



***Ugu District Municipality***

Ugu District Municipality Consolidated  
(Registration number DC21)  
Annual Financial Statements  
for the year ended 30 June 2019

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## General Information

---

### Nature of business and principal activities

District Municipality

### The following is included in the scope of operation

Municipality: Provide community within Ugu District with Water and Sanitation services.

Municipal Entity: Ugu South Coast Tourism: Developing and promoting the Ugu district as tourism destination.

Municipal Entity: Ugu South Coast Development Agency: Implementing economic growth and development.

### Executive committee

Mayor

Cllr MA Chiliza ( 1 July 2018 - 23 May 2019 )

Acting Mayor

Cllr PH Mthiyane (23 May 2019 - 30 June 2019)

Deputy Mayor

Cllr PH Mthiyane

Speaker

Cllr NH Gumede

Other executive committee members

Cllr LMR Ngcobo

Cllr SP Mthethwa

Cllr L Mzimela

Cllr AD Ngubo

Cllr NT Dlamini

Other councillors

Cllr NY Mweshe

Cllr DMM Hlengwa

Cllr S Chetty

Cllr H Mbatha

Cllr MA Manyoni

Cllr R Nair

Cllr S Mngomezulu

Cllr D Nciki

Cllr HJ Ngubelanga

Cllr MPL Zungu

Cllr JJ East

Cllr GD Henderson

Cllr SR Ngcobo

Cllr PT Naude

Cllr A Rajaram

Cllr TA Disane

Cllr SE Khawula

Cllr BE Machi

Cllr ZZ Msani

Cllr B Ntusi

Cllr K Dladla

Cllr M Gcwabe

Cllr SN Caluza

Cllr TB Cele

Cllr TW Dube

Cllr NCP Mqwebu

Traditional Leaders

Inkosi MP Ngcobo

Inkosi EZ Mkhize

Inkosi BS Nzimakwe

Inkosi ZGB Msomi

Inkosi ZR Qwabe

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## General Information

---

	Inkosi EZ Jali Inkosi B Cele
<b>Grading of local authority</b>	Grade 5
<b>Chief Finance Officer (CFO)</b>	Mr MS Dlamini
<b>Accounting Officer</b>	D.D. Naidoo
<b>Registered office</b>	28 Connor Street Port Shepstone Kwazulu-Natal 4240
<b>Postal address</b>	PO Box 33 Port Shepstone Kwazulu-Natal 4240
<b>Bankers</b>	Primary Banker: ABSA Bank Limited; Secondary Bankers: Nedbank Bank Limited, Standard Bank Limited, First National Bank Limited, and Investec Limited
<b>Auditors</b>	Auditor General South Africa (AGSA) Registered Auditors
<b>Website</b>	<a href="http://www.ugu.gov.za">www.ugu.gov.za</a>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Index

---

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

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	4
Audit Committee Report	5 - 6
Report of the Auditor General	7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12 - 19
Appropriation Statement	20 - 19
Accounting Policies	20 - 29
Notes to the Annual Financial Statements	30 - 85

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
CIGFARO	Chartered Institute of Government Finance Audit & Risk Officers
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## 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 judgements and estimates.

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal 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 economic entity's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

The external auditors are responsible for independently reviewing and reporting on the economic entity's annual financial statements. The annual financial statements have been examined by the economic entity's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 5 to 85, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2019 and were signed on its behalf by:

---

**D.D. Naidoo**  
**Accounting Officer**

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Audit Committee Report

---

We are pleased to present our report for the financial year ended 30 June 2019.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four (4) times per annum as per its approved terms of reference. During the current year eleven (11) meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
Mr P Prestorn (Chairperson)	11
Mr B Dladla (resigned 31/10/2018)	10
Ms C Elliot	10
Ms B Jojo	3
Mr Zwile Zulu (appointment 01/11/2018)	8

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 165 and section 166 of the MFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The efficiency and effectiveness of internal control

The Audit Committee has considered the work performed by internal audit on a quarterly basis and reviewed the findings by Auditor-General on internal controls for the year ended 30 June 2019. The Audit Committee notes that there has been improvement in internal controls in the areas of financial statement, performance reporting and compliance with legislation.

In line with Section 62(c)(ii) of the MFMA, internal audit provides the Audit Committee and Management with reasonable assurance that the internal controls are adequate and effective. This is achieved by an approved risk based internal audit plan, internal audit assessing the adequacy of controls mitigating the risks and the Audit Committee monitoring implementation of corrective actions.

### Report of the Auditor- General South Africa

The Audit Committee has;

- reviewed the AGSA management report and management responses there to;
- on a quarterly basis reviewed the departments implementation plan for all the issues raised in the prior year;

The corrective actions of the detailed findings raised by AGSA are monitored by the Audit Committee on a quarterly basis.

### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.
- reviewed and discussed the report and audit opinion of the Auditor-General with the Auditor-General and management.

These financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and in the manner required by Municipal Finance Management Act and Division of Revenue Act.

The audit committee concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Audit Committee Report

---

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the economic entity and its audits.

---

**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_



## **Report of the Auditor General**

---

To the Provincial Legislature of Ugu District Municipality Consolidated

**Auditor General South Africa (AGSA)**  
**Registered Auditors**  
**Partner's name**  
**Additional description**  
**Additional description**

**30 September 2019**



# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Notes	Economic entity		Controlling entity	
		2019	2018 Restated*	2019	2018 Restated*
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	3	10 305 840	7 014 297	10 305 840	7 014 297
Current portion of long -term receivables	4	21 085	28 277	21 085	28 277
Operating lease asset	5	-	39 699	-	39 699
Receivables from non-exchange transactions	6	102 940 584	85 816 692	101 525 755	84 476 566
VAT receivable	7	30 836	1 358 193	-	-
Receivables from exchange transactions	8	163 175 244	146 126 917	162 199 824	143 945 692
Cash and cash equivalents	9	58 633 180	47 620 808	50 914 276	37 512 815
		<b>335 106 769</b>	<b>288 004 883</b>	<b>324 966 780</b>	<b>273 017 346</b>
<b>Non-Current Assets</b>					
Investment property	10	40 999 309	40 999 309	31 650 000	31 650 000
Property, plant and equipment	11	4 748 976 655	4 729 111 363	4 747 931 115	4 727 752 661
Intangible assets	12	9 486 433	12 658 521	9 439 475	12 610 147
Investments in controlled entities	13	-	-	200	200
Long-term portion receivables	4	334 065	80 510	334 065	80 510
Cash and cash equivalents	9	3 959 875	4 288 380	3 959 875	4 288 380
		<b>4 803 756 337</b>	<b>4 787 138 083</b>	<b>4 793 314 730</b>	<b>4 776 381 898</b>
<b>Total Assets</b>		<b>5 138 863 106</b>	<b>5 075 142 966</b>	<b>5 118 281 510</b>	<b>5 049 399 244</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Current portion of long - term liabilities	14	24 199 707	22 472 666	24 199 707	22 472 666
Operating lease liability	5	39 284	134 361	27 350	58 328
Payables from exchange transactions	15	370 474 464	233 948 465	375 824 135	232 171 845
VAT payable	16	47 131 880	9 547 912	45 558 550	9 547 912
Consumer deposits	17	21 663 801	21 084 866	21 663 801	21 084 866
Unspent conditional grants and receipts	18	24 961 630	4 067 867	21 353 663	116 663
Provisions	19	30 993 846	31 486 255	30 351 623	30 864 013
		<b>519 464 612</b>	<b>322 742 392</b>	<b>518 978 829</b>	<b>316 316 293</b>
<b>Non-Current Liabilities</b>					
Long - term liabilities	14	60 837 217	84 026 339	60 837 217	84 026 339
Employee benefit obligation	20	19 694 366	17 583 366	19 694 366	17 583 366
Other long term employee benefits	21	19 189 178	16 444 569	19 189 178	16 444 569
		<b>99 720 761</b>	<b>118 054 274</b>	<b>99 720 761</b>	<b>118 054 274</b>
<b>Total Liabilities</b>		<b>619 185 373</b>	<b>440 796 666</b>	<b>618 699 590</b>	<b>434 370 567</b>
<b>Net Assets</b>		<b>4 519 677 733</b>	<b>4 634 346 300</b>	<b>4 499 581 920</b>	<b>4 615 028 677</b>
Accumulated surplus		4 519 677 733	4 634 346 300	4 499 581 920	4 615 028 677

\* See Note 56

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Notes	Economic entity		Controlling entity	
		2019	2018 Restated*	2019	2018 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	22	306 736 023	337 137 644	306 736 023	337 137 644
Rental of facilities and equipment	23	2 204 693	1 274 596	2 204 693	1 274 596
Fees earned		91 209	146 724	-	-
Commissions received		2 000	2 581	-	-
Other income	24	11 133 697	7 772 020	7 632 574	3 931 728
Interest received - investment	25	7 846 784	16 494 682	7 235 470	15 776 673
<b>Total revenue from exchange transactions</b>		<b>328 014 406</b>	<b>362 828 247</b>	<b>323 808 760</b>	<b>358 120 641</b>
<b>Revenue from non-exchange transactions</b>					
<b>Transfer revenue</b>					
Government grants & subsidies	26	734 943 000	714 519 337	734 943 000	714 519 337
Public contributions and donations	27	6 809 683	5 434 518	-	-
<b>Total revenue from non-exchange transactions</b>		<b>741 752 683</b>	<b>719 953 855</b>	<b>734 943 000</b>	<b>714 519 337</b>
<b>Total revenue</b>	28	<b>1 069 767 089</b>	<b>1 082 782 102</b>	<b>1 058 751 760</b>	<b>1 072 639 978</b>
<b>Expenditure</b>					
Employee related costs	29	(404 466 203)	(382 581 144)	(391 579 407)	(370 973 418)
Remuneration of councillors	30	(9 440 438)	(9 019 533)	(9 440 438)	(9 019 533)
Depreciation and amortisation	31	(240 630 635)	(218 182 243)	(240 366 487)	(217 901 847)
Finance costs	33	(10 575 689)	(11 482 045)	(10 277 896)	(11 185 915)
Lease rentals on operating lease	34	(5 337 596)	(5 571 276)	(5 337 596)	(5 571 276)
Bulk purchases	37	(131 955 553)	(95 556 444)	(131 955 553)	(95 556 444)
Contracted services	36	(190 148 298)	(166 537 960)	(190 148 298)	(166 537 960)
Transfers and Subsidies	35	(88)	(1 186 352)	(20 212 815)	(19 496 497)
General Expenses	38	(180 089 439)	(214 638 401)	(164 295 067)	(197 232 548)
<b>Total expenditure</b>		<b>(1 172 643 939)</b>	<b>(1 104 755 398)</b>	<b>(1 163 613 557)</b>	<b>(1 093 475 438)</b>
<b>Operating deficit</b>		<b>(102 876 850)</b>	<b>(21 973 296)</b>	<b>(104 861 797)</b>	<b>(20 835 460)</b>
(Loss) gain on disposal of assets and liabilities		(28 766 427)	594 755	(28 766 427)	594 755
Fair value adjustments	40	-	1 407 518	-	1 407 518
Impairment loss	32	(40 076 355)	(13 000 710)	(40 076 355)	(13 000 710)
Inventories losses/write-downs		-	(5 318 861)	-	(5 318 861)
		<b>(68 842 782)</b>	<b>(16 317 298)</b>	<b>(68 842 782)</b>	<b>(16 317 298)</b>
<b>Deficit for the year</b>		<b>(171 719 632)</b>	<b>(38 290 594)</b>	<b>(173 704 579)</b>	<b>(37 152 758)</b>

\* See Note 56

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Economic entity</b>		
<b>Balance at 01 July 2017</b>	<b>4 672 636 894</b>	<b>4 672 636 894</b>
Changes in net assets		
Surplus for the year	(38 290 594)	(38 290 594)
Total changes	(38 290 594)	(38 290 594)
<b>Restated* Balance at 01 July 2018</b>	<b>4 634 346 307</b>	<b>4 634 346 307</b>
Changes in net assets		
Surplus for the year	(171 719 632)	(171 719 632)
Prior period error	57 051 058	57 051 058
Total changes	(114 668 574)	(114 668 574)
<b>Balance at 30 June 2019</b>	<b>4 519 677 733</b>	<b>4 519 677 733</b>
Note(s)		
<b>Controlling entity</b>		
<b>Balance at 01 July 2017</b>	<b>4 652 181 435</b>	<b>4 652 181 435</b>
Changes in net assets		
Surplus for the year	(37 152 758)	(37 152 758)
Total changes	(37 152 758)	(37 152 758)
<b>Restated* Balance at 01 July 2018</b>	<b>4 615 028 665</b>	<b>4 615 028 665</b>
Changes in net assets		
Surplus for the year	(173 704 579)	(173 704 579)
Prior period error	58 257 834	58 257 834
Total changes	(115 446 745)	(115 446 745)
<b>Balance at 30 June 2019</b>	<b>4 499 581 920</b>	<b>4 499 581 920</b>
Notes		

\* See Note 56

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand	Notes	Economic entity		Controlling entity	
		2019	2018 Restated*	2019	2018 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Sale of goods and services		304 149 049	328 210 824	299 848 470	321 067 452
Grants		756 180 000	714 002 674	756 180 000	714 002 674
Interest income		9 532 111	16 494 682	8 920 797	15 776 673
		<b>1 069 861 160</b>	<b>1 058 708 180</b>	<b>1 064 949 267</b>	<b>1 050 846 799</b>
<b>Payments</b>					
Employee costs		(404 180 814)	(379 992 959)	(397 466 378)	(379 992 959)
Finance costs		(10 575 689)	(11 482 045)	(10 277 896)	(11 185 915)
Other payments		(345 621 085)	(494 272 111)	(345 621 085)	(485 284 306)
		<b>(760 377 588)</b>	<b>(885 747 115)</b>	<b>(753 365 359)</b>	<b>(876 463 180)</b>
<b>Net cash flows from operating activities</b>	42	<b>309 483 572</b>	<b>172 961 065</b>	<b>311 583 908</b>	<b>174 383 619</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	11	(275 454 275)	(292 179 546)	(275 321 831)	(292 031 497)
Purchase of other intangible assets	12	(10 704)	(12 456)	-	-
Sale of other assets		-	106 553	-	-
<b>Net cash flows from investing activities</b>		<b>(275 464 979)</b>	<b>(292 085 449)</b>	<b>(275 321 831)</b>	<b>(292 031 497)</b>
<b>Cash flows from financing activities</b>					
Repayment of long - term liabilities		(23 334 726)	(18 017 706)	(23 189 122)	(20 904 171)
<b>Net cash flows from financing activities</b>		<b>(23 334 726)</b>	<b>(18 017 706)</b>	<b>(23 189 122)</b>	<b>(20 904 171)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>10 683 867</b>	<b>(137 142 090)</b>	<b>13 072 955</b>	<b>(138 552 049)</b>
Cash and cash equivalents at the beginning of the year		51 909 188	189 051 278	41 801 196	180 353 244
<b>Cash and cash equivalents at the end of the year</b>	9	<b>62 593 055</b>	<b>51 909 188</b>	<b>54 874 151</b>	<b>41 801 195</b>

