)
Adjustments and Transfers	-	-	16,762,391	16,762,391
Conditions met	<u>-</u>	<u>-</u>	<u>(0)</u>	<u>(0)</u>
22.9 PROVINCIAL TOWNSHIP ESTABLISHMENT				
Balance unspent at beginning of year	-	-	1,166,610	1,166,610
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	(1,166,610)	(1,166,610)
Conditions met	<u>-</u>	<u>-</u>	<u>0</u>	<u>0</u>
Adjustments and transfers relate to debtors owed by Department of water and sanitation (see note 4)				
22.10 Grant Local Economic Development Strategy Ex COGTA				
Balance unspent at beginning of year	-	-	1,679,959	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(383,250)	-
Adjustments and Transfers	-	-	-	-
Conditions met	<u>-</u>	<u>-</u>	<u>1,296,709</u>	<u>-</u>
22.11 FRESH PRODUCE MARKET IN STANGER				
Balance unspent at beginning of year	-	-	278,049	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 15)	<u>-</u>	<u>-</u>	<u>278,049</u>	<u>-</u>
22.12 KWADUKUZA MUNICIPAL INFRASTRUCTURE GRANT				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions met	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
22.13 FINANCIAL MANAGEMENT GRANT				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	1,250,000	1,250,000	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)
Adjustments and Transfers	-	-	-	-
Conditions met	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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22.14 ENERGY EFFICIENCY AND DEMAND-SIDE				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	6,000,000	6,000,000	-	-
Conditions met - transferred to revenue	(6,000,000)	(6,000,000)	-	-
Conditions met	-	-	-	-
22.15 EXPANDED PUBLIC WORKS PROGRAMME				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	1,000,000	1,000,000	1,850,000	1,850,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)	(1,850,000)	(1,850,000)
Adjustments and Transfers	-	-	-	-
Conditions met	-	-	-	-
22.16 Grant Disaster Management				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
22.17 NDWEDWE TOWN DEVELOPMENT				
Balance unspent at beginning of year	(962,942)	(962,942)	(6,813,833)	(6,813,833)
Current year receipts	-	-	10,816,737	10,816,737
Conditions met - transferred to revenue	-	-	(3,534,155)	(3,534,155)
Adjustments and Transfers	(237,058)	(237,058)	(1,431,691)	(1,431,691)
Conditions met - balance remain in transfer payments debtors (see note 4)	(1,200,000)	(1,200,000)	(962,942)	(962,942)
22.18 Grant Amacambini Dev Project Ex DCGTA				
Balance unspent at beginning of year	-	-	(757,666)	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 15)	-	-	(757,666)	-
22.19 DROUGHT RELIEF GRANT - NATIONAL DISASTER MANAGEMENT GRANT (DWS)				
Balance unspent at beginning of year	-	-	(1,849,693)	(1,849,693)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	1,849,693	1,849,693
Conditions still to be met	-	-	(0)	(0)
22.20 DROUGHT RELIEF GRANT - NATIONAL DISASTER MANAGEMENT GRANT (COGTA/NDMC)				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
22.21 Grant local Economic Development Strategy Ex COGTA				
Balance unspent at beginning of year	-	-	(335,182)	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met	-	-	(335,182)	-
22.22 Growth Summit				
Balance unspent at beginning of year	-	-	(74,330)	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
22.23 Grant Ilembe District Municipality - Tourism				
Balance unspent at beginning of year	501,253	-	286,895	-
Current year receipts	1,838,951	-	1,070,403	-
Conditions met - transferred to revenue	(2,138,205)	-	(856,044)	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 15)	(0)	-	501,253	-

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22.24 Maphumulo IEC Grant				
Balance unspent at beginning of year	-		-	
Current year receipts	700,000			
Conditions met - transferred to revenue	-		-	
Adjustments and Transfers	-		-	
Conditions still to be met	<u>700,000</u>	-	-	-
22.25 Development of SMMEs				
Balance unspent at beginning of year	-		-	
Current year receipts	500,000			
Conditions met - transferred to revenue	-500,000			
Adjustments and Transfers	-		-	
Conditions met	<u>-</u>	-	-	-
22.26 Grant Maphumulo Small Town Regeneration				
Balance unspent at beginning of year	-		85,965	
Current year receipts				
Conditions met - transferred to revenue				
Adjustments and Transfers				
Conditions still to be met - remain liabilities (see note 15)	<u>-</u>	-	<u>85,965</u>	-
22.27 Grant Moringa Tree Plantation				
Balance unspent at beginning of year	-		2,400,001	
Current year receipts				
Conditions met - transferred to revenue				
Adjustments and Transfers				
	<u>-</u>	-	<u>2,400,001</u>	-
22.28 District Growth and Development Summit 2018 - COGTA				
Balance unspent at beginning of year	-		-	
Current year receipts	300,000			
Conditions met - transferred to revenue	-168,631			
Adjustments and Transfers	-		-	
Conditions still to be met	<u>131,369</u>	-	-	-
22.29 Projects Ex IDC				
Balance unspent at beginning of year	1		15,836	
Current year receipts	-		-	
Conditions met - transferred to revenue				
Adjustments and Transfers				
Conditions still to be met	<u>-</u>	-	<u>(15,835)</u>	-
22.30 12.17 Tourism King Shaka Route				
Balance unspent at beginning of year	57,001		57,001	
Current year receipts	(54,800)			
Conditions met - transferred to revenue	(2,200)		-	
Adjustments and Transfers	-			
	<u>0</u>	-	<u>57,001</u>	-
Adjustments and transfers relate to amounts owed by the Department of Water and Sanitation, for which a debtor has been created.				
22.31 Grant Ilembe District Municipality - LED				
Balance unspent at beginning of year	199,999		24,177	
Current year receipts	3,383,000		3,000,000	
Conditions met - transferred to revenue	(3,582,999)		(2,824,178)	
Adjustments and Transfers	-		-	
	<u>-</u>	-	<u>199 999</u>	-
22.32 Unconditional IDM Grant				
Balance unspent at beginning of year			-	
Current year receipts			17,417,981	
Conditions met - transferred to revenue			(17,417,981)	
			<u>-</u>	
23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS				
23.1 Other income				
Tender Documents	460,192	460,192	123,653	123,653
Telephone recovered	-	-	-	-
Clearance certificates	1,312,108	1,312,108	1,084,305	1,084,305
Private developers	-	-	1,805,382	1,805,382
Siza Water Concession	2,140,643	2,140,643	2,027,687	2,027,687
Department of Education	-	-		
LG Seta Income	-	-	191,465	191,465
Enterprise Ilembe	-	698,893		677,983
Shared Service	4,066,152	4,066,152	2,314,913	2,314,913
New connections	-	-	-	-
Vat Refunds	-	-	-	-
Other income	320,291	246,499	1,092,811	1,045,773
	<u>8,299,386</u>	<u>8,922,486</u>	<u>8,640,216</u>	<u>9,271,161</u>