\* See Note 56

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Economic entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	429 111 413	-	<b>429 111 413</b>	306 736 023	<b>(122 375 390)</b>	
Rental of facilities and equipment	1 391 486	-	<b>1 391 486</b>	2 204 693	<b>813 207</b>	
Fees earned	-	-	-	91 209	<b>91 209</b>	
Commissions received	-	-	-	2 000	<b>2 000</b>	
Other income	8 329 304	-	<b>8 329 304</b>	11 133 697	<b>2 804 393</b>	
Interest received - investment	3 988 521	-	<b>3 988 521</b>	7 846 784	<b>3 858 263</b>	
<b>Total revenue from exchange transactions</b>	<b>442 820 724</b>	<b>-</b>	<b>442 820 724</b>	<b>328 014 406</b>	<b>(114 806 318)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	722 368 258	1 000 000	<b>723 368 258</b>	734 943 000	<b>11 574 742</b>	
Public contributions and donations	-	-	-	6 809 683	<b>6 809 683</b>	
<b>Total revenue from non-exchange transactions</b>	<b>722 368 258</b>	<b>1 000 000</b>	<b>723 368 258</b>	<b>741 752 683</b>	<b>18 384 425</b>	
<b>Total revenue</b>	<b>1 165 188 982</b>	<b>1 000 000</b>	<b>1 166 188 982</b>	<b>1 069 767 089</b>	<b>(96 421 893)</b>	
<b>Expenditure</b>						
Employee related costs	(353 840 195)	(40 923 530)	<b>(394 763 725)</b>	(404 466 203)	<b>(9 702 478)</b>	
Remuneration of councillors	(19 658 969)	(9 345)	<b>(19 668 314)</b>	(9 440 438)	<b>10 227 876</b>	
Depreciation and amortisation	(74 527 935)	-	<b>(74 527 935)</b>	(240 630 635)	<b>(166 102 700)</b>	
Impairment loss/ Reversal of impairments	-	-	-	(40 076 355)	<b>(40 076 355)</b>	
Finance costs	(34 534 500)	-	<b>(34 534 500)</b>	(10 575 689)	<b>23 958 811</b>	
Lease rentals on operating lease	-	-	-	(5 337 596)	<b>(5 337 596)</b>	
Bulk purchases	(81 534 000)	(50 000 000)	<b>(131 534 000)</b>	(131 955 553)	<b>(421 553)</b>	
Contracted Services	(70 115 290)	(221 296 061)	<b>(291 411 351)</b>	(190 148 298)	<b>101 263 053</b>	
Transfers and Subsidies	(6 533 999)	-	<b>(6 533 999)</b>	(88)	<b>6 533 911</b>	
General Expenses	(295 781 338)	48 124 297	<b>(247 657 041)</b>	(180 089 439)	<b>67 567 602</b>	
<b>Total expenditure</b>	<b>(936 526 226)</b>	<b>(264 104 639)</b>	<b>(1 200 630 865)</b>	<b>(1 212 720 294)</b>	<b>(12 089 429)</b>	
<b>Operating deficit</b>	<b>228 662 756</b>	<b>(263 104 639)</b>	<b>(34 441 883)</b>	<b>(142 953 205)</b>	<b>(108 511 322)</b>	
Loss on disposal of assets and liabilities	-	-	-	(28 766 427)	<b>(28 766 427)</b>	
<b>Deficit before taxation</b>	<b>228 662 756</b>	<b>(263 104 639)</b>	<b>(34 441 883)</b>	<b>(171 719 632)</b>	<b>(137 277 749)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>228 662 756</b>	<b>(263 104 639)</b>	<b>(34 441 883)</b>	<b>(171 719 632)</b>	<b>(137 277 749)</b>	

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	8 033 768	-	<b>8 033 768</b>	10 305 840	<b>2 272 072</b>	
Long-term portion receivables	61 844	-	<b>61 844</b>	21 085	<b>(40 759)</b>	
Receivables from non-exchange transactions	147 656 248	-	<b>147 656 248</b>	102 940 584	<b>(44 715 664)</b>	
VAT receivable	-	-	-	30 836	<b>30 836</b>	
Consumer debtors	149 569 330	-	<b>149 569 330</b>	163 175 244	<b>13 605 914</b>	
Cash and cash equivalents	14 983 993	-	<b>14 983 993</b>	58 633 180	<b>43 649 187</b>	
	<b>320 305 183</b>	-	<b>320 305 183</b>	<b>335 106 769</b>	<b>14 801 586</b>	
<b>Non-Current Assets</b>						
Investment property	51 291 156	-	<b>51 291 156</b>	40 999 310	<b>(10 291 846)</b>	
Property, plant and equipment	4 126 264 721	-	<b>4 126 264 721</b>	4 748 976 655	<b>622 711 934</b>	
Intangible assets	17 183 296	-	<b>17 183 296</b>	9 486 433	<b>(7 696 863)</b>	
Long-term portion receivables	32 445	-	<b>32 445</b>	334 065	<b>301 620</b>	
Cash and cash equivalents	-	-	-	3 959 875	<b>3 959 875</b>	
	<b>4 194 771 618</b>	-	<b>4 194 771 618</b>	<b>4 803 756 338</b>	<b>608 984 720</b>	
<b>Total Assets</b>	<b>4 515 076 801</b>	-	<b>4 515 076 801</b>	<b>5 138 863 107</b>	<b>623 786 306</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Long - term liabilities	20 511 262	-	<b>20 511 262</b>	24 199 707	<b>3 688 445</b>	
Operating lease liability	-	-	-	39 284	<b>39 284</b>	
Payables from exchange transactions	182 162 427	-	<b>182 162 427</b>	370 474 460	<b>188 312 033</b>	
VAT payable	-	-	-	47 131 880	<b>47 131 880</b>	
Consumer deposits	21 935 004	-	<b>21 935 004</b>	21 663 801	<b>(271 203)</b>	
Unspent conditional grants and receipts	-	-	-	24 961 630	<b>24 961 630</b>	
Provisions	30 307 185	-	<b>30 307 185</b>	30 993 846	<b>686 661</b>	
	<b>254 915 878</b>	-	<b>254 915 878</b>	<b>519 464 608</b>	<b>264 548 730</b>	
<b>Non-Current Liabilities</b>						
Long - term liabilities	38 749 007	-	<b>38 749 007</b>	60 837 217	<b>22 088 210</b>	
Employee benefit obligation	-	-	-	19 694 366	<b>19 694 366</b>	
Other long term employee benefits	33 126 395	-	<b>33 126 395</b>	19 189 178	<b>(13 937 217)</b>	
	<b>71 875 402</b>	-	<b>71 875 402</b>	<b>99 720 761</b>	<b>27 845 359</b>	
<b>Total Liabilities</b>	<b>326 791 280</b>	-	<b>326 791 280</b>	<b>619 185 369</b>	<b>292 394 089</b>	
<b>Net Assets</b>	<b>4 188 285 521</b>	-	<b>4 188 285 521</b>	<b>4 519 677 738</b>	<b>331 392 217</b>	

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	4 188 285 521		- 4 188 285 521	4 519 677 738	331 392 217	

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	343 289 130	-	<b>343 289 130</b>	304 149 049	<b>(39 140 081)</b>	
Grants	742 580 985	-	<b>742 580 985</b>	756 180 000	<b>13 599 015</b>	
Interest income	3 988 521	-	<b>3 988 521</b>	9 532 111	<b>5 543 590</b>	
Other receipts	8 054 929	-	<b>8 054 929</b>	-	<b>(8 054 929)</b>	
	<b>1 097 913 565</b>	-	<b>1 097 913 565</b>	<b>1 069 861 160</b>	<b>(28 052 405)</b>	
<b>Payments</b>						
Employee and suppliers	(775 191 792)	-	<b>(775 191 792)</b>	(404 180 814)	<b>371 010 978</b>	
Finance costs	(28 000 500)	-	<b>(28 000 500)</b>	(10 575 689)	<b>17 424 811</b>	
Other payments	(20 212 726)	-	<b>(20 212 726)</b>	(345 621 085)	<b>(325 408 359)</b>	
	<b>(823 405 018)</b>	-	<b>(823 405 018)</b>	<b>(760 377 588)</b>	<b>63 027 430</b>	
<b>Net cash flows from operating activities</b>	<b>274 508 547</b>	-	<b>274 508 547</b>	<b>309 483 572</b>	<b>34 975 025</b>	
Purchase of property, plant and equipment	(301 162 595)	-	<b>(301 162 595)</b>	(275 454 275)	<b>25 708 320</b>	
Purchase of other intangible assets	-	-	-	(10 704)	<b>(10 704)</b>	
Decrease (Increase) in non-current debtors	618 000	-	<b>618 000</b>	-	<b>(618 000)</b>	
<b>Net cash flows from investing activities</b>	<b>(300 544 595)</b>	-	<b>(300 544 595)</b>	<b>(275 464 979)</b>	<b>25 079 616</b>	
<b>Cash flows from financing activities</b>						
Repayment of long - term liabilities	(21 811 928)	-	<b>(21 811 928)</b>	(23 334 726)	<b>(1 522 798)</b>	
Increase/decrease) in consumer deposits	881 000	-	<b>881 000</b>	-	<b>(881 000)</b>	
<b>Net cash flows from financing activities</b>	<b>(20 930 928)</b>	-	<b>(20 930 928)</b>	<b>(23 334 726)</b>	<b>(2 403 798)</b>	
Net increase/(decrease) in cash and cash equivalents	(46 966 976)	-	<b>(46 966 976)</b>	10 683 867	<b>57 650 843</b>	
Cash and cash equivalents at the beginning of the year	52 363 240	-	<b>52 363 240</b>	51 909 188	<b>(454 052)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>5 396 264</b>	-	<b>5 396 264</b>	<b>62 593 055</b>	<b>57 196 791</b>	



# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Controlling entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	429 111 413	-	<b>429 111 413</b>	306 736 023	<b>(122 375 390)</b>	
Rental of facilities and equipment	1 091 486	-	<b>1 091 486</b>	2 204 693	<b>1 113 207</b>	
Other income	6 727 625	-	<b>6 727 625</b>	7 632 574	<b>904 949</b>	
Interest received	3 688 521	-	<b>3 688 521</b>	7 235 470	<b>3 546 949</b>	
<b>Total revenue from exchange transactions</b>	<b>440 619 045</b>	-	<b>440 619 045</b>	<b>323 808 760</b>	<b>(116 810 285)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	731 749 314	1 000 000	<b>732 749 314</b>	734 943 000	<b>2 193 686</b>	
<b>Total revenue</b>	<b>1 172 368 359</b>	<b>1 000 000</b>	<b>1 173 368 359</b>	<b>1 058 751 760</b>	<b>(114 616 599)</b>	
<b>Expenditure</b>						
Personnel	(348 656 195)	(40 776 891)	<b>(389 433 086)</b>	(391 579 407)	<b>(2 146 321)</b>	
Remuneration of councillors	(12 226 507)	-	<b>(12 226 507)</b>	(9 440 438)	<b>2 786 069</b>	
Depreciation and amortisation	(58 235 935)	-	<b>(58 235 935)</b>	(240 366 487)	<b>(182 130 552)</b>	
Impairment loss/ Reversal of impairments	-	-	-	(40 076 355)	<b>(40 076 355)</b>	
Finance costs	(28 000 500)	-	<b>(28 000 500)</b>	(10 277 896)	<b>17 722 604</b>	
Lease rentals on operating lease	-	-	-	(5 337 596)	<b>(5 337 596)</b>	
Debt Impairment	(3 159 000)	-	<b>(3 159 000)</b>	-	<b>3 159 000</b>	
Bulk purchases	(75 000 000)	(50 000 000)	<b>(125 000 000)</b>	(131 955 553)	<b>(6 955 553)</b>	
Contracted Services	(176 904 979)	(88 673 045)	<b>(265 578 024)</b>	(190 148 298)	<b>75 429 726</b>	
Transfers and Subsidies	(20 212 726)	-	<b>(20 212 726)</b>	(20 212 815)	<b>(89)</b>	
General Expenses	(144 476 649)	(89 945 822)	<b>(234 422 471)</b>	(164 295 067)	<b>70 127 404</b>	
<b>Total expenditure</b>	<b>(866 872 491)</b>	<b>(269 395 758)</b>	<b>(1 136 268 249)</b>	<b>(1 203 689 912)</b>	<b>(67 421 663)</b>	
<b>Operating deficit</b>	<b>305 495 868</b>	<b>(268 395 758)</b>	<b>37 100 110</b>	<b>(144 938 152)</b>	<b>(182 038 262)</b>	
Loss on disposal of assets and liabilities	-	-	-	(28 766 427)	<b>(28 766 427)</b>	
<b>Deficit before taxation</b>	<b>305 495 868</b>	<b>(268 395 758)</b>	<b>37 100 110</b>	<b>(173 704 579)</b>	<b>(210 804 689)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>305 495 868</b>	<b>(268 395 758)</b>	<b>37 100 110</b>	<b>(173 704 579)</b>	<b>(210 804 689)</b>	

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	8 033 768	-	<b>8 033 768</b>	10 305 840	<b>2 272 072</b>	
Long-term portion receivables	-	-	-	21 085	<b>21 085</b>	
Receivables from non-exchange transactions	42 958 140	-	<b>42 958 140</b>	101 525 755	<b>58 567 615</b>	
Receivables from exchange transactions	106 673 034	-	<b>106 673 034</b>	162 199 824	<b>55 526 790</b>	
Cash and cash equivalents	161 541 976	-	<b>161 541 976</b>	50 914 276	<b>(110 627 700)</b>	
	<b>319 206 918</b>	-	<b>319 206 918</b>	<b>324 966 780</b>	<b>5 759 862</b>	
<b>Non-Current Assets</b>						
Investment property	31 564 111	-	<b>31 564 111</b>	31 650 000	<b>85 889</b>	
Property, plant and equipment	4 126 021 286	-	<b>4 126 021 286</b>	4 747 931 115	<b>621 909 829</b>	
Intangible assets	17 183 296	-	<b>17 183 296</b>	9 439 475	<b>(7 743 821)</b>	
Investments in controlled entities	-	-	-	200	<b>200</b>	
Long-term portion receivables	32 445	-	<b>32 445</b>	334 065	<b>301 620</b>	
Cash and cash equivalents	-	-	-	3 959 875	<b>3 959 875</b>	
	<b>4 174 801 138</b>	-	<b>4 174 801 138</b>	<b>4 793 314 730</b>	<b>618 513 592</b>	
<b>Total Assets</b>	<b>4 494 008 056</b>	-	<b>4 494 008 056</b>	<b>5 118 281 510</b>	<b>624 273 454</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Long - term liabilities	16 511 262	-	<b>16 511 262</b>	24 199 707	<b>7 688 445</b>	
Operating lease liability	-	-	-	27 350	<b>27 350</b>	
Payables from exchange transactions	181 977 639	-	<b>181 977 639</b>	375 824 129	<b>193 846 490</b>	
VAT payable	-	-	-	45 558 550	<b>45 558 550</b>	
Consumer deposits	21 935 004	-	<b>21 935 004</b>	21 663 801	<b>(271 203)</b>	
Unspent conditional grants and receipts	-	-	-	21 353 663	<b>21 353 663</b>	
Provisions	30 307 185	-	<b>30 307 185</b>	30 351 623	<b>44 438</b>	
	<b>250 731 090</b>	-	<b>250 731 090</b>	<b>518 978 823</b>	<b>268 247 733</b>	
<b>Non-Current Liabilities</b>						
Long - term liabilities	38 749 007	-	<b>38 749 007</b>	60 837 217	<b>22 088 210</b>	
Employee benefit obligation	-	-	-	19 694 366	<b>19 694 366</b>	
Other long term employee benefits	33 126 394	-	<b>33 126 394</b>	19 189 178	<b>(13 937 216)</b>	
	<b>71 875 401</b>	-	<b>71 875 401</b>	<b>99 720 761</b>	<b>27 845 360</b>	
<b>Total Liabilities</b>	<b>322 606 491</b>	-	<b>322 606 491</b>	<b>618 699 584</b>	<b>296 093 093</b>	
<b>Net Assets</b>	<b>4 171 401 565</b>	-	<b>4 171 401 565</b>	<b>4 499 581 926</b>	<b>328 180 361</b>	

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	4 171 401 565		- 4 171 401 565	4 499 581 926	328 180 361	

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	343 289 130	-	<b>343 289 130</b>	299 848 470	<b>(43 440 660)</b>	
Grants	725 713 454	-	<b>725 713 454</b>	756 180 000	<b>30 466 546</b>	
Other receipts	9 841 771	-	<b>9 841 771</b>	8 920 797	<b>(920 974)</b>	
	<b>1 078 844 355</b>	-	<b>1 078 844 355</b>	<b>1 064 949 267</b>	<b>(13 895 088)</b>	
<b>Payments</b>						
Employee costs	(354 348 702)	-	<b>(354 348 702)</b>	(397 466 378)	<b>(43 117 676)</b>	
Finance costs	-	-	-	(10 277 896)	<b>(10 277 896)</b>	
Other payments	(450 268 732)	-	<b>(450 268 732)</b>	(345 621 085)	<b>104 647 647</b>	
	<b>(804 617 434)</b>	-	<b>(804 617 434)</b>	<b>(753 365 359)</b>	<b>51 252 075</b>	
<b>Net cash flows from operating activities</b>	<b>274 226 921</b>	-	<b>274 226 921</b>	<b>311 583 908</b>	<b>37 356 987</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(301 162 595)	-	<b>(301 162 595)</b>	(275 321 831)	<b>25 840 764</b>	
Decrease (Increase) in non-current debtors	618 000	-	<b>618 000</b>	-	<b>(618 000)</b>	
<b>Net cash flows from investing activities</b>	<b>(300 544 595)</b>	-	<b>(300 544 595)</b>	<b>(275 321 831)</b>	<b>25 222 764</b>	
<b>Cash flows from financing activities</b>						
Repayment of borrowings	(21 811 928)	-	<b>(21 811 928)</b>	(23 189 122)	<b>(1 377 194)</b>	
Increase (decrease) in consumer deposits	881 000	-	<b>881 000</b>	-	<b>(881 000)</b>	
<b>Net cash flows from financing activities</b>	<b>(20 930 928)</b>	-	<b>(20 930 928)</b>	<b>(23 189 122)</b>	<b>(2 258 194)</b>	
Net increase/(decrease) in cash and cash equivalents	(47 248 602)	-	<b>(47 248 602)</b>	13 072 955	<b>60 321 557</b>	
Cash and cash equivalents at the beginning of the year	52 363 240	-	<b>52 363 240</b>	41 801 196	<b>(10 562 044)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>5 114 638</b>	-	<b>5 114 638</b>	<b>54 874 151</b>	<b>49 759 513</b>	

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the economic entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The economic entity separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note ).

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

#### 1.2 Property, plant and equipment

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

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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

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

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

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

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

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

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

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

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

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

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

### 1.3 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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



# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.3 Intangible assets (continued)

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

### 1.4 Investments in controlled entities

### 1.5 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.5 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.5 Financial instruments (continued)

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

### 1.6 Leases

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

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.7 Inventories

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

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

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

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

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

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

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

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

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

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.7 Inventories (continued)

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

### 1.8 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

### 1.9 Share capital / contributed capital

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

### 1.10 Employee benefits

### 1.11 Provisions and contingencies

Provisions are recognised when:

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

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

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.11 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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

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

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

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.11 Provisions and contingencies (continued)

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

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

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

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

### 1.12 Revenue from exchange transactions

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

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

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

### 1.13 Revenue from non-exchange transactions

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

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

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

### 1.14 Borrowing costs

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

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

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

---

### 2. New standards and interpretations

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

No new Standards and interpretations were effective and adopted by the economic entity in the current year

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

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2019 or later periods:

##### **GRAP 34: Separate Financial Statements**

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The economic entity expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

This standard will have a material impact on the municipality's annual financial statement as the municipality has two municipal entities under its sole control i.e. Ugu South Cost Tourism and South Cost Development Agency.

##### **GRAP 35: Consolidated Financial Statements**

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The economic entity expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

This standard will have a material impact on the municipality's annual financial statement as the municipality has two municipal entities under its sole control i.e. Ugu South Cost Tourism and South Cost Development Agency.

##### **GRAP 38: Disclosure of Interests in Other Entities**

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

---

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

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The economic entity expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

This standard will have a material impact on the municipality's annual financial statement as the municipality has two municipal entities under its sole control i.e. Ugu South Cost Tourism and South Cost Development Agency.

#### **GRAP 110 (as amended 2016): Living and Non-living Resources**

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The economic entity expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's annual financial statements.



# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>3. Inventories</b>				
Consumable stores	9 599 203	11 738 330	9 599 203	11 738 330
Water for distribution	706 637	594 828	706 637	594 828
	<u>10 305 840</u>	<u>12 333 158</u>	<u>10 305 840</u>	<u>12 333 158</u>
Inventories (write-downs)	-	(5 318 861)	-	(5 318 861)
	<b><u>10 305 840</u></b>	<b><u>7 014 297</u></b>	<b><u>10 305 840</u></b>	<b><u>7 014 297</u></b>

The municipality has identified and measured all inventory in terms of GRAP 12 for the financial year ended 30 June 2019.

The cost of water production for the year amounted to R2,30 per kilolitre (2018: R2.20 per kilolitre).

No inventories have been pledged as collateral for liabilities of the municipality.

### 4. Long-term portion receivables

#### At amortised cost

Sundry Recoveries	482 859	236 496	482 859	236 496
Sundry recoveries are made of recoveries that are receivable from employees as results of damages to municipality belongings and employee has acknowledged the negligence. The sundry loans are not secured and are interest free. The average term of these loans 1 to 5 years				
	<u>482 859</u>	<u>236 496</u>	<u>482 859</u>	<u>236 496</u>
Impairments	(127 709)	(127 709)	(127 709)	(127 709)
	<b><u>355 150</u></b>	<b><u>108 787</u></b>	<b><u>355 150</u></b>	<b><u>108 787</u></b>

#### Non-current assets

At amortised cost	334 065	80 510	334 065	80 510
-------------------	---------	--------	---------	--------

#### Current assets

At amortised cost	21 085	28 277	21 085	28 277
-------------------	--------	--------	--------	--------

### 5. Operating lease asset (accrual)

Current assets	-	39 699	-	39 699
Current liabilities	(39 284)	(134 361)	(27 350)	(58 328)
	<b><u>(39 284)</u></b>	<b><u>(94 662)</u></b>	<b><u>(27 350)</u></b>	<b><u>(18 629)</u></b>

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable operating leases the current assets and current liabilities (accrual) have been recognised as above.

#### Operating lease asset

Balance at beginning of year	39 700	45 030	39 700	45 030
Operating lease revenue recorded	-	235 948	-	235 948
Operating lease revenue from smoothing	(39 700)	(241 278)	(39 700)	(241 278)
	<b><u>-</u></b>	<b><u>39 700</u></b>	<b><u>-</u></b>	<b><u>39 700</u></b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 5. Operating lease asset (accrual) (continued)

#### Leasing arrangements

##### The municipality as lessor:

Operating leases relate to property owned by the municipality with lease terms of between 1 to 3 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

##### Amounts receivable under operating leases

At the reporting date the following minimum lease payments were receivable under non-cancellable operating leases for property, plant and equipment, which are receivable as follows:

Up to 1 year	-	235 948	-	235 498
2 to 5 years	-	157 299	-	157 299
	-	<b>393 247</b>	-	<b>392 797</b>

The following restrictions (if any) have been imposed by the municipality in terms of the (specify) lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

##### Operating lease liability

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Balance at beginning of year	-	-	58 327	56 759
Operating lease expenses recorded	-	-	(30 977)	(3 658 740)
Operating lease payments from smoothing	-	-	-	3 660 308
	-	-	<b>27 350</b>	<b>58 327</b>

#### Leasing arrangements

##### The municipality as lessee:

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

##### Amounts payable under operating leases

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for property, plant and equipment, which fall due as follows:

Within one year	27 350	1 522 354	27 350	1 522 354
In the second to third years, inclusive	-	781 944	-	781 944
	<b>27 350</b>	<b>2 304 298</b>	<b>27 350</b>	<b>2 304 298</b>

The following payments have been recognised as an expense in the Statement of Financial Performance:

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 5. Operating lease asset (accrual) (continued)

Minimum lease payments	404 905	2 192 772	404 905	2 192 772
------------------------	---------	-----------	---------	-----------

The economic entity has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office equipment

The following restrictions have been imposed on the economic entity in terms of the lease agreements on office equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iv) The economic entity is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

### 6. Receivables from non-exchange transactions

Payments made in advance	155 656	8 040	155 656	8 040
Ray Nkonyeni Municipality	(4 849 381)	(4 504 515)	(6 264 210)	(5 844 641)
Water Availability Charges	85 775 025	73 861 428	85 775 025	73 861 428
Sundry deposits	3 065 840	2 865 840	3 065 840	2 865 840
Sundry debtors	18 793 444	13 585 899	18 793 444	13 585 899
	<b>102 940 584</b>	<b>85 816 692</b>	<b>101 525 755</b>	<b>84 476 566</b>

Sundry receivables are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The municipality does not hold deposits or other security for its receivables.

None of the receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of receivables approximate their fair values.

#### Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 19 907 294 (2018: R 15 019 400) were past due but not impaired.

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

3 months past due	19 907 294	15 019 400	19 907 294	15 019 400
-------------------	------------	------------	------------	------------

The receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. Other receivables are not considered to be impaired.

### 7. VAT receivable

VAT	30 836	1 358 193	-	-
-----	--------	-----------	---	---

VAT for economic entity and South Coast Development Agency is payable on the payments basis. Once cash has been received from customers/receivables, VAT is payable over to SARS. However Ugu South Coast Tourism VAT is payable on the invoice basis. When the invoice is raised an amount of VAT is payable to SARS.

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>7. VAT receivable (continued)</b>				
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The economic entity has financial risk policies in place to ensure that payments are effected before the due date.				
<b>8. Receivables from exchange transactions</b>				
<b>Gross balances</b>				
Water	162 910 119	319 037 117	162 910 119	319 037 117
Sewerage	340 198 004	130 336 582	340 198 004	130 336 582
Other trade	5 165 657	6 415 360	4 190 237	4 234 135
	<b>508 273 780</b>	<b>455 789 059</b>	<b>507 298 360</b>	<b>453 607 834</b>
<b>Less: Allowance for impairment</b>				
Water	(16 680 708)	(265 458 237)	(16 680 708)	(265 458 237)
Sewerage	(328 417 828)	(44 203 905)	(328 417 828)	(44 203 905)
	<b>(345 098 536)</b>	<b>(309 662 142)</b>	<b>(345 098 536)</b>	<b>(309 662 142)</b>
<b>Net balance</b>				
Water	146 229 411	53 578 880	146 229 411	53 578 880
Sewerage	11 780 176	86 132 677	11 780 176	86 132 677
Other trade	5 165 657	6 415 360	4 190 237	4 234 135
	<b>163 175 244</b>	<b>146 126 917</b>	<b>162 199 824</b>	<b>143 945 692</b>
<b>Summary of debtors by customer classification</b>				
<b>Water and Water Availability</b>				
Current (0 -30 days)	39 736 763	39 282 354	39 736 763	39 282 354
31 - 60 days	16 317 028	48 758 787	16 317 028	48 758 787
61 - 90 days	12 335 454	20 823 605	12 335 454	20 823 605
91 - 120 days	11 333 635	10 204 398	11 333 635	10 204 398
121 - 360 days	12 665 387	15 493 755	12 665 387	15 493 755
> 360 days	387 287 327	288 830 294	387 287 327	288 830 294
	<b>479 675 594</b>	<b>423 393 193</b>	<b>479 675 594</b>	<b>423 393 193</b>
<b>Sewerage</b>				
Current (0 -30 days)	7 326 196	8 064 595	7 326 196	8 064 595
31 - 60 days	4 347 421	13 828 336	4 347 421	13 828 336
61 - 90 days	3 399 962	4 057 504	3 399 962	4 057 504
91 - 120 days	3 268 254	2 653 705	3 268 254	2 653 705
121 - 360 days	3 474 919	3 097 182	3 474 919	3 097 182
> 360 days	46 184 413	29 889 912	46 184 413	29 889 912
	<b>68 001 165</b>	<b>61 591 234</b>	<b>68 001 165</b>	<b>61 591 234</b>
<b>Industrial</b>				
Current (0 -30 days)	7 657 330	5 647 786	7 657 330	5 647 786
31 - 60 days	3 647 068	26 978 552	3 647 068	26 978 552
61 - 90 days	3 227 472	4 582 412	3 227 472	4 582 412
91 - 120 days	2 479 563	2 895 961	2 479 563	2 895 961
121 - 365 days	2 797 234	2 279 965	2 797 234	2 279 965
> 365 days	58 598 290	46 578 775	58 598 290	46 578 775
	<b>78 406 957</b>	<b>88 963 451</b>	<b>78 406 957</b>	<b>88 963 451</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>8. Receivables from exchange transactions (continued)</b>				
<b>Residential/ Households</b>				
Current (0 -30 days)	22 309 597	22 323 848	22 309 597	22 323 848
31 - 60 days	11 549 757	21 171 491	11 549 757	21 171 491
61 - 90 days	9 166 408	17 346 368	9 166 408	17 346 368
91 - 120 days	9 322 119	8 270 469	9 322 119	8 270 469
121 - 360 days	10 796 988	15 123 567	10 796 988	15 123 567
> 360 days	335 949 152	249 303 932	335 949 152	249 303 932
	<b>399 094 021</b>	<b>333 539 675</b>	<b>399 094 021</b>	<b>333 539 675</b>
<b>National and provincial</b>				
Current (0 -30 days)	17 096 033	19 375 315	17 096 033	19 375 315
31 - 60 days	5 467 623	14 437 079	5 467 623	14 437 079
61 - 90 days	3 341 536	2 952 330	3 341 536	2 952 330
91 - 120 days	2 800 207	1 691 674	2 800 207	1 691 674
121 - 360 days	2 546 083	1 187 406	2 546 083	1 187 406
> 360 days	37 256 375	22 837 498	38 924 296	22 837 498
	<b>68 507 857</b>	<b>62 481 302</b>	<b>70 175 778</b>	<b>62 481 302</b>
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	-	-	(309 662 141)	(288 172 493)
Contributions to allowance	-	-	(39 656 786)	(21 489 648)
	-	-	<b>(349 318 927)</b>	<b>(309 662 141)</b>

The gross water balance is lower in the current year when compared to sewerage because customer payments are first allocated to water before being allocated to sewerage. This process was applied differently in the 2018 year where payments were allocated first to sewerage and then to water.

No receivables from exchange transactions have been pledged as collateral for liabilities of the municipality.