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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2,017 R
23.2 Fines and Penalties				
Illegal Connections	86,551	86,551	-	-
Water Tampering	202,259	202,259	-	-
Atmospheric Emission	77,800	77,800	-	-
Disconnections	13,828	13,828	-	-
	380,438	380,438	-	-
23.3 Public contributions and donations				
Loss on sale of assets	379,364	340,819	4,355	4,355
Gain on sale of assets			(24,668)	(24,668)
Total public contributions and donations	379,364	340,819	(20,314)	-
23.4 Sale of Produce				
Supply of vegetables - NSNP	18,031,479		9,055,559	
Wine sales	47,778			
	18,079,256	-	9,055,559	-

The entity has a contract with the Department of Education (DOE) for the supply of vegetables to schools within iLembe District. DOE and the Entity signed a 3 year SLA commencing on 1 July 2017

24 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	132,579,646	120,036,226	129,368,296	118,035,466
Employee related costs - Contributions for UIF, pensions and medical aids	27,877,077	27,009,458	24,916,929	24,873,824
Travel, motor car, accommodation, subsistence and other allowances	5,987,793	5,508,417	7,067,922	7,067,922
Housing benefits and allowances	553,712	553,712	1,440,063	1,440,063
Overtime payments	6,085,370	6,085,370	5,844,959	5,844,959
Performance and other bonuses	9,109,580	9,109,580	9,901,004	9,901,004
Long-service awards	734,000	734,000	1,569,706	1,569,706
Other employee related costs	17,837,911	17,371,629	5,641,115	4,951,231
Employee Related Costs	200,765,089	186,408,391	185,749,993	173,684,174

There were no advances to employees.

Remuneration of the Municipal Manager

Annual Remuneration	113,533	113,533	1,102,424	1,102,424
Travel, motor car, accommodation, subsistence	14,783	14,783	143,054	143,054
Contributions to UIF, Medical and Pension Funds and other allowances	297	297	1,785	1,785
13th Cheque Provision	8,279	8,279	95,595	95,595
	120,454	120,454	37,955	37,955
Total	257,346	257,346	1,380,812	1,380,812

The Municipal Manager position was filled in August 2018

Remuneration: CEO Enterprise Iembe

Remuneration of the Chief Executive Officer				
Acting Allowance - C Rajkoomar (Aug to Jan 2017)	-		335,501	
Acting Allowance - T Ngcobo (Feb to May 2017)	-		211,754	
CEO (T Mkhwanazi - resigned July 2016)	-		314,188	
CEO (N Nkomzwayo - appointed June 2017)	1,442,396		120,955	
UIF	1,785			
Total	1,444,181	-	982,398	-

Remuneration of the Chief Financial Officer

Annual Remuneration	609,577	609,577	421,010	421,010
Travel, motor car, accommodation, subsistence	54,000	54,000	92,417	92,417
Contributions to UIF, Medical and Pension Funds and other allowances	1,338	1,338	892	892
Performance Bonus	-	-	11,825	11,825
Total	664,916	664,916	525,944	525,944

Remuneration: CFO Enterprise Iembe

Annual Remuneration	990,389		903,120	
Travel, motor car, accommodation, subsistence	60,000		75,260	
Medical Aid	35,017			
Pension Fund	43,632			
UIF	1,785			
Total	1,130,822	-	978,380	-

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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2,017 R
Remuneration of Individual Executive Directors	Technical Services R	Corporate Services R	Corporate Services R	Corporate Governance R
As at 30 June 2018				
Annual Remuneration	1,171,721	897,558	210,693	
Travel, motor car, accommodation, subsistence and other allowances	-	283,373	10,500	
Contributions to UIF, Medical and Pension Funds	1,636	85,417	446	
Performance Bonus	12,782	36,964	97,900	
Total	1,186,139	1,303,313	-	319,539

	Technical Services R	Corporate Services R	Corporate Services R	Corporate Governance R
As at 30 June 2017				
Annual Remuneration	1,205,888	815,169	1,164,527	
Travel, motor car, accommodation, subsistence and other allowances	-	269,879	-	
Contributions to UIF, Medical and Pension Funds	1,785	81,264	1,785	
Performance Bonus	11,376	21,972	76,903	
Total	1,219,049	1,188,284	-	1,243,215

The position for Director: Technical Services is currently vacant.

25 REMUNERATION OF COUNCILLORS

Mayor	1,008,808	1,008,808	907,200	907,200
Deputy Mayor	815,206	815,206	736,597	736,597
Speaker	815,206	815,206	702,624	702,624
Executive Committee Members	2,082,183	2,082,183	1,185,653	1,185,653
Councillors' Allowances	3,474,525	3,474,525	4,339,016	4,339,016
Councillors' pension and medical aid contributions	209,764	209,764	149,555	149,555
Total Councillors' Remuneration	8,405,692	8,405,692	8,020,646	8,020,646

In-kind Benefits

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

The Mayor, Deputy Mayor and Speaker has use of the Council owned vehicle for official duties. The Mayor has 4 full-time Protectors.

REMUNERATION OF BOARD MEMBERS:

Attendance fees at meetings:

B N Linda	(Contract ended January 2017)	-	61,854	
I Deetlefs	(Contract ended January 2017)	-	46,505	
ZP Zeka	(Contract ended January 2017)	-	37,258	
KS Shandu - Chairperson	(Appointed November 2015)	109,423	28,258	
AT Nzama - Deputy Chairperson	(Re-Appointed February 2017)	90,437	37,161	
D Nene	(Appointed November 2017)	90,437	84,768	
JC Oelofse	(Re-appointed February 2017)	77,420	95,763	
ZS Gumede	(Appointed February 2017)	74,420	85,431	
N Mngadi	(Appointed February 2017)	74,460	86,687	
B Mngadi	(Appointed February 2018)	34,258		
Total Board Members' Remuneration		550,856	563,686	-

26 DEPRECIATION, IMPAIRMENT AND AMORTISATION EXPENSE

Depreciation	81,310,289	80,148,190	81,941,373	79,492,402
Impairment of Assets	(116,682)	(116,682)	6,685,885	6,685,885
Intangible assets	1,759,555	1,758,083	1,803,253	1,801,162
Total Depreciation, Impairment and Amortisation	82,953,161	81,789,590	90,430,511	87,979,450

The impairment recognized mainly relates to impairment of infrastructure assets due to significant changes in the remaining useful lives of these assets.