## 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	9 785	7 085	-	-
Bank balances	37 985 736	22 147 374	30 276 617	12 046 466
Short-term deposits	20 035 230	25 020 955	20 035 230	25 020 955
Preference shares purchased three months prior redemption	594 190	442 444	594 190	442 444
Other cash and cash equivalents	8 239	2 950	8 239	2 950
	<b>58 633 180</b>	<b>47 620 808</b>	<b>50 914 276</b>	<b>37 512 815</b>
Current assets	58 633 180	47 620 808	50 914 276	37 512 815
Non-current assets	3 959 875	4 288 380	3 959 875	4 288 380
	<b>62 593 055</b>	<b>51 909 188</b>	<b>54 874 151</b>	<b>41 801 195</b>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, cash and cash equivalents include cash-on-hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

Included in Cash and Cash equivalents is restricted Cash to the value of (2019: R 4 554 065) and (2018: R4 730 823), which relates to funds held for Minor Beneficiaries. A portion of the funds due to be released in the next 12 months is disclosed separately from the funds due in the a period of more than 12 months, which are not readily available.

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
ABSA BANK - Primary Account - 406 668 6529	176 592	10 043 395	544 163	176 592	10 043 395	(132 177)
ABSA BANK - General Account - 406 668 6472	4 262 047	1 254 736	2 191 339	4 262 047	918 197	1 140 847
ABSA BANK - Collections Account - 406 668 6294	817 567	7 966	918 661	817 567	7 966	894 726
ABSA BANK - Consumer Deposits Account - 406 671 0647	2 141 057	662 198	1 149 078	2 141 057	662 198	(18 266)
ABSA BANK - Salaries Account - 406 660 3763	139 324	63 210	195 614	139 324	57 880	195 614
ABSA BANK - MIG Project Account - 406 668 6367	50	50	50 836	50	50	50 836
ABSA BANK - Account - 406 895 1879	50	233	172 122	50	233	172 122
ABSA BANK - Conditional Grants Account - 407 755 1917	21 239 932	126 501	9	21 239 932	126 501	9
ABSA BANK - Call Account - 406 757 0008	1 499 997	230 048	7 690 000	1 499 997	230 048	7 690 000
ABSA BANK - Notice Deposit Account - 908 888 2297	308	454	454	308	454	479
FNB BANK - Call Account - 625 155 61357	34 923	20 500	19 320	34 923	20 500	19 320
FNB BANK - Call Account - 747 761 972 882	-	10 000 000	45 131 741	-	10 000 000	45 131 741
Standard BANK - Notice Deposit Account - 058 905 324	-	-	45 736 436	-	-	45 736 436
Nedbank - Fixed Deposit Account - 764 855 2728	20 000 000	-	40 000 000	20 000 000	-	40 000 000
Investec BANK - Call Deposit Account - 110 045 8627	-	15 000 000	35 000 000	-	15 000 000	35 000 000
Cash on hand	5 763	-	-	5 763	-	-
Other cash and cashequivalents	2 476	2 950	2 950	2 476	2 950	2 950

Bank accounts for Ugu South Coast Tourism	Bank statement balances			Cash book balances		
Absa Bank - KZN Public Sector Branch, Account No: 407 403 6586	294 639	163 429	1 214 338	301 776	175 808	1 223 818
Absa Bank - KZN Public Sector Branch, Account No: 92 3286 9178	4 048 782	7 057 568	4 627 026	4 048 782	7 057 568	4 627 029
Absa Bank, KZN Public Sector Branch, Account No: 4090 5214 54	79 927	71 888	1 554 515	79 927	71 889	1 554 515
Absa Rental Guarantee, Account No: 20 6967 8591*	47 261	44 165	40 974	47 261	44 165	40 974
Cash on had	9 143	4 317	-	9 143	4 317	-

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

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

Bank accounts for Ugu South Coast Development Agency	Bank statement balances			Cash book balances		
ABSA Bank: Account Number 4089704563	36 255	2 422 241	23 904	39 255	2 422 241	23 905
ABSA Bank: Account Number 932 264 8008	487 177	314 237	1 221 810	487 177	314 237	1 221 810
ABSA Bank: Account Number 9340887696	2 704 942	15 000	-	2 704 942	15 000	-
Cash on hand	642	2 768	-	642	2 768	-
<b>Total</b>	<b>58 028 854</b>	<b>47 507 854</b>	<b>187 485 290</b>	<b>58 038 991</b>	<b>47 178 365</b>	<b>184 576 688</b>

### Minor Beneficiary Investment in the Bank

	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Account Number 406 757 0977 (Sanlam Group Life Account):	4 554 065	4 730 823	4 468 607	4 554 065	4 730 824	4 468 607

The guarantee held by ABSA Bank is ceded to JHI Properties (Pty) Ltd, for a rental deposit for the Tourism Office in Shelly

Centre. It is a 5 year lease which expires 31 October 2019. However, the guarantee is in place until 31 January 2020 (3 months after end of the lease).

### 10. Investment property

Economic entity	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	9 349 310	-	9 349 310	9 349 310	-	9 349 310
Ugu Fresh Produce Market	10 900 000	-	10 900 000	10 900 000	-	10 900 000
Ugu Sports and Leisure Centre	20 749 999	-	20 749 999	20 749 999	-	20 749 999
<b>Total</b>	<b>40 999 309</b>	<b>-</b>	<b>40 999 309</b>	<b>40 999 309</b>	<b>-</b>	<b>40 999 309</b>

  

Controlling entity	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Ugu Fresh Produce Market	10 900 000	-	10 900 000	10 900 000	-	10 900 000
Ugu Sports and Leisure Centre	20 750 000	-	20 750 000	20 750 000	-	20 750 000
<b>Total</b>	<b>31 650 000</b>	<b>-</b>	<b>31 650 000</b>	<b>31 650 000</b>	<b>-</b>	<b>31 650 000</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 10. Investment property (continued)

#### Reconciliation of investment property - Economic entity - 2019

	Opening balance	Total
Investment property	9 349 310	9 349 310
Ugu Fresh Produce Market	10 900 000	10 900 000
Ugu Sports and Leisure Centre	20 749 999	20 749 999
	<b>40 999 309</b>	<b>40 999 309</b>

#### Reconciliation of investment property - Economic entity - 2018

	Opening balance	Fair value adjustments	Total
Investment property	9 100 000	249 310	9 349 310
Ugu Fresh Produce Market	10 600 000	300 000	10 900 000
Ugu Sports and Leisure Centre	19 642 482	1 107 517	20 749 999
	<b>39 342 482</b>	<b>1 656 827</b>	<b>40 999 309</b>

#### Reconciliation of investment property - Controlling entity - 2019

	Opening balance	Total
Ugu Fresh Produce Market	10 900 000	10 900 000
Ugu Sports and Leisure Centre	20 750 000	20 750 000
	<b>31 650 000</b>	<b>31 650 000</b>

#### Reconciliation of investment property - Controlling entity - 2018

	Opening balance	Fair value adjustments	Total
Ugu Fresh Produce Market	10 600 000	300 000	10 900 000
Ugu Sports and Leisure Centre	19 642 482	1 107 518	20 750 000
	<b>30 242 482</b>	<b>1 407 518</b>	<b>31 650 000</b>

The Municipality has classified the Ugu Fresh Produce Market, and Ugu Sports and Leisure Centre, as investment property in terms of its assets management policy.

Ugu Fresh Produce Market is situated at Bhobhoyi – in the Port Shepstone Town Planning Scheme, lot no 3249 and measures approximately 85 000 square metres. The market offers 18 vendor stalls for retailers, refrigerated storage, a wholesale/agents sales hall, a state-of-the-art multi-purpose ripening facility, an office block, ample parking space, a taxi rank and ablution facilities. The whole facility is secured with 24-hour security guards.

The municipality uses the fair value model to value its investment properties. For the year ending 30 June 2019 a fair value assessment was undertaken by Mills Fitchet (Natal) Pty Ltd. The valuation methodology applied is the income capitalisation approach, where by the net rental income is capitalised at an appropriate rate, in order to arrive at an estimate of market value

#### Pledged as security

No investment properties have been pledged as collateral for liabilities of the municipality.

#### Revenue and expenditure disclosed in the Statement of Financial Performance include the following:

Rental revenue earned from investment property	343 515	373 861	343 515	373 861
--	---------	---------	---------	---------



# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 11. Property, plant and equipment

Economic entity	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	193 307 543	(43 480 904)	149 826 639	186 901 260	(40 895 962)	146 005 298
Furniture and fixtures	1 115 837	(675 798)	440 039	1 032 923	(590 753)	442 170
Motor vehicles	346 487	(212 588)	133 899	346 487	(143 805)	202 682
IT equipment	506 017	(241 963)	264 054	461 533	(175 729)	285 804
Infrastructure	9 678 247 602	(5 109 214 958)	4 569 032 644	9 511 519 162	(4 962 407 820)	4 549 111 342
Community	395 388	(261 192)	134 196	395 388	(48 795)	346 593
Other property, plant and equipment	179 772 965	(150 627 781)	29 145 184	176 903 756	(144 186 282)	32 717 474
<b>Total</b>	<b>10 053 691 839</b>	<b>(5 304 715 184)</b>	<b>4 748 976 655</b>	<b>9 877 560 509</b>	<b>(5 148 449 146)</b>	<b>4 729 111 363</b>

Controlling entity	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	193 307 543	(43 480 904)	149 826 639	186 901 260	(40 895 962)	146 005 298
Infrastructure	9 678 125 943	(5 109 166 651)	4 568 959 292	9 511 397 503	(4 962 367 614)	4 549 029 889
Other property, plant and equipment	179 772 965	(150 627 781)	29 145 184	176 903 756	(144 186 282)	32 717 474
<b>Total</b>	<b>10 051 206 451</b>	<b>(5 303 275 336)</b>	<b>4 747 931 115</b>	<b>9 875 202 519</b>	<b>(5 147 449 858)</b>	<b>4 727 752 661</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

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

#### Reconciliation of property, plant and equipment - Economic entity - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land and buildings	146 005 298	6 406 284	-	-	-	(2 584 943)	-	149 826 639
Furniture and fixtures	442 170	82 914	(2 479)	-	-	(82 566)	-	440 039
Motor vehicles	202 682	-	-	-	-	(68 783)	-	133 899
IT equipment	285 804	52 405	(5 046)	-	-	(69 109)	-	264 054
Infrastructure	4 549 111 342	282 684 475	(40 333 581)	208 736 566	(213 791 566)	(200 574 606)	(16 799 986)	4 569 032 644
Community	346 593	-	(186 053)	-	-	(26 344)	-	134 196
Other property, plant and equipment	32 717 474	2 869 209	-	-	-	(6 388 406)	(53 093)	29 145 184
	<b>4 729 111 363</b>	<b>292 095 287</b>	<b>(40 527 159)</b>	<b>208 736 566</b>	<b>(213 791 566)</b>	<b>(209 794 757)</b>	<b>(16 853 079)</b>	<b>4 748 976 655</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

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

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

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment (loss)/reversal	Total
Land and buildings	136 318 979	12 272 611	-	3 341 578	(3 341 578)	(2 586 292)	-	146 005 298
Furniture and fixtures	482 886	54 503	(11 052)	-	-	(76 698)	(7 469)	442 170
Motor vehicles	271 415	-	-	-	-	(68 783)	50	202 682
IT equipment	302 048	73 848	(5 711)	-	-	(81 754)	(2 627)	285 804
Infrastructure	4 482 035 311	263 968 186	-	49 339 103	(49 339 103)	(196 892 155)	-	4 549 111 342
Community	377 107	19 700	(24 213)	-	-	(25 998)	(3)	346 593
Other property, plant and equipment	37 544 910	15 790 700	(40 583)	-	-	(20 577 553)	-	32 717 474
	<b>4 657 332 656</b>	<b>292 179 548</b>	<b>(81 559)</b>	<b>52 680 681</b>	<b>(52 680 681)</b>	<b>(220 309 233)</b>	<b>(10 049)</b>	<b>4 729 111 363</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

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

#### Reconciliation of property, plant and equipment - Controlling entity - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land and buildings	146 005 298	6 406 284	-	-	-	(2 584 943)	-	149 826 639
Infrastructure	4 549 029 889	282 684 475	(40 333 581)	208 736 051	(213 791 566)	(200 565 990)	(16 799 986)	4 568 959 292
Other property, plant and equipment	32 717 474	2 869 209	-	-	-	(6 388 406)	(53 093)	29 145 184
	<b>4 727 752 661</b>	<b>291 959 968</b>	<b>(40 333 581)</b>	<b>208 736 051</b>	<b>(213 791 566)</b>	<b>(209 539 339)</b>	<b>(16 853 079)</b>	<b>4 747 931 115</b>

A register containing the information required by section 63 of Municipal Finance Act (56 of 2003) is available for inspection at the registered office of the municipality.

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

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

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

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Total
Land and buildings	136 318 979	12 272 611	-	3 341 578	(3 341 578)	(2 586 292)	146 005 298
Infrastructure	4 481 945 757	263 968 186	-	49 339 103	(49 339 103)	(196 884 054)	4 549 029 889
Other property, plant and equipment	37 544 910	15 790 700	(40 583)	-	-	(20 577 553)	32 717 474
	<b>4 655 809 646</b>	<b>292 031 497</b>	<b>(40 583)</b>	<b>52 680 681</b>	<b>(52 680 681)</b>	<b>(220 047 899)</b>	<b>4 727 752 661</b>

A register containing the information required by section 63 of Municipal Finance Act (56 of 2003) is available for inspection at the registered office of the municipality.

#### Pledged as security

No property, plant and equipment have been pledged as collateral for liabilities of the municipality.

#### Depreciation rates

Land	Straight line	Indefinite
Land and buildings	Straight line	5 to 30 years
Furniture and fixtures	Straight line	3 to 15 years
Motor vehicles	Straight line	4 to 15 years
Office equipment	Straight line	3 to 15 years
IT equipment	Straight line	3 to 10 years
Infrastructure - Security measures	Straight line	7 to 25 years
Infrastructure - Sewerage	Straight line	7 to 60 years
Infrastructure - Water	Straight line	5 to 100 years
Other property, plant and equipment	Straight line	2 to 15 years
Other assets	Straight line	5 to 30 years
Sport Facilities	Straight line	5 to 30 years
Other facilities	Straight line	5 to 30 years
Specialised vehicles	Straight line	10 to 15 years

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

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

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### Property, Plant and Equipment Under Construction

Accumulated expenditure in carrying value of property, plant and equipment includes the Assets Under Construction costs for the following classes:

2019	Opening balance	Additions	Transfers out	Closing balance
Buildings	31 610 725	6 406 283	-	38 017 008
Infrastructure	1 947 507 181	262 411 786	(208 736 051)	2 001 182 916
	<b>1 979 117 906</b>	<b>268 818 069</b>	<b>(208 736 051)</b>	<b>2 039 199 924</b>

#### 2019

PPE underconstruction taking significantly longer to complete than expected	536 725 360
PPE construction halted	215 335 999
	<b>752 061 359</b>

There are assets under construction that are taking significantly longer to complete than expected and some have been halted due to various challenges faced by the municipality. These challenges include but are not limited to, delays in environmental approvals; delays in the approval of the application for power supply; delayed registration of servitudes due to prolonged negotiations; community protests and business forums; delays caused by contractors on site; delays in approvals for application of additional funding and lack of funding.