27 FINANCE COSTS

Borrowings	7,562,957	7,562,957	2,034,451	2,034,451
Leases	2,182,764	2,182,764	7,942,313	7,942,313
Total Finance Costs	9,745,722	9,745,722	9,976,764	9,976,764

28 BULK PURCHASES

Water	86,505,612	86,505,612	75,803,000	75,803,000
Total Bulk Purchases	86,505,612	86,505,612	75,803,000	75,803,000

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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
29 CONTRACTED SERVICES				
Contracted services for:				
National Schools Nutrition Programme	14,338,307		8,053,947	
Plant Hire	25,860,692	25,860,692	17,859,331	17,859,331
Security	22,270,180	21,805,090	20,019,082	19,607,729
VIP Toilets Expenditure (MIG Operational)	28,532,283	28,532,283	7,362,707.80	7,362,708
Rural Roads Assets Systems Management Grant (RRAMS) Expenditure	1,978,006	1,978,006	1,797,889.11	1,797,889
Development and Planning	-	-	-	-
Cleaning services	74,852			
Fuel and Oil	251,223			
Internal Audit	133,068			
Lease of Vehicles	772,648			
Leases- Office Equipment	48,650			
Salga games	-	-	1,420,013	1,420,013
Rental of Smart Boxes	-	-	220,406	220,406
SAGE VIP LICENSE SLA	113,333	113,333		
Software Licences	118,153	118,153		
Wireless Network	39,222	39,222		
ICT Disaster Discovery	245,014	245,014		
GROWTH SUMMIT	-	-	-	-
Meter reading contractors	-	-	-	-
Fax & Copier rentals	2,907,022	2,907,022	2,048,099	1,999,449
Lease of Vehicles - Maintenance	-	-	678,383	-
Rental of Buildings	307,666	158,891	227,995	61,705
Vehicle Hire	7,068,688	7,068,688	427,300	427,300
Insurance	2,200,345	2,200,345	1,390,283	1,390,283
Repairs and Maintenance Contracted	43,822,078	41,698,691	32,141,590	31,042,331
	151,081,431	132,725,421	93,647,026	83,189,144

31 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	1,824,930	1,163,618	1,518,936	1,038,223
Audit fees	2,941,331	2,666,537	2,729,817	2,216,276
Bank charges	470,258	430,291	257,557	232,152
Broadband expenditure	11,548	-	10,826	-
Cleaning	883,712	883,712	922,672	892,343
Conferences and delegations	-	-	-	-
Entertainment	290,680	208,745	292,337	237,952
Fuel and oil	13,004,083	13,004,083	13,601,498	13,601,498
Insurance	130,546	130,546		
IDP & Planning	-	-	48,786	48,786
Commission: Agency	-	-	1,556,621	1,556,621
Legal expenses	1,446,867	1,432,573	226,505	224,875
LG Seta Expenditure	-	-	-	-
Licence fees - vehicles	134,023	134,023	59,060	59,060
Membership fees	2,100,316	2,100,316	2,016,292	2,016,292
Postage	1,419,115	1,404,764	1,781,351	1,767,684
Disaster Management	447,938	447,938	652,085	652,085
Printing and stationery	276,728	108,518	163,167	62,478
Professional fees	2,191,089	1,634,848	3,974,124	2,604,539
Property rates	626,087	626,087	371,008	371,008
Special Projects - Youth, Gender, HIV	246,224	246,224	373,149	373,149
Sports Development	-	-	224,335	224,335
Subscription & publication	140,372	-	110,716	-
Purchase of Wine	39,673			
Conference and workshop	43,948			
Development of SMMEs	521,281			
Interest and Penalties	57,975			
Marketing, Communication & investments	475,434			
Telephone cost	403,321	123,267	1,778,383	1,594,911
Training	86,959	-	2,548,567	2,453,437
Travel and subsistence	1,405,553	696,686	314,557	101,513
Uniforms & overalls	153,130	153,130	2,384,654	2,384,654
Expenditure: Operational Cost: Indigent Relief	2,465,143	2,465,143		
Water and Sanitation	1,365,016	1,365,016	2,159,183	2,159,183
Water and Electricity	28,933,651	28,800,009	25,186,706	25,069,400
Mechanization	358,475	-	642,172	-
LED Projects	-	24,888,482	-	21,488,383
Tourism events and exhibitions	1,975,153	-	856,044	-
Consumables (Repairs and Maintenance)	15,690,928	15,690,928	31,958,042	31,958,042
Shared Services	483,804	483,804	2,800,532	2,800,532
Public Participation	-	-	516,161	516,161
Siza Water	174,000	174,000	752,700	752,700
Audit Committee	85,128			
Winery Operations	5,971			
ICT Services	256,067			
Other	10,614,860	10,439,726	1,148,738	1,504,119
	94,181,317	111,903,016	103,937,280	120,962,590

31.1 Repairs and Maintenance

Repairs and Maintenance is made up of the following:

Consumable - Inventory	15,690,928	15,690,928	31,958,042	31,958,042
Contracted Services	43,822,078	41,698,691	32,141,590	31,042,331
Total Expenditure on Repairs and Maintenance	59,513,006	57,389,619	61,420,969	61,420,969

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
32 CORRECTION OF PRIOR YEAR ERRORS AND CHANGE IN ACCOUNTING POLICY				
Property, plant and equipment		-		-
<i>Change in the remaining useful life of assets that does not meet the requirements of a change in estimate</i>			(129,733)	(129,733)
Prior year error depreciation	(5,433,370)	(5,433,370)	-3,635,724.15	(3,635,724)
Prior year depreciation and impairment reversals/adjustments	1,398,287		-2,278,077.13	
Reassessment of useful life	7,467,183	7,467,183		
Prior year error	8,788,345	8,788,345		
Trade and other Receivables from exchange transactions				
Consumer Debtors adjustment as a result of clearing unallocated deposits	-	-	-	-
Prior year transactions relating to sundry debtors	66,045	66,045	(25,550)	(25,550)
VAT not claimed when payment was made			86,443	86,443
Relates to the Vat amount owing by SARS in the prior financial year previously not recorded.	697,473			
GRAP 104 Adjustment	(2,396,830)	(2,396,830)		
AFS liability adjustment	(1,907,154)	(1,907,154)		
Other debtors mainly relates to enterprise ilembe balances alignment with IDM and staff recoveries				
Trade and other receivables from non exchange transactions				
Restatement of grant debtors that were overstated in 2016			(108,504,244)	(108,504,244)
Inventory Adjustments - Reversal of prior year net realisable value			1,274,587.32	1,274,587
Recognition of wine stock previously not recorded	178,265			
Restatement of grant balance	19,800,607	19,800,607		
Correction of overpayment of Councillor	249,798	249,798		
Prior year transfer of unspent grants to conditions met	(8,640)			
This relates to COGTA grants that were not realized as conditions met in prior periods	5,227,901			
Trade and other receivables from non exchange transactions				
Reversal of condions met due on grant due to cost not accepted as part of Drought Intervention, restatement of debtor balance.	-	-	-	-
This relates to amounts raised by SARS to accounts already accounted for due to adjustments done.			440	
Non Current Finance Lease Liability				
Writeback of residual on finance leases	13,426,848	13,426,848	-	-
amounts transferred from current year lease payments, which related to prior year			12,162	
Trade and other Creditors				
Expenditure provided for in the prior financial years which has not been paid to date due to various reasons			529,078	563,196
Recovery of study loan fees	66,623	66,623		
Recovery of cost umngeni	111,985	111,985		
Correction of prior year trade creditors.			5,161,920	5,161,920
Other	312,332	(3,093)		
Reversal of prior year accruals	(2,232,253)	(2,232,253)	16,138,446	16,138,446
Re-instatement of DBSA loan balances at year end			(3,711,063)	(3,711,063)
Moines deposited to the main bank account in prior year which have not been allocated to date			2,177,011	2,177,011
	45,813,445	38,004,734	(92,904,303)	(90,604,710)