2018	Opening balance	Additions	Transfers out	Closing balance
Buildings	24 840 832	10 111 471	(3 341 578)	31 610 725
Infrastructure	1 733 153 918	263 692 367	(49 339 103)	1 947 507 182
	<b>1 757 994 750</b>	<b>273 803 838</b>	<b>(52 680 681)</b>	<b>1 979 117 907</b>

#### 2018

PPE underconstruction taking significantly longer to complete than expected	439 536 858
PPE construction halted	191 878 210
	<b>631 415 068</b>

There are assets under construction that are taking significantly longer to complete than expected and some have been halted due to various challenges faced by the municipality. These challenges include but are not limited to, delays in environmental approvals; delays in the approval of the application for power supply; delayed registration of servitudes due to prolonged negotiations; community protests and business forums; delays caused by contractors on site; delays in approvals for application of additional funding and lack of funding.

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 12. Intangible assets

Economic entity	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Website and software	117 572	(70 614)	46 958	109 455	(61 081)	48 374
Servitudes	2 659 160	-	2 659 160	2 659 160	-	2 659 160
Computer software	45 053 143	(38 272 828)	6 780 315	45 053 143	(35 102 156)	9 950 987
<b>Total</b>	<b>47 829 875</b>	<b>(38 343 442)</b>	<b>9 486 433</b>	<b>47 821 758</b>	<b>(35 163 237)</b>	<b>12 658 521</b>

  

Controlling entity	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	2 659 160	-	2 659 160	2 659 160	-	2 659 160
Computer software	45 053 143	(38 272 828)	6 780 315	45 053 143	(35 102 156)	9 950 987
<b>Total</b>	<b>47 712 303</b>	<b>(38 272 828)</b>	<b>9 439 475</b>	<b>47 712 303</b>	<b>(35 102 156)</b>	<b>12 610 147</b>

#### Reconciliation of intangible assets - Economic entity - 2019

	Opening balance	Additions	Amortisation	Total
Website and software	48 374	10 703	(12 119)	46 958
Servitudes	2 659 160	-	-	2 659 160
Computer software	9 950 987	-	(3 170 672)	6 780 315
<b>Total</b>	<b>12 658 521</b>	<b>10 703</b>	<b>(3 182 791)</b>	<b>9 486 433</b>

#### Reconciliation of intangible assets - Economic entity - 2018

	Opening balance	Additions	Disposals	Amortisation	Impairment loss	Total
Website and software	50 986	12 456	(3 159)	(11 907)	(2)	48 374
Servitudes	2 659 160	-	-	-	-	2 659 160
Computer software	13 611 149	-	-	(3 660 162)	-	9 950 987
<b>Total</b>	<b>16 321 295</b>	<b>12 456</b>	<b>(3 159)</b>	<b>(3 672 069)</b>	<b>(2)</b>	<b>12 658 521</b>

#### Reconciliation of intangible assets - Controlling entity - 2019

	Opening balance	Amortisation	Total
Servitudes	2 659 160	-	2 659 160
Computer software	9 950 987	(3 170 672)	6 780 315
<b>Total</b>	<b>12 610 147</b>	<b>(3 170 672)</b>	<b>9 439 475</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 12. Intangible assets (continued)

#### Reconciliation of intangible assets - Controlling entity - 2018

	Opening balance	Amortisation	Total
Servitudes	2 659 160	-	2 659 160
Computer software	13 608 274	(3 657 287)	9 950 987
	<b>16 267 434</b>	<b>(3 657 287)</b>	<b>12 610 147</b>

The amortisation expense has been included in the line item "Depreciation and amortisation" in the Statement of Financial Performance (see note: 31)

#### Pledged as security

No intangible assets have been pledged as security for an liabilities of municipality.

#### Restrictions

The following restrictions apply to Intangible Assets:

##### - Financial Software

- (i) The system is non-assignable, non-transferable, and the municipality has no exclusive rights to use the system
- (ii) The system may be used on only one database at any one time.
- (iii) The municipality, as the licensee, shall not grant usage of, or distribute, the system in its original or modified form, to a third party for the third party's benefit.
- (iv) The municipality has no intellectual property rights to the system.

Refer to Appendix "B" for more detail on Intangible Assets.

#### Other information

A brief description of significant intangible assets controlled by the economic entity but not recognised as assets because they did not meet the recognition criteria in this Standard or because they were acquired or generated before the version of IAS 38 Intangible Assets issued in 1998 was effective.

- (i) Website costs incurred during the prior financial years have been expensed and not recognised as intangible assets . The municipality cannot demonstrate how it will generate probable future economic benefits:

Intangible assets with indefinite lives:



# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 13. Investments in controlled entities

Name of company	Held by	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
Ugu South Coast Tourism (Pty) Ltd	Ugu District Municipality	100.00 %	100.00 %	100	100
Ugu South Coast Development Agency	Ugu District Municipality	100.00 %	100.00 %	100	100
				<b>200</b>	<b>200</b>

#### Grants allocated to the entities:

Ugu South Coast Tourism (Pty) Ltd	-	-	14 135 195	12 522 012
South Coast Development Agency NPC	-	-	6 077 531	5 788 128
	-	-	<b>20 212 726</b>	<b>18 310 140</b>

The carrying amounts of controlled entities are shown net of impairment losses.

The municipality exercises control in the following companies

Ugu South Coast Tourism (Pty) Ltd is located and commencing its operations on 1 July 2009 in the Ugu District Municipal area, where the value of the investment is considered to be R100, being the issued share capital.

Ugu South Coast Development Agency, Ray Nkonyeni Municipality (former Hibiscus Coast Local Municipality) has entered in a Memorandum of Understanding to transfer this company to Ugu District Municipality as from 01 July 2014.

All thirteen members serving on the board of directors of the municipal entity are nominated by the municipality's executive committee. (13/13 = 100%)

### 14. Long - term liabilities

#### At amortised cost

Annuity Loans	85 036 924	106 499 005	85 036 924	106 499 005
The average annuity loans period varying from 1 to 13 (2018: 1 to 13) years and at interest rates varying from 2,65% to 11,51% (2018: 2,65% to 11,51%) per annum. Annuity loans are not secured				

#### Non-current liabilities

At amortised cost	60 837 217	84 026 339	60 837 217	84 026 339
-------------------	------------	------------	------------	------------

#### Current liabilities

At amortised cost	24 199 707	22 472 666	24 199 707	22 472 666
-------------------	------------	------------	------------	------------

### 15. Payables from exchange transactions

Trade payables	253 647 729	103 056 302	259 900 268	102 143 970
Provision for leave pay	902 868	864 288	-	-
Other creditors	24 992 930	50 889 662	24 992 930	50 889 662
Retention	76 977 799	65 219 393	76 977 799	65 219 393
Staff bonuses	13 953 138	13 918 820	13 953 138	13 918 820
	<b>370 474 464</b>	<b>233 948 465</b>	<b>375 824 135</b>	<b>232 171 845</b>

### 16. VAT payable

Tax refunds payables	47 131 880	9 547 912	45 558 550	9 547 912
----------------------	------------	-----------	------------	-----------

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>17. Consumer deposits</b>				
Water	21 663 801	21 084 866	21 663 801	21 084 866
Guarantees held in lieu of water deposits	495 780	481 980	495 780	481 980

No interest is paid to customers for water deposits held.

### 18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Disaster management grant	20 237 000	-	20 237 000	-
National school nutrition programme	3 607 967	3 951 204	-	-
Shared legal services grant	1 000 000	-	1 000 000	-
Growth development summit	116 663	116 663	116 663	116 663
	<b>24 961 630</b>	<b>4 067 867</b>	<b>21 353 663</b>	<b>116 663</b>

#### Movement during the year

Balance at the beginning of the year	4 067 867	1 400 000	116 663	400 000
Additions during the year	735 756 337	718 236 000	756 180 000	714 236 000
Income recognition during the year	(714 862 574)	(715 568 133)	(734 943 000)	(714 519 337)
	<b>24 961 630</b>	<b>4 067 867</b>	<b>21 353 663</b>	<b>116 663</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the economic entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

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

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 19. Provisions

#### Reconciliation of provisions - Economic entity - 2019

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Current portion of post-retirement medical aid benefits liability	1 090 682	63 000	-	-	1 153 682
Current portion of long-service awards	2 654 231	-	-	(1 139 685)	1 514 546
Performance bonus provision	1 046 320	333 732	(222 709)	(810 497)	346 846
Leave pay provisions	26 695 022	1 738 689	(454 939)	-	27 978 772
	<b>31 486 255</b>	<b>2 135 421</b>	<b>(677 648)</b>	<b>(1 950 182)</b>	<b>30 993 846</b>

#### Reconciliation of provisions - Economic entity - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Current portion of post-retirement medical aid benefits liability	1 032 392	58 290	-	-	1 090 682
Current portion of long-service awards	1 557 626	1 096 605	-	-	2 654 231
Performance bonus provision	1 099 125	322 780	(226 152)	(149 433)	1 046 320
Leave pay provisions	24 527 255	2 490 040	(322 273)	-	26 695 022
	<b>28 216 398</b>	<b>3 967 715</b>	<b>(548 425)</b>	<b>(149 433)</b>	<b>31 486 255</b>

#### Reconciliation of provisions - Controlling entity - 2019

	Opening Balance	Additions	Reversed during the year	Total
Current portion of post-retirement medical aid benefits liability	1 090 682	63 000	-	1 153 682
Current portion of long-service awards	2 654 231	-	(1 139 685)	1 514 546
Performance bonus provision	740 644	-	(740 644)	-
Leave pay provisions	26 378 456	1 304 939	-	27 683 395
	<b>30 864 013</b>	<b>1 367 939</b>	<b>(1 880 329)</b>	<b>30 351 623</b>

#### Reconciliation of provisions - Controlling entity - 2018

	Opening Balance	Additions	Reversed during the year	Total
Current portion of post-retirement medical aid benefits liability	1 032 392	58 290	-	1 090 682
Current portion of long-service awards	1 557 626	1 096 605	-	2 654 231
Performance bonus provision	890 077	-	(149 433)	740 644
Leave pay provisions	24 275 795	2 102 661	-	26 378 456
	<b>27 755 890</b>	<b>3 257 556</b>	<b>(149 433)</b>	<b>30 864 013</b>

The warranty provision represents management's best estimate of the economic entity's liability under one period warranties granted on (electrical) (products), based on (prior experience) (and) (industry averages for defective products).

There is no expected reimbursement (from the manufacturer) in respect of this provision.

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 20. Retirement benefit liabilities

#### Defined benefit plan

#### Post-retirement health care benefits liability

Balance at beginning of year	18 674 048	17 034 549	18 674 048	17 034 549
Contributions to provision	2 173 952	1 639 499	2 173 952	1 639 499
Balance at end of year	20 848 000	18 674 048	20 848 000	18 674 048
Transfer to current provisions	(1 153 682)	(1 090 682)	(1 153 682)	(1 090 682)
	<b>19 694 318</b>	<b>17 583 366</b>	<b>19 694 318</b>	<b>17 583 366</b>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member is entitled to continue as a member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Arch actuarial consulting, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The members of the post-employment health care benefit plan are made up as follows:

In-service members (employees)	556	583	556	583
Continuation members	56	56	58	53
	<b>612</b>	<b>639</b>	<b>614</b>	<b>636</b>

The unfunded liability in respect of past service has been estimated as follows:

In-service members (employees)	11 210 000	9 960 300	11 210 000	9 960 300
Continuation members	9 638 000	8 713 748	9 638 000	8 713 748
	<b>20 848 000</b>	<b>18 674 048</b>	<b>20 848 000</b>	<b>18 674 048</b>

The current-service cost for the year ending 30 June 2019 is estimated to be R781 002, whereas the cost for the ensuing year is estimated to be R 832 633

#### Key assumptions used

The principal assumptions used for the purposes of the actuarial valuations was as follows:

Discount rates	9.04%	9.26%	9.04%	9.26%
Health care cost inflation	6.57%	7.15%	6.57%	7.15%
Net effective discount rate	2.32%	1.97%	2.32%	1.97%
Expected retirement age - females	62	63	62	63
Expected retirement age - males	62	63	62	63

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of year	18 674 048	17 034 549	18 674 048	17 034 549
Contributions to provision	781 002	733 733	781 002	733 733

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>20. Retirement benefit liabilities (continued)</b>				
Interest cost	1 679 836	1 512 220	1 679 836	1 512 220
Benefit paid	(1 090 682)	(1 032 392)	(1 090 682)	(1 032 392)
Balance at end of year	20 044 204	18 248 110	20 044 204	18 248 110
Actuarial loss/(gain)	803 404	425 938	803 404	425 938
	<b>20 847 608</b>	<b>18 674 048</b>	<b>20 847 608</b>	<b>18 674 048</b>

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

Current service cost	781 002	733 733	781 002	733 733
Interest cost	1 679 836	1 512 220	1 679 836	1 512 220
Actuarial loss/(gain)	803 404	425 938	803 404	425 938
Benefit paid	(1 090 682)	(1 032 392)	(1 090 692)	(1 032 392)
	<b>2 173 560</b>	<b>1 639 499</b>	<b>2 173 550</b>	<b>1 639 499</b>

The history of experienced adjustments is as follows:

	2019	2018	2017	2016	2015	2014
Present value of defined benefit obligation	20 847 607	18 674 000	17 035 000	16 598 421	16 194 781	14 405 969
Deficit	20 847 607	18 674 000	17 035 000	16 598 421	16 194 781	14 405 969
Experienced adjustments on plan liabilities	(537 000)	(660 000)	(288 000)	(550 000)	729 000	(583 000)
	<b>20 310 607</b>	<b>18 014 000</b>	<b>16 747 000</b>	<b>16 048 421</b>	<b>16 923 781</b>	<b>13 822 969</b>

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	Once percentage point increase	One percentage point decrease	Once percentage point increase	One percentage point decrease
<b>2019</b>				
Effect on the aggregate of the current service cost and the interest cost	3 900	(3 900)	112 600	(112 600)
Effect on defined benefit obligation	208 476	(208 476)	208 476	(208 476)
	<b>212 376</b>	<b>(212 376)</b>	<b>321 076</b>	<b>(321 076)</b>
<b>2018</b>				
Effect on the aggregate of the current service cost and the interest cost	2 249	(2 241)	2 249	(2 241)
Effect on defined benefit obligation	(89 000)	104 500	(89 000)	104 500
	<b>(86 751)</b>	<b>102 259</b>	<b>(86 751)</b>	<b>102 259</b>

The municipality expects to make contribution of R2,666 million (2018: R2,460 million) to the defined benefit plans during the next financial year.

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 21. Other long term employee benefits

Provision for long service awards			19 189 178	19 098 800
-----------------------------------	--	--	------------	------------

The movement in non-current provisions are reconciled as follows:

#### Long-term service

Balance at beginning of year			19 098 800	15 456 907
Contributions to provision			1 604 924	3 641 893
			<u>20 703 724</u>	<u>19 098 800</u>
Transfer to provisions			(1 514 546)	(2 654 231)
<b>Balance at end of year</b>			<b>19 189 178</b>	<b>16 444 569</b>

A long-service award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Arch Actuarial Valuers, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

At year-end, 855 (2018: 911) employees were eligible for long-service awards.

The current service costs for the year ending 30 June 2019 is estimated to be R1 744 843, whereas the cost for the ensuing year is estimated to be R 1 984 507.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	8.19%	9,26%
Cost inflation rate	5.56%	7.15%
Net effective discount rate	2.49%	1.97%
Expected retirement age - females	62	63
Expected retirement age - males	62	63

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of the year			19 098 800	17 014 533
Current service costs			1 744 843	1 714 384
Interest cost			1 523 588	1 384 733
Benefits paid			(2 654 231)	(1 557 626)
Actuarial losses/(gains)			990 724	542 776
			<u>20 703 724</u>	<u>19 098 800</u>

The history of experienced adjustments is as follows:

	2019	2018	2017	2016	2015	2014
Present value of long service	20 703 724	19 098 800	17 014 533	16 391 695	14 105 372	11 670 683
Deficit	20 703 724	19 098 800	17 014 533	16 391 695	14 105 372	11 670 683
Experienced adjustments on plan liabilities	(786 085)	815 469	999 274	904 695	910 954	1 671 011

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>21. Other long term employee benefits (continued)</b>				
	<b>19 917 639</b>	<b>19 914 269</b>	<b>18 013 807</b>	<b>17 296 390</b>
			<b>15 016 326</b>	<b>13 341 694</b>

The effect of a 1% movement in the assumed rate of long-service cost inflation is as follows:

2019	One	One	One	One
	percentage	percentage	percentage	percentage
	point increase	point decrease	point increase	point decrease
Effect on the aggregate of the current service cost and the interest cost	255 300	(255 300)	(55 400)	55 400
Effect on defined benefit obligation	207 037	(207 037)	207 037	(207 037)
	<b>462 337</b>	<b>(462 337)</b>	<b>151 637</b>	<b>(151 637)</b>
<b>2018</b>				
	One	One	One	One
	percentage	percentage	percentage	percentage
	point increase	point decrease	point increase	point decrease
Effect on the aggregate of the current service cost and the interest cost	3 344 200	(2 879 100)	3 344 200	(2 879 100)
Effect on defined benefit obligation	70 600	(76 800)	70 600	(76 800)
	<b>3 414 800</b>	<b>(2 955 900)</b>	<b>3 414 800</b>	<b>(2 955 900)</b>

The municipality expects to make a contribution of R1 984 507 (2018: R3 641 893) to the defined benefit plans during the next financial year.

### 22. Service charges

Sale of water	214 971 010	201 570 310	214 971 010	201 570 310
Sewerage and sanitation charges	91 765 013	135 567 334	91 765 013	135 567 334
	<b>306 736 023</b>	<b>337 137 644</b>	<b>306 736 023</b>	<b>337 137 644</b>

### 23. Rental of facilities and equipment

#### Premises

Premises	2 204 693	1 274 596	2 204 693	1 274 596
----------	-----------	-----------	-----------	-----------

Included in the above rentals are operating lease rentals at straight-lined amounts of R - (2018: R 3 099 117).

### 24. Other income

Administration fees	21 869	1 200	21 869	1 200
Atmospheric emission licences	51 750	178 170	51 750	178 170
Connection fees	765 419	1 401 341	765 419	1 401 341
Developer's fees	2 941 369	336 389	2 941 369	336 389
Membership fees	222 489	258 027	-	-
Miscellaneous other revenue	619 483	447 842	619 483	447 842
Other revenue	3 593 922	3 844 503	315 288	262 238
Reconnection fees	1 685 327	-	1 685 327	-
Tender deposits	109 605	249 077	109 605	249 077
Water rates certificates	1 122 464	1 055 471	1 122 464	1 055 471
	<b>11 133 697</b>	<b>7 772 020</b>	<b>7 632 574</b>	<b>3 931 728</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>25. Investment revenue</b>				
<b>Interest revenue</b>				
Short-term investments	1 939 665	9 633 421	1 939 665	9 633 421
Bank	5 907 119	6 861 261	5 295 805	6 143 252
	<b>7 846 784</b>	<b>16 494 682</b>	<b>7 235 470</b>	<b>15 776 673</b>
<b>26. Government grants and subsidies</b>				
<b>Operating grants</b>				
Equitable share	435 877 000	411 676 000	435 877 000	411 676 000
Finance management grant (FMG)	1 865 000	1 795 000	1 865 000	1 795 000
Spatial development framework grant	-	400 000	-	400 000
Expanded public works program (EPWP)	3 250 000	1 956 000	3 250 000	1 956 000
Rural transport services grant	2 663 000	2 658 000	2 663 000	2 658 000
Growth development summit grant	-	183 337	-	183 337
	<b>443 655 000</b>	<b>418 668 337</b>	<b>443 655 000</b>	<b>418 668 337</b>
<b>Capital grants</b>				
Municipal infrastructure grant	235 888 000	245 479 000	235 888 000	245 479 000
Development Planning and Shared Services	400 000	-	400 000	-
Water services infrastructure grant (WSIG)	55 000 000	50 372 000	55 000 000	50 372 000
	<b>291 288 000</b>	<b>295 851 000</b>	<b>291 288 000</b>	<b>295 851 000</b>
	<b>734 943 000</b>	<b>714 519 337</b>	<b>734 943 000</b>	<b>714 519 337</b>

### Equitable Share

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

All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant. No funds were withheld.

### Finance management grant

Current-year receipts	1 865 000	1 795 000	1 865 000	1 795 000
Conditions met - transferred to revenue	(1 865 000)	(1 795 000)	(1 865 000)	(1 795 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 18).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

### Disaster management grant

Current-year receipts	20 237 000	-	20 237 000	-
-----------------------	------------	---	------------	---

Conditions still to be met - remain liabilities (see note 18).

The European Community represented by the Department of Economic Development (Gijima KZN) awarded the grant for the implementation of the action entitled "Strengthening the LED Enabling Environment". No funds were withheld.



# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 26. Impairment of assets (continued)

#### Rural transport services grant

Current-year receipts	2 663 000	2 658 000	2 663 000	2 658 000
Conditions met - transferred to revenue	(2 663 000)	(2 658 000)	(2 663 000)	(2 658 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 18).

This funding was furnished by the KZN Department of Transport to assist with the preparation of a Public Transport Plan as required by the National Land Transport Transition Act, 2000..

#### Expanded public works program grant

Current-year receipts	3 250 000	1 956 000	3 250 000	1 956 000
Conditions met - transferred to revenue	(3 250 000)	(1 956 000)	(3 250 000)	(1 956 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 18).

This is an incentive grant from Public Works for the promotion of labour intensive projects within the District. No funds were withheld.

#### Development planning shared services support grant

Current-year receipts	400 000	400 000	400 000	400 000
Conditions met - transferred to revenue	(400 000)	(400 000)	(400 000)	(400 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 18).

Grants received from CoGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act.

#### Municipal infrastructure grant

Current-year receipts	235 888 000	245 479 000	235 888 000	245 479 000
Conditions met - transferred to revenue	(235 888 000)	(245 479 000)	(235 888 000)	(245 479 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 18).

The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure. No funds were withheld. unicipal Disaster Recovery is a grant from Department of Cooperative Government and Traditional Affairs, made available to municipality to provide recovery whenever there is a disaster.

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 26. Impairment of assets (continued)

#### Shared legal services grant

Current-year receipts	1 000 000	-	1 000 000	-
-----------------------	-----------	---	-----------	---

Conditions still to be met - remain liabilities (see note 18).

The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure. No funds were withheld.

#### Water services infrastructure grant

Current-year receipts	55 000 000	50 372 000	55 000 000	50 372 000
Conditions met - transferred to revenue	(55 000 000)	(50 372 000)	(55 000 000)	(50 372 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 18).

Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities; provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equipping of borehole; provide on site sanitation solutions; support the existing bucket eradication programme intervention informal residential areas; support drought relief projects in affected municipalities.

#### Preparation of a spatial development framework

Current-year receipts	-	400 000	-	400 000
Conditions met - transferred to revenue	-	(400 000)	-	(400 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 18).

Grants received from CoGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act. The grant allocation is for 2017/2018 financial period, however funds were received during 2016/2017 financial period.

#### District Growth and Development

Balance unspent at beginning of year	116 663	-	116 663	-
Current-year receipts	-	300 000	-	300 000
Conditions met - transferred to revenue	-	(183 337)	-	(183 337)
	<b>116 663</b>	<b>116 663</b>	<b>116 663</b>	<b>116 663</b>

Conditions still to be met - remain liabilities (see note 18).

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>27. Public contributions and donations</b>				
Ray Nkonyeni Municipality	3 150 807	2 480 317	-	-
Umdoni Municipality	1 702 979	1 618 760	-	-
Umzumbe Municipality	1 028 048	977 800	-	-
Umuziwabantu Municipality	927 849	357 641	-	-
	<b>6 809 683</b>	<b>5 434 518</b>	-	-
<b>Reconciliation of conditional contributions</b>				
Current-year receipts	6 809 683	5 434 518	-	-
Conditions met - transferred to revenue	(6 809 683)	(5 434 518)	-	-
	-	-	-	-
<b>28. Revenue</b>				
Service charges	306 736 023	337 137 644	306 736 023	337 137 644
Rental of facilities and equipment	2 204 693	1 274 596	2 204 693	1 274 596
Fees earned	91 209	146 724	-	-
Commissions received	2 000	2 581	-	-
Other income	11 133 697	7 772 020	7 632 574	3 931 728
Interest received - investment	7 846 784	16 494 682	7 235 470	15 776 673
Government grants & subsidies	734 943 000	714 519 337	734 943 000	714 519 337
Public contributions and donations	6 809 683	5 434 518	-	-
	<b>1 069 767 089</b>	<b>1 082 782 102</b>	<b>1 058 751 760</b>	<b>1 072 639 978</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>				
Service charges	306 736 023	337 137 644	306 736 023	337 137 644
Rental of facilities and equipment	2 204 693	1 274 596	2 204 693	1 274 596
Fees earned	91 209	146 724	-	-
Commissions received	2 000	2 581	-	-
Other income	11 133 697	7 772 020	7 632 574	3 931 728
Interest received - investment	7 846 784	16 494 682	7 235 470	15 776 673
	<b>328 014 406</b>	<b>362 828 247</b>	<b>323 808 760</b>	<b>358 120 641</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>				
<b>Taxation revenue</b>				
<b>Transfer revenue</b>				
Government grants & subsidies	734 943 000	714 519 337	734 943 000	714 519 337
Public contributions and donations	6 809 683	5 434 518	-	-
	<b>741 752 683</b>	<b>719 953 855</b>	<b>734 943 000</b>	<b>714 519 337</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>29. Employee related costs</b>				
Basic	236 509 775	230 258 880	226 019 847	220 507 257
Commissions	7 937 710	6 863 138	7 937 710	6 863 138
Bonus	17 833 479	18 323 761	17 599 506	17 851 307
Medical aid - company contributions	19 187 015	17 358 589	18 942 562	17 149 780
UIF	1 704 782	1 711 553	1 654 385	1 657 700
SDL	3 434 434	3 221 284	3 307 191	3 059 291
Leave pay provision charge	3 629 246	3 993 975	3 553 463	3 928 869
Other short term costs	2 920 119	2 593 347	1 693 859	2 091 493
Defined contribution plans	40 799 761	40 292 823	40 456 974	39 987 917
Travel, motor car, accommodation, subsistence and other allowances	1 605 622	1 749 498	1 605 622	1 749 498
Overtime payments	52 937 893	38 741 604	52 937 893	38 741 604
Long-service awards	2 580 384	1 994 389	2 580 384	1 994 389
Acting allowances	894 480	1 564 543	894 480	1 564 543
Car allowance	9 410 703	10 604 714	9 410 703	10 604 714
Housing benefits and allowances	2 984 828	3 221 918	2 984 828	3 221 918
Share-based payment	95 972	87 128	-	-
	<b>404 466 203</b>	<b>382 581 144</b>	<b>391 579 407</b>	<b>370 973 418</b>

### Remuneration of the Municipal Manager DD Naidoo 13/01309

Annual Remuneration	1 034 529	1 289 387	1 034 529	1 289 387
Housing subsidy	247 976	-	247 976	-
Subsistence - Non Taxable	1 158	-	1 158	-
Company contributions to UIF, Medical aid and pension fund	14 116	102 563	14 116	102 563
Subsistence - Taxable	61 448	-	61 448	-
Car Allowance	243 000	-	243 000	-
Backpay	18 604	-	18 604	-
Telephone	19 800	-	19 800	-
Car, Entertainment, Housing, Subsistence and Other Allowances	-	508 784	-	508 784
	<b>1 640 631</b>	<b>1 900 734</b>	<b>1 640 631</b>	<b>1 900 734</b>

### Remuneration of the Chief Financial Officer MS Dlamini 18/01581

Annual Remuneration	700 533	852 959	700 533	852 959
Car, Entertainment, Housing, Subsistence and Other Allowances	-	343 945	-	343 945
Housing subsidy	175 134	-	175 134	-
Company contributions to UIF, Medical aid and pension fund	13 375	-	13 375	30 693
Subsistence - Taxable	7 209	-	7 209	-
Car Allowance	291 889	-	291 889	-
Backpay	27 685	-	27 685	-
Telephone	15 000	-	15 000	-
	<b>1 230 825</b>	<b>1 196 904</b>	<b>1 230 825</b>	<b>1 227 597</b>

### Remuneration of the General Manager: Corporate Services VO Mazibuko 07/00734

Annual Remuneration	762 307	724 906	762 307	724 906
Car, Entertainment, Housing, Subsistence and Other Allowances	-	499 391	-	499 391
Housing subsidy	86 277	-	86 277	-

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>29. Employee related costs (continued)</b>				
Company Contribution to UIF,Medical aid and Pension Fund	12 220	43 581	12 220	43 581
Subsistence - Taxable	5 319	-	5 319	-
Acting allowance	13 752	-	13 752	-
Car Allowance	318 972	-	318 972	-
Backpay	27 685	-	27 685	-
Telephone	15 000	-	15 000	-
	<b>1 241 532</b>	<b>1 267 878</b>	<b>1 241 532</b>	<b>1 267 878</b>

### Remuneration of the General Manager: Planning and Environment NA Walingo 19/01594

Annual Remuneration	130 531	949 184	130 531	949 184
Car, Entertainment, Housing, Subsistence and Other Allowances	-	282 861	-	282 861
Housing subsidy	14 000	-	14 000	-
Company Contribution to UIF,Medical aid and Pension Fund	1 953	13 451	1 953	13 451
Car allowance	48 178	-	48 178	-
Telephone	2 500	-	2 500	-
	<b>197 162</b>	<b>1 245 496</b>	<b>197 162</b>	<b>1 245 496</b>

Ms Na Walingo was appointed on 1 may 2019

### Remuneration of the General Manager:Water Services SN Mbewu 19/01593

Annual Remuneration	755 849	611 891	755 849	611 891
Car, Entertainment, Housing, Subsistence and Other Allowances	-	559 657	-	559 657
Housing subsidy	21 616	-	21 616	-
Car, Entertainment, Housing, Subsistence and Other Allowances	108 574	133 935	108 574	133 935
Subsistence - Non Taxable	486	-	486	-
Subsistence - Taxable	46 627	-	46 627	-
Car Allowance	157 088	-	157 088	-
Telephone	4 000	-	4 000	-
	<b>1 094 240</b>	<b>1 305 483</b>	<b>1 094 240</b>	<b>1 305 483</b>

Mbewu was appointed on 1 May 2019.