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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As at 30 June 2018

	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2,017 R
32.1 PRIOR YEAR ADJUSTMENTS				
Trade and other Receivables from exchange transactions				
Consumer Debtors adjustment as a result of clearing unallocated deposits	-	-	(687,256)	(687,256)
	-	-		

31.2 RECLASSIFICATIONS

The category of heritage assets has been reclassified from property, plant and equipment and presented separately on the statement of financial position and note in the annual financial statements.

Payables

Interbank transfers has been reclassified from cash and cash at bank to payables under current liabilities

Other Income

Fines and penalties have been reclassified as Fine and penalties from other income under other income .

Water tampering kwadukuza	202,259	202,259		
Fines illegal connections	86,551	86,551		
Atmospheric emission lic fee	77,800	77,800		
Water disconnection mandeni	13,828	13,828		

Service Charges

Private developer Kwadukuza has been reclassified from other revenue to service charges in the statement of performance

2,574,023	2,574,023		
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Repairs and Matenance

Other repairs from Repairs and Maintenance have been reclassified to consumable inventory in general expenses

15,690,928	15,690,928		
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Contracted Services

Expenditure reclassified from Grant Expenditure to Contracted Services in statement of financial performance

Rural road asset management system	1,978,006	1,978,006		
Ndwedwe vip toilets wsiq funded	-	-		
Maphumulo area vip toilets	8,013,980	8,013,980		
Mandeni area vip toilets	9,594,304	9,594,304		
Ndwedwe area vip toilets	10,923,999	10,923,999		

Statement of Financial Performance:

The Items listed below have been reclassified from general expenses to contracted services due to the nature of expenditure as it relates to the payment of cost

Contracted Services

- Cleaning Services	73,884		
- Internal Audit	133,068		

General Expenses

- Cleaning Services		30,329	
- Internal Audit		473,282	

The Items listed below have been reclassified from other income to sale of produce due to the nature of the income

Sale of Produce

- Supply of Vegetables (NSNP)	18,031,479		
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Other Income

- Supply of Vegetables (NSNP)		9,055,559	
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33 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	305,175,697	303,458,064	330,322,902	330,506,894
Adjustment for:-				
Depreciation and amortisation	82,953,161	81,789,590	90,430,512	87,979,450
Transfers to / from accumulated surplus/(deficit)	830,700	830,700	4,078,290	(79)
Forex Loss	-	-	(78,247)	(78,247)
Loss on disposal of PPE	379,364	340,819	823,952	20,314
Contribution to provisions - non-current	41,676,124	41,676,124	40,241,279	40,241,279
Contribution to provisions - current	1,866,930	1,866,930	1,295,916	1,295,916
Finance costs	9,745,722	9,745,722	9,976,764	9,976,764
Prior Year Adjustments	45,813,445	38,004,734	(92,904,303)	(90,604,710)
Investment Income	(8,359,539)	(8,086,492)	(3,107,911)	(2,854,791)
Bad debts written off	(3,015,207)	(3,015,207)	(26,476,668)	(26,476,668)
Operating surplus before working capital changes:	477,066,396	466,610,983	354,602,485	350,006,121
Increase in inventories	4,819,731	5,102,749	(2,410,797)	(2,410,797)
Increase/(decrease) in trade receivables	(7,072,325)	(6,181,985)	10,616,688	9,620,063
(Increase)/decrease in other receivables	(8,775,268)	(8,748,918)	119,581,881	119,581,881
Increase/(decrease) in conditional grants and receipts	10,052,305	14,816,911	(3,612,550)	(3,524,539)
Increase in trade payables	(37,361,014)	(37,478,335)	(112,531,520)	(110,672,641)
Other assets		-		-
Other liability		-		-
Cash generated by/(utilised in) operations	438,729,824	434,121,405	366,246,187	362,600,087

34 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	75,813,667	70,703,174	6,295,610	5,766,622
Net cash and cash equivalents (net of bank overdrafts)	75,813,667	70,703,174	6,295,610	5,766,622

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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As at 30 June 2018

	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2,017 R
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL				
35 EXPENDITURE DISALLOWED				
35.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure				
Balance brought forward	22,845,946	22,845,946		
Unauthorised expenditure current year			40,409,739	40,409,739
Certified as irrecoverable and written off by council in terms of MFMA section 32	(8,099,138)	(8,099,138)	(17,563,793)	(17,563,793)
Balance carried forward	<u>14,746,808</u>	<u>14,746,808</u>	<u>22,845,946</u>	<u>22,845,946</u>
Incident				
This expenditure relates to the implementation of Lower Thukela Bulk Water Supply Scheme (LTBWSS) which is funded through the RBIG from the Department of Water and Sanitation. The initial allocation for the financial year was R156mil and was later cut back to R140mil. The cut back was factored in the adjustment budget, however at the time the cut back was implemented commitments in terms of expenditure were already made (on the basis of R156mil) and thereby making it not easy to cut down on certain projects within the LTBWSS.				
Action taken				
Council has considered and noted items of unauthorised expenditure and has referred them to MPAC for further scrutiny. Any further action will be taken upon MPAC's recommendation to Council.				
35.2 Fruitless and wasteful expenditure				
Reconciliation of fruitless and wasteful expenditure				
Balance brought forward	523,114	523,114	-	-
Fruitless and wasteful expenditure current year	135,311	76,804	513,114	513,114
Certified as irrecoverable and written off by Council in terms of MFMA section 32/Recovered from responsible officials	(581,620)	(523,114)	10,000	10,000
Balance carried forward	<u>76,804</u>	<u>76,804</u>	<u>523,114</u>	<u>523,114</u>
Incident				
Interest payment arising out of a dispute with Sappi over an old debt entailing arrear accounts that had not been billed by Sappi between February 2012 and May 2014.				
Interest levied by SEMBCORP siza water on late payment of invoices in respect of free basic services. the delay in payment of these invoices was due to a long standing dispute on the method of billing for free basic services.				
Interest levied by KwaDukuza Local Municipality on late payment of electricity accounts.				
Action taken				
The municipality is in the process of implementing measures that are aimed at turning around the current status of municipal finances. The primary objective is to ensure financial sustainability and healthy liquidity of the municipality.				
Council has considered and noted items of fruitless and wasteful expenditure and has referred them to MPAC for further scrutiny. Any further action will be taken upon MPAC's recommendation to Council.				
35.3 Irregular expenditure				
Reconciliation of irregular expenditure				
Balance brought forward	8,551,038	8,523,373		
Irregular expenditure current year	41,352,892	41,352,892	8,551,038	8,523,373
Certified by council as irrecoverable and written off in terms of MFMA section 32	(142,713)	(142,713)	-	-
	<u>49,761,217</u>	<u>49,733,552</u>	<u>8,551,038</u>	<u>8,523,373</u>
Incident				
This relates to expenditure incurred on isidingo security services. the contract expired in July 2016 after which contract extensions were applied until the allowed period of 6 months was exhausted. the municipality has since embarked on procurement processes and these are now at bid evaluation stage.				
Awards to the suppliers in service of the state relate to transactions that occurred before the finalization of audit of which payments were made audit was completed, which the entity was liable to pay.				
35.4 Deviations				
Deviations were approved in terms of regulation 36 of the Supply Chain Management Policy:				
Total value	15,863,142	8,704,454	12,617,714	12,579,551
	<u>15,863,142</u>	<u>8,704,454</u>	<u>12,617,714</u>	<u>12,579,551</u>

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2018

	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE				
36 MANAGEMENT ACT				
36.1 Contributions to organised local government				
Opening balance	366,198	366,198	370,111	370,111
Council subscriptions	1,945,687	1,945,687	1,945,687	1,945,687
Amount paid - current	(1,945,687)	(1,945,687)	(1,949,600)	(1,949,600)
Adjustment	(366,198)	(366,198)		
Balance unpaid (included in payables)	-	-	366,198	366,198
36.2 Audit fees				
Opening balance		-		
Current year audit fee	2,941,331	2,666,537	2,729,817	2,216,276
Amount paid - current year	(2,941,331)	(2,666,537)	(2,729,817)	(2,216,276)
Balance unpaid (included in payables)	-	-	-	-
36.3 VAT				
VAT input receivables and VAT output payables are shown in note 13. All VAT returns have been submitted by the due date throughout the year.				
36.4 PAYE and UIF				
Opening balance	4,539,289	4,539,289	2,355,790	2,225,007
Current year payroll deductions	33,006,287	29,932,287	29,404,810	26,765,009
Amount paid - current year	(30,317,755)	(27,492,780)	(24,996,303)	(22,225,719)
Amount paid - previous years	(4,359,289)	(4,359,289)	(2,225,007)	(2,225,007)
Balance unpaid (included in payables)	2,868,532	2,619,507	4,539,289	4,539,289
The balance represents PAYE and UIF deducted in June 2018 payroll. This amount was paid in July 2018.				
36.5 Pension and Medical Aid Deductions				
Opening balance	3,672,283	3,672,283	3,147,774	3,147,774
Current year payroll deductions and Council Contributions	43,657,676	42,309,557	42,458,129	42,458,129
Amount paid - current year	(40,084,788)	(38,829,736)	(38,785,846)	(38,785,846)
Amount paid - previous years	(3,672,283)	(3,672,283)	(3,147,774)	(3,147,774)
Balance unpaid (included in payables)	3,572,888	3,479,821	3,672,283	3,672,283
The balance represents Pension & Medical aid deducted in June 2018 payroll. These amounts were paid in July 2018 except for RA which was paid in the month of deduction which is June 2018.				
36.6 Councillor's arrear consumer accounts				
as at 30 June 2018				
Van Whye GJ	142	142	-	-
Councillor R Singh	-	-	19,030	19,030
Councillor MD Mpopu	-	-	1,159	1,159
Total Councillor Arrear Consumer Accounts	142	142	20,189	20,189
36.7 Material losses				
36.7.1 Asset Impairment losses				
The current year impairment is a result of ageing infrastructure due to the impact of drought	116,682	116,682	(5,713,665)	(5,713,665)
36.7.2 Debt impairment losses				
Although the revenue collection has slightly improved compared to the prior year, council has incurred material debt impairment losses written off against the provision for bad debts. This is mainly as a result of restricted inactive accounts that are accumulating interest with no corresponding payments, pensioner accounts and deceased consumer accounts that are accumulating interest. This write-off has resulted in a decrease in	(3,015,207)	(3,015,207)	(26,476,668)	(26,476,668)

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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	Percentage distribution	GROUP	IDM	GROUP	IDM
		2018	2018	2017	2017
		R	R	R	R
36.8					
Distribution Losses					
Units lost (kilolitres)					
Illegal connections and other	25%	2,484,472	2,484,472	5,913,722	5,913,722
Main leaks	53%	5,225,779	5,225,779	3,592,437	3,592,437
Reservoir overflows	0%	37,327	37,327	25,660	25,660
Service connection leaks	22%	2,202,293	2,202,293	1,513,956	1,513,956
Units lost (kilolitres)	100%	<u>9,949,871</u>	<u>9,949,871</u>	<u>11,045,775</u>	<u>11,045,775</u>
Units lost (sales price per kilolitre - rands)		83,360,505	83,360,505	97,438,986	97,438,986
Units lost (purchase price per kilolitre - rands)		40,482,580	40,482,580	39,631,730	39,631,730
Units lost (percentage)		46.80%	46.80%	52%	1

The distribution losses are mainly due to illegal connections, main leaks (ageing infrastructure), reservoir overflows and service connection leaks. A five year strategic master plan for the reduction of non revenue water has been adopted by the municipality to address this problem.