Mbewu was appointed as an Acting GM from 26 July 2018 and acted till 30 April 2019

### Remuneration of chief executive officer (Ugu South Coast Tourism)

Annual Remuneration	1 186 703	1 041 299	-	-
Cellphone allowance	22 934	21 097	-	-
Performance Bonuses	135 374	137 465	-	-
Contributions to UIF, Medical and Pension Funds	15 497	13 697	-	-
	<b>1 360 508</b>	<b>1 213 558</b>	-	-

### Remuneration of general manager: finance and human resources (Ugu South Coast Tourism)

Annual Remuneration	742 204	671 806	-	-
Cellphone Allowance	23 040	20 716	-	-
Performance Bonuses	87 335	88 687	-	-
Contributions to UIF, Medical and Pension Funds	9 884	9 168	-	-

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>29. Employee related costs (continued)</b>	<b>862 463</b>	<b>790 377</b>	-	-
<b>Remuneration of general manager: Development (Ugu South Coast Tourism)</b>				
Annual Remuneration	702 205	671 806	-	-
Cellphone Allowance	17 292	15 271	-	-
Contributions to UIF, Medical and Pension Funds	8 873	8 492	-	-
	<b>728 370</b>	<b>695 569</b>	-	-
<b>Remuneration of general manager: marketing and events (Ugu South Coast Tourism)</b>				
Annual Remuneration	702 205	671 806	-	-
Unpaid leave	(2 700)	-	-	-
Contributions to UIF, Medical and Pension Funds	8 442	8 107	-	-
Cellphone allowance	17 292	15 271	-	-
	<b>725 239</b>	<b>695 184</b>	-	-
<b>Remuneration of chief executive officer (South Coast Development Agency)</b>				
Annual Remuneration	1 122 860	1 120 320	-	-
Car Allowance	216 000	255 423	-	-
Performance Bonuses	-	107 734	-	-
	<b>1 338 860</b>	<b>1 483 477</b>	-	-
<b>Remuneration of general manager: finance and human resources (South Coast Development Agency)</b>				
Annual Remuneration	682 188	403 578	-	-
Car Allowance	180 483	59 511	-	-
Performance Bonuses	-	10 714	-	-
Leave pay	-	48 298	-	-
	<b>862 671</b>	<b>522 101</b>	-	-
<b>Remuneration of general manager: projects (South Coast Development Agency)</b>				
Annual Remuneration	491 135	504 255	-	-
Car Allowance	125 801	183 844	-	-
Performance Bonuses	-	5 357	-	-
Leave pay	87 865	-	-	-
	<b>704 801</b>	<b>693 456</b>	-	-
<b>30. Remuneration of councillors</b>				
Mayor	928 041	1 016 374	928 041	1 016 374
Deputy Mayor	836 284	332 072	836 284	332 072
Speaker	818 805	663 309	818 805	663 309
Councillors	3 852 018	3 188 905	3 852 018	3 188 905
Councillors' Allowances	3 005 290	3 818 873	3 005 290	3 818 873
	<b>9 440 438</b>	<b>9 019 533</b>	<b>9 440 438</b>	<b>9 019 533</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 30. Remuneration of councillors (continued)

#### In-kind benefits

The Councillors occupying the positions of Mayor, Deputy Mayor, Speaker and Executive Committee Members of the municipality serve in a full-time capacity. Each is provided with an office and secretarial support at the cost of the Council in order to enable them to perform their official duties.

The Councillors may utilise official council transportation when engaged in official duties.

The Mayor has one full-time bodyguard and one full-time driver.

The Deputy Mayor has one full-time aide, fulfilling various personal duties.

The Speaker has one full-time driver.

#### For services as directors

##### Ugu South Coast Tourism

EJ Crutchfield	133 727	144 879	-	-
HR Kelly	73 128	87 751	-	-
PT Jeffreys	51 416	54 962	-	-
J Harris	44 946	52 886	-	-
ZP Ngubane	45 297	48 477	-	-
C Davenhill	48 181	59 375	-	-
WV Mzulwini	55 295	58 475	-	-
Mr MBW Xolo	10 235	-	-	-

##### Ugu South Coast Development Agency

SJ Nzimande	108 904	93 734	-	-
SD Dlomo	180 982	164 919	-	-
EJ Crutchfield	107 104	120 473	-	-
VK Naidoo	95 842	87 948	-	-
ZP Mthuli	99 650	100 619	-	-
EM Zungu	127 333	151 677	-	-
LG Shezi	62 650	74 094	-	-
B Zulu	-	53 121	-	-
	<b>1 244 690</b>	<b>1 353 390</b>	-	-

In terms of Section 124(1) of the Municipal Finance Act (Act No. 56 of 2003), the accounting officer certifies that the salaries, allowances and benefits of the directors as disclosed in this note within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

### 31. Depreciation and amortisation

Property, plant and equipment	237 459 963	214 524 956	237 195 815	214 244 560
Intangible assets	3 170 672	3 657 287	3 170 672	3 657 287
	<b>240 630 635</b>	<b>218 182 243</b>	<b>240 366 487</b>	<b>217 901 847</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>32. Impairment of assets</b>				
<b>Impairments</b>				
Property, plant and equipment	41 820 306	-	41 820 306	-
<i>The impairment on property, plant and equipment was a result of the deteriorating of condition of assets, as well as the accelerated aging of assets.</i>				
Trade and other receivables	(1 743 951)	13 000 710	(1 743 951)	13 000 710
	<b>40 076 355</b>	<b>13 000 710</b>	<b>40 076 355</b>	<b>13 000 710</b>
<b>33. Finance costs</b>				
Non-current borrowings	6 185 817	8 496 041	6 185 817	8 496 041
Bank	297 793	296 130	-	-
Other interest paid	4 092 079	2 689 874	4 092 079	2 689 874
	<b>10 575 689</b>	<b>11 482 045</b>	<b>10 277 896</b>	<b>11 185 915</b>
<b>34. Lease rentals on operating lease</b>				
<b>Plant and equipment</b>				
Contractual amounts	5 337 596	5 571 276	5 337 596	5 571 276
<b>35. Grants and subsidies paid</b>				
<b>Grants paid to ME's</b>				
Ugu South Coast Development Agency	(14 135 196)	(12 522 020)	6 077 531	5 788 125
Tourism Development	14 135 196	12 522 013	14 135 196	12 522 013
	-	(7)	<b>20 212 727</b>	<b>18 310 138</b>
<b>Other subsidies</b>				
Social Relief Grants	88	1 186 359	88	1 186 359
	<b>88</b>	<b>1 186 352</b>	<b>20 212 815</b>	<b>19 496 497</b>



# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>36. Contracted services</b>				
Specialist Services	159 823 075	133 774 327	159 823 075	133 774 327
Other Contractors	30 325 223	32 763 633	30 325 223	32 763 633
	<b>190 148 298</b>	<b>166 537 960</b>	<b>190 148 298</b>	<b>166 537 960</b>

### Contracted services are as follows:

#### Contractors

Alien Vegetation Control	46 900	408 650	46 900	408 650
Artists and performers	167 500	192 224	167 500	192 224
Borehole Drilling	-	657 295	-	657 295
Burial Services	41 400	217 485	41 400	217 485
Business & Advisory Services	10 100 243	13 302 319	10 100 243	13 302 319
Catering Services	890 832	1 682 711	890 832	1 682 711
Cleaning Services, Hygiene & Pest Control	7 312 877	2 532 424	7 312 877	2 532 424
Engineering Services	2 843 116	13 082 764	2 843 116	13 082 764
Event Promoters	910 713	2 565 933	910 713	2 565 933
Fire Services	1 600 000	1 455 319	1 600 000	1 455 318
Gardening Services	-	117 000	-	117 000
Graphic Designers	-	32 875	-	32 875
Haulage	1 152 622	126 678	1 152 622	126 678
Internal Audit Services	-	496 492	-	496 492
Laboratory Services	2 841 219	6 642 478	2 841 219	6 642 478
Legal Services	1 203 321	989 827	1 203 321	989 827
Maintenance of Buildings & Facilities	2 717 982	3 942 904	2 717 982	3 942 904
Maintenance of Equipment	95 202 027	37 239 860	95 202 027	37 239 860
Maintenance of Unspecified Assets	22 419 078	26 136 205	22 419 078	26 136 206
Medical Services	27 079	108 178	27 079	108 178
Meter Management	11 466 244	14 120 279	11 466 244	14 120 279
Removal of Hazardous Waste	492 629	658 320	492 629	658 320
Safeguard and Security	24 567 816	20 825 752	24 567 816	20 825 752
Sewerage Services	3 707 266	18 474 707	3 707 266	18 474 707
Sports and Recreation	260 770	174 281	260 770	174 281
Transportation	176 664	355 000	176 664	355 000
	<b>190 148 298</b>	<b>166 537 960</b>	<b>190 148 298</b>	<b>166 537 960</b>

### 37. Bulk purchases

Water	131 955 553	95 556 444	131 955 553	95 556 444
-------	-------------	------------	-------------	------------

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>38. General expenses</b>				
Accounting fees	1 820 850	-	1 820 850	-
Advertising	4 669 466	6 080 223	3 045 708	4 280 641
Assessment rates & municipal charges	4 357 605	6 324 695	-	-
Auditors remuneration	6 367 061	4 082 091	6 093 485	3 730 746
Bank charges	882 776	801 431	797 360	718 136
Commission paid	1 356 210	1 337 487	1 235 258	1 071 397
Computer expenses	524 772	496 685	-	-
Consumables	12 482 448	18 992 360	12 482 448	18 992 360
Debt collection	199 472	151 521	-	-
Delivery expenses	42 534	16 510	-	-
Fines and penalties	698	-	698	-
Membership	45 739	62 490	-	-
Cancelled membership fees	38 452	48 526	-	-
Accommodation, seminars and travel	3 284 349	5 630 886	3 284 349	5 630 886
Insurance	3 872 176	2 542 067	3 826 847	2 469 121
IT expenses	-	260	-	-
Incorporation costs	91 215	78 829	-	-
Magazines, books and periodicals	10 450	14 291	-	-
Medical expenses	193 578	44 135	-	-
Motor vehicle expenses	32 913	30 511	-	-
Packaging	45 616	65 903	-	-
Fuel and oil	27 464 449	24 297 616	27 464 449	24 297 616
Placement fees	156 868	63 552	-	-
Postage and courier	582 642	1 528 467	580 198	1 528 457
Printing and stationery	975 193	922 654	901 563	838 511
Promotions	312 280	257 091	-	-
Protective clothing	605 939	588 320	-	-
Repairs and maintenance	64 851	50 531	-	-
Research and development costs	1 244 227	1 353 373	-	-
Security (Guarding of municipal property)	45 954	45 588	-	-
Staff welfare	348 305	337 415	-	-
Subscriptions and membership fees	4 250 354	6 070 453	4 238 051	6 055 866
Telephone and fax	4 327 842	3 625 152	4 113 336	3 409 271
Training	-	494 990	-	494 990
Travel - local	124 860	141 547	-	14 857
Travel - overseas	11 141	36 064	-	-
Electricity	77 766 682	88 364 370	77 766 682	88 364 370
Uniforms and protective clothing	2 444 000	484 796	2 444 000	484 796
Other general expenses	1 691 240	592 511	940 860	144 985
Licenses	8 567 428	11 252 301	8 543 488	11 234 346
Vehicle tracking	1 843 759	1 336 951	1 843 759	1 336 951
Events and programmes	255 230	66 050	251 180	-
Gardening services	97 554	651 615	35 481	580 121
Public participation	55 000	111 569	55 000	111 569
Sports and recreation	449 863	18 248 163	60 000	17 825 185
Convention bureau	2 470 017	3 617 370	2 470 017	3 617 370
Other expenses	3 582 791	3 298 991	-	-
Property only	32 590	-	-	-
	<b>180 089 439</b>	<b>214 638 401</b>	<b>164 295 067</b>	<b>197 232 548</b>

### 39. Gains/ (losses) on disposal of assets

Gain on disposal of assets and liabilities	57 905 532	594 755	57 905 532	594 755
--	------------	---------	------------	---------

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>40. Fair value adjustments</b>				
Investment property (Fair value model)	-	1 407 518	-	1 407 518
<b>41. Auditors' remuneration</b>				
Fees	6 367 061	4 082 091	6 093 485	3 730 746
<b>42. Cash generated from operations</b>				
Deficit	(171 719 632)	(38 290 594)	(173 704 579)	(37 152 758)
<b>Adjustments for:</b>				
Depreciation and amortisation	240 630 635	218 182 243	240 366 487	217 901 847
Gain (loss) on sale of assets and liabilities	28 960 005	(550 620)	28 766 427	(594 755)
Fair value adjustments	-	(1 407 518)	-	(1 407 518)
Interest income	(9 532 111)	(16 494 682)	(8 920 797)	(15 776 673)
Finance costs	10 575 689	11 482 046	10 277 896	11 185 916
Impairment deficit	40 076 355	13 000 710	40 076 355	13 000 710
Movements in operating lease assets and accruals	(55 378)	1 854	8 721	6 899
Provision as per employee related costs	3 553 461	-	3 553 461	-
Movements in provisions	(1 634 505)	(2 344 497)	(1 654 486)	(1 940 878)
Prior period error	-	37 345 830	-	37 283 660
Inventories write down	-	5 318 861	-	5 318 861
<b>Changes in working capital:</b>				
Inventories	(3 291 543)	615 112	(3 291 543)	615 112
Receivables from exchange transactions	12 154 894	-	11 088 290	-
Consumer debtors	(18 254 131)	(60 639 472)	(18 254 131)	(59 191 885)
Other receivables from non-exchange transactions	(22 053 245)	(51 345 592)	(17 049 189)	(53 055 726)
VAT receivables	-	18 836 747	-	18 815 787
Payables from exchange transactions	143 090 854	57 995 854	143 652 293	58 120 237
VAT	36 324 159	(18 207 977)	36 010 638	(18 207 977)
Unspent conditional grants and receipts	21 237 000	(283 337)	21 237 000	(283 337)
Consumer deposits	(578 935)	(253 903)	(578 935)	(253 903)
	<b>309 483 572</b>	<b>172 961 065</b>	<b>311 583 908</b>	<b>174 383 619</b>

### 43. Financial instruments disclosure

#### Categories of financial instruments

##### Economic entity - 2019

##### Financial assets

	At fair value	At amortised cost	Total
Long-term receivables	-	-	-
- Sundry loans	-	30 812	30 812
Receivables from Exchange Transactions	-	-	-
- Sewerage	-	19 407 883	19 407 883
- Other trade receivables	-	3 693 523	3 693 523
- Water	-	66 734 183	66 734 183
- Water rates	-	11 468 337	11 468 337
Receivables from Non-Exchange Transactions	-	-	-
- Payments made in advance	-	11 235 490	11 235 490
- Ray Nkonyeni Municipality	-	836 413	836 413
- Sundry deposits	-	1 605 132	1 605 132
- Sundry debtors	-	8 271 892	8 271 892

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>43. Financial instruments disclosure (continued)</b>				
Cash and Cash Equivalents		-	-	-
- Call deposits	9 971 908		-	9 971 908
- Notice deposits			165 000 000	165 000 000
- Bank balances	14 220 880		-	14 220 880
- Cash floats and advances	8 933		-	8 933
Current-portion of Long-term Receivables			-	-
- Sundry loans			58 731	58 731
	<b>24 201 721</b>		<b>288 342 396</b>	<b>312 544 117</b>

### Financial liabilities

	At amortised cost	Total
Compound instruments	-	-
- Annuity loans	126 521 313	126 521 313
Other financial liabilities	-	-
- Trade and other payables from exchange transactions	172 851 370	172 851 370
- Bank overdraft	150 443	150 443
	<b>299 523 126</b>	<b>299 523 126</b>