Non-Compliance with Section 65 (2) of the Municipal Finance Management Act -

36.9 Payments of creditors within 30 days from date of receipt

	2017/18	2017/18	2016/17	2016/17
Number of days unpaid creditors at 30 June	39 days	39 days	54 days	54 days
Average number of days unpaid creditors during the year	93 days	93 days	60 days	60 days

The inability to pay creditors on time is a direct result of the cash flow challenges currently being faced by the municipality and this is linked to the broader financial viability challenge. Council adopted a financial turnaround implementation plan in December 2016 which is currently being implemented. In terms of the financial turnaround strategy, it is envisaged that the municipality will be able to turn the current undesirable financial situation in a period of three years with effect from December 2016. There are improvements in the efficiency of paying creditors on time when comparing to the previous years. Although on average the longest it would have taken to pay creditors would be 93 days, in terms of the number of days calculated at year end, 39 days was reported at 30 June 2018 compared to 54 days in June 2017.

36.10 Material Forex Losses

Total Forex Liability as at 30 June 2018	0	0	0	-
Net Cumulative Forex Losses	-	-	78,247	78,247
Percentage losses	0%	0%	0%	-

The material forex losses arising from the Microsoft License forex liability was due to unexpected adverse fluctuations in the rand dollar exchange rate.

As at 30 June 2017, the rand to dollar exchange rate closed at spot rate of R 13.06. There was no liability as at 30 June 2018

37 CAPITAL COMMITMENTS

37.1 Commitments in respect of capital expenditure

- Approved and contracted for Infrastructure	510,401,901	510,401,901	242,515,409	242,515,409
Community	510,401,901	510,401,901	242,515,409	242,515,409
	-	-	-	-
- Approved but not yet contracted for Infrastructure	-	-	-	-
	-	-	-	-
Total	510,401,901	510,401,901	242,515,409	242,515,409
This expenditure will be financed from:				
- External Loans				
- Government Grants	510,401,901	510,401,901	242,515,409	242,515,409
- Own resources	-	-	-	-
- Funding still to be sourced	-	-	-	-
	<u>510,401,901</u>	<u>510,401,901</u>	<u>242,515,409</u>	<u>242,515,409</u>

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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As at 30 June 2018

	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
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38 EMPLOYEE BENEFITS INFORMATION

38.1 Defined contribution plan

The following are defined contribution plans: Natal Joint Municipal Pension Fund, National Treasury, Government Employee Pension Fund, SALA Pension Fund and Municipal Councillors Pension Fund. These contributions have been expensed.

38.2 Other Long-term benefit plan

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

The independent valuers carried out a statutory valuation as at 30 June 2018.

The principal actuarial assumptions used were as follows:

Discount rate per annum	8.64%	8.64%	8.84%	8.84%
Inflation rate	6.23%	6.23%	5.64%	5.64%
Net effective discount rate	2.27%	2.27%	2.06%	2.06%
Benchmark inflation (equal to salary inflation)	7.00%	7.00%	6.64%	6.64%
Average retirement age	63	63	65	65
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate	SA 85-90 ultimate	SA 85-90 ultimate
Percentage of in-service members withdrawing before retirement:				
Age 20	40%	40%	40.00%	40.00%
Age 30	25%	25%	25.00%	25.00%
Age 40	12%	12%	12.00%	12.00%
Age 50	4%	4%	4.00%	4.00%
Age 55+	2%	2%	2.00%	2.00%

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:

	9,526,817	9,526,817	8,258,766	8,258,766
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EMPLOYEE BENEFITS (continued)

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	8 258 766	8,258,766	7,977,161	7,977,161
Current service cost	734,000	734,000	745,220	745,220
Interest cost	708,216	708,216	659,601	659,601
Benefit payments	(598,879)	(598,879)	(1,014,311)	(1,014,311)
Actuarial (gains)/losses	424,714	424,714	(108,905)	(108,905)
Balance at end of year	<u>9 526 817</u>	<u>9,526,817</u>	<u>8,258,766</u>	<u>8,258,766</u>

The timing of the employee benefits is as follows:

Current portion of employee benefits	734,000	734,000	494,551	494,551
Employee benefit obligation	<u>8,792,817</u>	<u>8,792,817</u>	<u>7,764,215</u>	<u>7,764,215</u>

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	734,000	734,000	745,220	745,220
Interest cost	708,216	708,216	659,601	659,601
Actuarial (gains)/losses	424,714	424,714	(108,905)	(108,905)
	<u>1 866 930</u>	<u>1,866,930</u>	<u>1,295,916</u>	<u>1,295,916</u>

40 RELATED PARTIES

Members of key management
Controlled Municipal Entity

Section 57 managers
Ilembe District Municipality has a 100% holding in Ilembe Development Enterprise (Pty) Ltd.

Compensation to councillors and other key management

Refer to note 23 & 24

Related party balances

Amount owed by Ilembe Enterprise included in other payables - (646,698) - (526,467)

Amount by Ilembe Enterprise included in other receivables 765,431

Related party transactions

Transactions with Enterprise Ilembe Development Agency

Grant funding from the parent for LED projects - 24,888,488 - 21,488,383

Rental of offices - - - -

Shared costs recoveries included in other income (e.g. lease of vehicles, cellphones) - 4,763,045 677,983

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
41 EVENTS AFTER THE REPORTING DATE				
Matters pertaining to debt impairment, asset impairment, inventory adjustments and certified as irrecoverable unauthorized, irregular, fruitless and wasteful expenditure and reclassification of irregular expenditure as deviations in terms of circular 68, that existed as at 30 June 2018 was tabled at Council on the 29th August 2017. Possible effect on the reported figures are as follows:				
Statement of financial position				
Decrease in Consumer Debtors	(3,015,207)	(3,015,207)	(9,806,065)	(9,806,065)
Decrease in carrying amount of property, plant & equipment as a result of impairment	116,682	116,682	(4,042,179)	(4,042,179)
Decrease in inventory	-	-	-	-
Statement of financial performance				
Increase in total depreciation, impairment and amortisation	82,953,161	81,789,590	69,680,117	69,680,117
Disclosures	-	-	-	-
Decrease in Irregular expenditure	41,210,180	41,210,180	(1,428,555)	(1,428,555)
Decrease in fruitless and wasteful expenditure	(446,309)	(446,309)	105,927	105,927
Decrease in unauthorized expenditure	(8,099,138)	(8,099,138)	37,637,473	37,637,473
Increase in deviations	3,245,427	(3,875,097)	4,609,288	4,609,288

42 RISK MANAGEMENT

42.1 Maximum credit risk exposure

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents 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 evaluates 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.

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

Consumer debtors	273,390,840	273,390,840	229,180,297	229,180,297
Other debtors	36,198,724	36,172,374	27,423,456	27,423,456
	<u>309,589,563</u>	<u>309,563,213</u>	<u>256,603,753</u>	<u>256,603,753</u>
Ageing of consumers				
Current (0 – 30 days)	12,699,325	12,699,325	10,839,809	10,839,809
31 - 60 Days	18,990,450	18,990,460	7,933,309	7,933,309
61 - 90 Days	11,347,639	11,347,639	7,296,186	7,296,186
91 - 120 Days	7,264,472	7,264,472	6,820,599	6,820,599
121 - 365 Days	14,185,970	14,185,970	6,919,511	6,919,511
+ 365 Days	208,902,984	208,902,984	189,370,883	189,370,883
Total	<u>273,390,840</u>	<u>273,390,840</u>	<u>229,180,297</u>	<u>229,180,297</u>
Less: Provision for bad debts	<u>(186,559,714)</u>	<u>(186,559,714)</u>	<u>(144,859,064)</u>	<u>(144,859,064)</u>
Net consumer debtors	<u>86,831,126</u>	<u>86,831,126</u>	<u>84,321,232</u>	<u>84,321,232</u>
Cash and cash equivalents				
Cash and cash equivalents	75,813,667	70,703,174	6,295,610	5,766,822
Other investments	27,286,429	27,286,429	25,809,873	25,809,873
	<u>103,100,096</u>	<u>97,989,604</u>	<u>32,105,483</u>	<u>31,576,695</u>

These balances represent the maximum exposure to credit risk.

42.2 Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipalities approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due; without incurring unacceptable losses or risking damage to the Municipalities reputation.

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.

The Municipalities liability are backed by appropriate assets and it has significant liquid resources.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within a year	Between 2 to 5 years	Total
2018			
Gross finance lease obligations	953,465	1,902,247	2,855,712
Borrowings	2,110,760	77,085,254	79,196,015
Trade and other payables	212,601,575	-	212,601,575
Other	734,000	8,792,817	9,526,817
	<u>216,399,801</u>	<u>87,780,318</u>	<u>304,180,119</u>
		Between 2 to 5 years	Total
2017			
Gross finance lease obligations	14,124,319	-	14,124,319
Borrowings	3,908,688	79,373,305	83,281,994
Trade and other payables	235,262,999	-	235,262,999
Other	494,551	8,045,820	8,540,371
	<u>253,790,557</u>	<u>87,419,125</u>	<u>341,209,683</u>

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
APPENDIX A
UNAUDITED SCHEDULE OF EXTERNAL LOANS
as at 30 June 2018

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 1 July 2017		Received during the period		Interest Paid during the period		Interest Accrued at Year End		Redeemed / written off during the period		Balance at 30 June 2018	
			R	R	R	R	R	R	R	R	R	R	R	R
LONG-TERM LOANS														
ABSA Bank @10.65% Development Bank of SA @10.80%		2025 9/30/2025	31,566,862 53,281,993	- 2,110,760	2,415,945 2,239,690	1,566,862 6,196,740	30,000,000 49,196,014							
Total long-term loans			84,848,856	2,110,760	4,655,635	7,763,602	79,196,015							
ANNUITY LOAN														
Development Bank of SA @16.50% Development Bank of SA @13.45%	13527 11578	2014												
Total capital creditors			-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXTERNAL LOANS			84,848,856	2,110,760	4,655,635	7,763,602	79,196,015							

ILEMBE DISTRICT MUNICIPALITY

APPENDIX B

UNAUDITED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

As at 30 June 2018

	Cost / Revaluation		Additions	Change in policy/prior year errors	Disposals	Transfers	Under Construction	Closing Balance		Accumulated Depreciation		Disposals	Change in policy/prior year errors	Change in estimate	Reversal of impairment loss	Impairment loss	Closing Balance	Carrying Value
	R	R						R	R	R	R							
Land	3,242,908	-	-	-	-	-	-	3,242,908	-	-	-	-	-	-	-	-	-	3,242,908
Buildings	19,413,153	53,247	13,874,638	(306,086)	-	33,034,953.22	(8,903,238)	(1,156,514)	284,718	-	(9,775,034)	-	23,259,919	-	-	-	(9,775,034)	23,259,919
Agriculture	24,733,393	-	-	-	-	24,733,393.45	(6,570,836)	(908 186)	-	-	-	-	-	-	-	-	(7,539,021)	17,194,372
Biological Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	142,583,883	-	69,907,922	(1,699,463)	-	210,792,342	(55,755,254)	(9,076,978)	315,743	-	34,831	(356,586)	145,954,097	-	-	-	(64,838,245)	145,954,097
Severage Mains & Purification	1,564,941,001	-	464,625,692	(1,913,973)	-	2,027,652,719	(380,199,312)	(65,142,611)	1,590,352	-	2,988,883	(2,590,246)	1,584,339,586	-	-	-	(443,313,134)	1,584,339,586
Water Mains & Purification	938,922,311	-	(548,408,252)	302,431,862	-	682,955,921	-	-	-	-	-	-	682,955,921	-	-	-	-	682,955,921
Under construction	2,646,487,194	-	(13,874,638)	(3,613,436)	-	2,931,410,962	(435,954,566)	(74,219,589)	1,906,094	-	3,023,514	(2,906,832)	2,423,259,604	-	-	-	(508,151,378)	2,423,259,604
Total carried forward	2,693,856,649	53,247	(0)	(3,919,522)	-	2,992,422,237	(451,428,640)	(76,344,288)	2,190,812	-	3,023,514	(2,906,832)	2,466,956,803	-	-	-	(525,465,434)	2,466,956,803

ILEMBE DISTRICT MUNICIPALITY

APPENDIX B

UNAUDITED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

As at 30 June 2018

	Cost / Revaluation		Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Accumulated Depreciation	Reversal of impairment loss	Impairment loss	Closing Balance	Carrying Value
	R	R														
Other Assets	4,526,994	280,822	-	(944,050)	(71,643)	3,792,122.14	(3,197,667)	(545,085)	68,039	2,115,845	-	(1,588,769)	-	-	2,233,352	
Office Equipment	2,393,162	109,787	-	(690,566)	(399,222)	1,473,162	(1,881,227)	(314,984)	281,968	1,300,327	-	(613,916)	-	-	859,245	
Machinery & Equipment	8,621,882	-	-	(208,694)	-	8,413,228	(1,866,390)	(1,082,173)	-	595,064	-	(2,355,499)	-	-	6,057,729	
Transport Assets	12,992,606	118,304	-	(2,526,465.69)	(251,302)	10,333,141.44	(5,764,813)	(1,086,919)	213,432	4,919,777	-	(1,718,523)	-	-	8,614,616	
Computer Equipment	28,534,843	508,913	-	(4,369,735)	(662,167)	24,011,653	(12,712,098)	(3,029,160)	563,439	8,931,112	-	(6,246,707)	-	-	17,764,942	
Finance Lease Assets	41,055,694	3,328,957	-	(41,025,594)	-	3,358,957	(39,720,839)	(1,936,840)	40,732,681	-	-	(925,098)	-	-	2,433,859	
Other Assets	41,055,694	3,328,957	-	(41,025,594)	-	3,358,957	(39,720,839)	(1,936,840)	40,732,681	-	-	(925,098)	-	-	2,433,859	
Total	2,763,446,886	3,891,117	(0)	(8,289,258)	(41,687,761)	3,019,792,847	(503,861,577)	(81,310,289)	41,286,021	11,121,924	-	(3,023,514)	(2,906,832)	-	(532,637,238)	2,487,155,605

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2017

	Cost / Revaluation			Under Construction	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Accumulated Depreciation	Reversal of Impairment loss	Impairment loss	Closing Balance	Carrying Value
	Opening Balance	Closing Balance	Disposals										
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	3,242,908	-	-	-	3,242,908	-	-	-	-	-	-	-	3,242,908
Buildings	18,594,342	818,811	-	-	19,413,153	(8,114,644)	(788,594)	-	-	-	(8,903,238)	(8,903,238)	10,509,915
Agriculture	24,475,995	303,836	(46,347)	-	24,733,393	(7,838,974)	(980,142)	2,278,323	2,278,323	-	(59,152)	(6,570,836)	18,162,558
Biological Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	142,306,099	-	(36,200)	313,094	142,583,983	(49,974,176)	(5,812,938)	35,221	-	-	(3,360)	(55,755,254)	86,828,629
Sewerage Mains & Purification	1,411,577,073	-	(24,129)	153,388,057	1,564,941,001	(312,803,941)	(57,099,549)	22,428	(3,635,724)	967,120	(7,649,645)	(380,199,312)	1,184,741,689
Water Mains & Purification	738,493,421	-	-	(153,800,690)	354,349,580	938,942,311	-	-	-	-	-	-	938,942,311
Under construction	2,292,376,693	-	(60,329)	(198,649)	354,349,580	2,646,467,193	(62,912,488)	57,647	(3,635,724)	967,120	(7,653,005)	(435,954,566)	2,210,512,629
Total carried forward	2,338,689,748	1,122,647	(106,676)	(198,649)	354,349,580	2,693,856,648	(64,681,224)	84,757	(1,357,401)	967,120	(7,712,157)	(451,428,640)	2,242,428,012

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2017

	Cost / Revaluation			Under Construction	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Accumulated Depreciation	Impairment loss/Reversal of Impairment loss	Closing Balance	Carrying Value	
	Opening Balance	Closing Balance	Disposals										
	R	R	R	R	R	R	R	R	R	R	R	R	
Other Assets	4,357,665	129,813	(159,132)	198,649	4,526,994	(454,226)	156,683	39,800	-	-	(3,197,687)	1,329,327	
Office Equipment	2,388,919	135,582	(131,338)	-	2,393,162	(182,681)	127,756	-	-	-	(1,881,227)	511,935	
Machinery & Equipment	3,535,907	6,097,136	(1,011,162)	-	8,621,882	(582,556)	802,835	-	-	-	(1,868,390)	6,753,491	
Transport Assets	13,327,251	980,683	(1,417,512)	-	12,992,606	(640,094)	1,415,276	(17,747)	-	-	(5,764,813)	7,227,792	
Computer Equipment	23,609,741	7,343,224	(2,719,145)	198,649	28,534,643	(1,859,546)	2,502,648	22,053	-	-	(12,712,098)	15,822,545	
Finance Lease Assets	40,680,454	365,140	-	-	41,055,594	(25,650,948)	(14,069,891)	-	-	-	(39,720,839)	1,334,755	
Other Assets	40,680,454	365,140	-	-	41,055,594	(25,650,948)	(14,069,891)	-	-	-	(39,720,839)	1,334,755	
Total	2,402,989,943	8,831,011	(2,825,821)	0	354,349,580	2,763,446,885	(60,610,661)	2,587,405	(1,335,348)	967,120	(7,712,157)	(503,861,577)	2,259,565,312

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
APPENDIX C
UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
As at 30 June 2018

	Cost / Revaluation				Accumulated Depreciation						
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposal R	Loss/Reversal & Impairment R	Closing Balance R	Carrying value R
Executive & Council	21,614,487	(90,350)	-	(251,302)	21,272,835	(7,633,204)	(2,169,091)	563,439	5,514,841	(3,724,015)	17,548,920
Finance & Admin	29,576,218	443,856	-	(410,865)	29,609,209	(13,982,132)	(2,016,583)	-	3,700,989	(12,297,726)	17,311,483
Waste Management	142,583,883	-	-	-	142,583,883	(55,755,254)	(9,076,978)	-	(6,013)	(64,836,245)	77,745,639
Biological Assets	-	-	-	-	-	-	-	-	-	-	-
Agriculture PPE	24,733,393	-	-	-	24,733,393	(6,570,836)	-	-	-	(6,570,836)	18,162,558
Water	1,564,941,001	-	-	-	1,564,941,001	(380,199,312)	(65,142,611)	-	2,028,789	(443,313,134)	1,121,627,867
Under Construction	938,942,311	-	302,431,862	-	1,241,374,173	-	-	-	-	-	1,241,374,173
Other	41,055,594	3,328,957	-	(41,025,594)	3,358,957	(39,720,839)	(2,905,026)	40,732,581	(8,080,606)	(9,973,889)	(6,614,932)
Total	2,763,446,886	3,682,463	302,431,862	(41,687,761)	3,027,873,451	(503,861,577)	(81,310,289)	41,295,021	3,158,001	(540,717,844)	2,487,155,607

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
APPENDIX D
UNAUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
As at 30 June 2018

	2017		2018	
	Actual Expenditure R	Surplus / (Deficit) R	Actual Income R	Actual Expenditure R
	44,999,714	(12,490,384)	19,372,632	16,383,161
	132,738,407	12,662,184	136,253,705	288,900,825
	5,552,759	(18,918,014)	368,338,005	82,072,640
	-	(1,725,787)	41,582,653	27,781,445
	167,199,610	138,945,579	150,410,160	31,408,930
	579,909,058	212,033,315	265,462,911	229,697,368
Total	930,399,547	330,506,891	981,420,066	676,244,369
				Surplus / (Deficit) R
				2,989,471
				(152,647,120)
				286,265,365
				13,801,209
				119,001,230
				35,765,543
				305,175,696