### Economic entity - 2018

#### Financial assets

	At fair value	At amortised cost	Total
Long-term Receivables	-	-	-
- Sundry loans	-	251 734	251 734
Receivables from Exchange Transactions	-	-	-
- Sewerage	-	24 765 754	24 765 754
- Other trade receivables	-	1 821 087	1 821 087
- Water	-	61 089 682	61 089 682
- Water rates	-	7 924 214	7 924 214
Receivables from Non-Exchange Transactions	-	-	-
- Payments made in advance	-	9 740 266	9 740 266
- Sundry deposits	-	1 604 432	1 604 432
- Sundry debtors	-	15 786 685	15 786 685
Cash and Cash Equivalents	-	-	-
- Call deposits	50 184 752	-	50 184 752
- Notice deposits	-	165 018 579	165 018 579
- Bank balances	61 045 657	-	61 045 657
- Cash floats and advances	11 692	-	11 692
Current-portion of Long-term Receivables	-	-	-
- Sundry loans	-	11 594	11 594
	<b>111 242 101</b>	<b>288 014 027</b>	<b>399 256 128</b>

### Financial liabilities

	At fair value	At amortised cost	Total
Compound instruments	-	-	-
- Annuity loans	-	145 553 238	145 553 238
Other financial liabilities	-	-	-
- Trade and other payables from exchange transactions	-	177 147 532	177 147 532
- Bank overdraft	2 306 145	-	2 306 145

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 43. Financial instruments disclosure (continued)

**2 306 145    322 700 770    325 006 915**

#### Controlling entity - 2019

##### Financial assets

	At fair value	At amortised cost	Total
Long-term Receivables	-	-	-
- Sundry loans	-	30 812	30 812
Receivables from Exchange Transactions	-	-	-
- Sewerage	-	9 924 784	9 924 784
- Other trade receivables	-	2 985 616	2 985 616
- Water	-	31 941 960	31 941 960
- Water rates	-	103 070	103 070
Receivables from Non-Exchange Transactions	-	-	-
- Payments made in advance	-	10 045 723	10 045 723
- Sundry deposits	-	1 604 432	1 604 432
- Sundry debtors	-	8 949 947	8 949 947
Cash and Cash Equivalents	-	-	-
- Call deposits	7 881 921	-	7 881 921
- Notice deposits	-	165 000 000	165 000 000
- Bank balances	6 750 640	-	6 750 640
- Cash floats and advances	4 967	-	4 967
Current-portion of Long-term Receivables	-	-	-
- Sundry loans	-	58 731	58 731
	<b>14 637 528</b>	<b>230 645 075</b>	<b>245 282 603</b>

##### Financial liabilities

	At fair value	At amortised cost	Total
Compound instruments	-	-	-
- Annuity loans	-	126 789 518	126 789 518
Other financial liabilities	-	-	-
- Trade and other payables from exchange transactions	-	147 638 363	147 638 363
- Bank overdraft	150 443	-	150 443
	<b>150 443</b>	<b>274 427 881</b>	<b>274 578 324</b>

#### Controlling entity - 2018

##### Financial assets

	At fair value	At amortised cost	Total
Long-term Receivables	-	-	-
- Sundry deposits	-	240 668	240 668
Receivables from Exchange Transactions	-	-	-
- Sewerage	-	24 765 754	24 765 754
- Other trade receivables	-	1 821 087	1 821 087
- Water	-	61 089 682	61 089 682
- Water rates	-	7 924 214	7 924 214
Receivables from Non-Exchange Transactions	-	-	-
- Payments made in advance	-	9 740 266	9 740 266
- Sundry deposits	-	1 604 432	1 604 432
- Sundry debtors	-	15 770 685	15 770 685

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>43. Financial instruments disclosure (continued)</b>				
Cash and Cash Equivalents		-	-	-
- Call deposits	50 184 752	-	-	50 184 752
- Notice deposits	-	165 018 579	165 018 579	-
- Bank balances	43 554 709	-	-	43 554 709
- Cash floats and advances	4 967	-	-	4 967
Current-portion of Long-term Receivables	-	-	-	-
- Sundry loans	-	11 594	11 594	-
	<b>93 744 428</b>	<b>287 986 961</b>	<b>381 731 389</b>	

### Financial liabilities

	At fair value	At amortised cost	Total
Compound instruments	-	-	-
- Annuity loans	-	145 553 238	145 553 238
Other financial liabilities	-	-	-
- Trade and other payables from exchange transactions	-	176 397 203	176 397 203
- Bank overdraft	2 306 145	-	2 306 145
	<b>2 306 145</b>	<b>321 950 441</b>	<b>324 256 586</b>

### Fair value

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate such value:

#### Cash and short-term investments

The carrying amount approximates the fair value because of the short maturity of these instruments.

#### Long-term investments

The fair value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted equity investments are estimated using the discounted cash flow method.

#### Loan receivables/payables

Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the fair value of these financial assets and liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

#### Trade and other receivables/payables

The management of the economic entity is of the opinion that the carrying value of trade and other receivables recorded at amortised cost in the annual financial statements approximate their fair values. The fair value of trade receivables were determined after considering the standard terms and conditions of agreements entered into between the economic entity and other parties as well as the current payment ratio's of the economic entity's debtors.

#### Other financial assets and liabilities

The fair value of other financial assets and financial liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

#### Long-term liabilities

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 43. Financial instruments disclosure (continued)

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the annual financial statements to approximate their fair values on 30 June 2015, as a result of the short-term maturity of these assets and liabilities.

No financial instruments of the economic entity were reclassified during the year

Assumptions used in determining fair value of financial assets and financial liabilities

The table below analyses financial instruments carried at fair value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments. The levels have been defined as follows:

Level 1: Fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument

Level 2: Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data

Level 3: Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument

### Capital risk management

The economic entity manages its capital to ensure that the economic entity will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The economic entity's overall strategy remains unchanged from 2011.

The capital structure of the economic entity consists of debt, which includes the Long-term Liabilities disclosed in note 14, bank, cash and cash equivalents and equity, comprising accumulated Surplus as disclosed and the statement of changes in net assets.

### Gearing Ratio

In terms of the economic entity's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 100%, decreasing to 90%. This ratio is as a result of the developmental challenges faced by the economic entity. Some of the borrowings are below market related rates.

### The gearing ratio at the year-end was as follows:

Debt	136 657 781	155 407 428	136 657 781	155 407 428
Cash and cash equivalents	(189 051 278)	(276 260 879)	(180 353 244)	(256 456 861)
	<b>(52 393 497)</b>	<b>(120 853 451)</b>	<b>(43 695 463)</b>	<b>(101 049 433)</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>43. Financial instruments disclosure (continued)</b>				
Equity	3 943 427 802	3 889 145 624	3 923 012 838	3 868 889 950
Net debt to equity ratio	1.33 %	3.11 %	1.11 %	2.61 %

Debt is defined as long-term and short-term liabilities, as detailed in Note 14.

Equity includes all funds and reserves of the economic entity, disclosed as net assets in the statement of financial performance and net debt as described above.

### Financial risk management objectives

The accounting officer has overall responsibility for the establishment and oversight of the economic entity's risk management framework. The economic entity's risk management policies are established to identify and analyse the risks faced by the economic entity, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the Grap Standards mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the economic entity in undertaking its activities.

The directorate: Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The economic entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the economic entity's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these annual financial statements.

### Significant risks

It is the policy of the economic entity to disclose information that enables the user of its annual financial. It is the policy of the economic entity to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from financial instruments to which the economic entity is exposed on the reporting date. The economic entity has exposure to the following risks from its operations in financial instruments.

1. Credit risk
2. Liquidity risk; and
3. Market risk

Risks and exposures are disclosed as follows:

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the economic entity's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### Credit risk

Credit risk is the risk of financial loss to the economic entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the economic entity's receivables from customers and investment securities.



# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 43. Financial instruments disclosure (continued)

#### Liquidity risk

Liquidity risk is the risk that the economic entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The economic entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the economic entity's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the council, which has built an appropriate liquidity risk management framework for the management of the economic entity's short, medium and long term funding and liquidity management requirements. The economic entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included below is a listing of additional undrawn facilities that the economic entity has at its disposal to further reduce liquidity risk.

### 44. Related parties

Relationships

Controlled entities

Ugu South Coast Tourism (Pty) Ltd  
Ugu South Coast Development Agency

Municipality and individuals as well as their close family members, and /or entities are related parties if one has the ability, directly, indirectly to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

The municipality procured goods and/or services from the following companies, which are considered to be related parties:

#### Related party transactions

##### Purchases from (sales to) related parties

Ugu South Coast Tourism (Pty) Ltd	3 533 799	-	3 533 799	-
Ugu South Coast Development Agency	3 816 154	-	3 816 154	-
	<b>7 349 953</b>	<b>-</b>	<b>7 349 953</b>	<b>-</b>

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

In terms of GRAP 20 para 35 remuneration paid by Ugu District municipality to councillors and Municipal Manager and section 57 personnel respectively is a related party transaction.

- The municipality did not conduct any business with any service provider that can be considered a related party.
- The municipality did not trade with service providers that are in the employment nor blacklisted by Treasury.
- The disclosure in relation to paragraph 35 of GRAP 20, remuneration paid by UGU District municipality to councillors and Municipal Manager and section 57.
- Key Management and Councillors have direct or indirect significant control over the municipality.
- No transactions with related parties other than that key management and councils were identified during 2016/17.

#### Compensation to accounting officer and other key management

Short-term employee benefits	3 498 166	1 858 971	-	-
Defined contribution plans	146 694	112 914	-	-
	<b>3 644 860</b>	<b>1 971 885</b>	<b>-</b>	<b>-</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>45. Commitments</b>				
<b>Authorised capital expenditure</b>				
<b>Already contracted for but not provided for</b>				
• Property, plant and equipment	330 693 098	609 361 245	330 693 098	609 361 245
<b>Not yet contracted for and authorised by accounting officer</b>				
• Property, plant and equipment	8 632 152	16 213 756	8 632 152	16 213 756
<b>Total capital commitments</b>				
Already contracted for but not provided for	330 693 098	609 361 245	330 693 098	609 361 245
Not yet contracted for and authorised by accounting officer	8 632 152	16 213 756	8 632 152	16 213 756
	<b>339 325 250</b>	<b>625 575 001</b>	<b>339 325 250</b>	<b>625 575 001</b>
<b>Authorised operational expenditure</b>				
<b>Already contracted for but not provided for</b>				
• Operating expenditure	36 050 035	57 955 007	36 050 035	57 955 007
• Ugu South Coast Tourism - Operating expenditure	483 138	470 749	-	-
	<b>36 533 173</b>	<b>58 425 756</b>	<b>36 050 035</b>	<b>57 955 007</b>
<b>Total operational commitments</b>				
Already contracted for but not provided for	36 533 173	58 425 756	36 050 035	57 955 007
<b>Total commitments</b>				
Authorised capital expenditure	339 325 250	625 575 001	339 325 250	625 575 001
Authorised operational expenditure	36 533 173	58 425 756	36 050 035	57 955 007
	<b>375 858 423</b>	<b>684 000 757</b>	<b>375 375 285</b>	<b>683 530 008</b>

- i) F Muller/ Ugu District economic entity: economic entity discharging wastewater effluent onto farmland, resulting in donga being formed across farmland and rendering portion of farmland unfarmable. There are internal negotiations being conducted.
- ii) MZ Mahlawe / Umuziwabantu economic entity and Ugu District economic entity :The economic entity is jointly and severally sued with Umuziwabantu economic entity for about R2 300 000.00 for allegedly leaving a sewage infrastructure in Harding that was left uncovered, which led to the death of the Plaintiffs grandson. The economic entity is currently having internal negotiations with the plaintiffs attorneys.

## 46. Going concern

The financial viability of the municipality was assessed as at 30 June 2019 to determine the going concern. The municipality has the going concern problem which was assessed by making reference to the following factors and indicators:

### ASSETS AND LIABILITY MANAGEMENT

The net current liability position was realised as the total current liabilities exceeded current assets as follows:

Total current assets	R335,106,769
Less: Total current liabilities	<u>(R519 464 612)</u>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 46. Going concern (continued)

Net amount of the current liability position (R184 357 843)

The current ratio was realised as 0,65:1 (i.e. Current Assets: Current Liabilities: R335,106,769 / R519 464 612). This ratio is less than the norm of 0:9.

A deficit for the year has been increased significantly by 348.47% during the year under review i.e. 2019: (R171,719,632) and 2018: (R38,290,594).

### CASH MANAGEMENT

The cash and cash equivalents has been increased significantly during the year under review as follows:

Current year's cash and cash equivalents	R62,593,055
Less prior year's cash and cash equivalents	<u>(R51,909,188)</u>
Net cash and cash equivalents increase	<u>R10,683,867</u>

The accounts payables from exchange transactions as the percentage of cash and cash equivalents was realised as 591.88% (i.e. R370,474,464 / R62,593,055).

The current liabilities as the percentage of next year's operating budget resources was realised as 46.60% (i.e. R519,464,612 / R1 114,646,318).

### EXPENDITURE MANAGEMENT

During the year under review, the municipality has been unable to settle all its obligations as they become due because of the negative cash flow within the municipality.

The municipality has been unable to pay its creditors within 30 days as required by Municipal Finance Management Act (MFMA).

The unauthorised, Irregular and Fruitless and Wasteful Expenditure as the percentage of the operating expenditure during the year under review has been realised as 67.65% i.e. Total Unauthorised, Irregular and Fruitless and Wasteful Expenditure / Total Operating Expenditure x 100 [R793,366,880 / R1,172,643,939].

### REVENUE MANAGEMENT

The debtors' collection period was realised as 122 days (i.e. Gross Debtors Closing Balance + Billed revenue – Gross Debtors Opening Balance + Bad Debts Written Off ) / Billed revenue x 100. {i.e. R611,214,364 + R320,167,622 – R541,605,751 + R1,743,951) / R320,167,622.

The debtors' impairment provision as a percentage of accounts receivables was realised as 56.46% (i.e. R345,098,536 / (R611,214,364).

The municipality is grant dependent in relation to the own revenue excluding government grants as the percentage of the total revenue which has realised as 30.66% i.e. R328,014,406 / R1,069,767,089. The government grants are contributing 69.34% of the total revenue of the municipality.

### CORRECTIVE MEASURES TO ADDRESS GOING CONCERN PROBLEM

In order to correct the negative impact on going concern per above analysis, the municipality engaged on the following:

Comprehensive Financial Management Turnaround Strategy which was adopted by Council;

Revenue Collection Strategy or Plan to improve cash collections;

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 46. Going concern (continued)

Development and implementation of costs containment measures;

Expenditure Control and Payments Policy;

Reassessments of the municipality's budget and cash flow projections; etc.

### 47. Unauthorised expenditure

Opening Balance	285 930 032	275 144 882	285 930 032	275 144 882
Unauthorised expenditure for the period	228 149 864	279 448 379	228 149 864	279 448 379
Unauthorised expenditure written off during the period	(97 871 812)	(275 144 882)	(97 871 812)	(275 144 882)
Prior year error correction	-	6 481 653	-	6 481 653
	<b>416 208 084</b>	<b>285 930 032</b>	<b>416 208 084</b>	<b>285 930 032</b>

### Incident

Budgeted amounts exceeded:

Disciplinary steps/ criminal proceedings: Investigations are being conducted by the internal audit.

### Cash line items

Personnel (Employee costs)	2 146 315	66 435 455	2 146 315	66 435 455
Councillors remuneration	-	1 338 742	-	1 338 742
Other expenditure	-	57 933 348	-	57 933 348
Lease rentals on operating lease	-	5 571 276	-	5 571 276
Bulk purchases	6 955 553	19 522 872	6 955 553	19 522 872
Contracted Services	-	1 905 290	-	1 905 290
Grants and subsidies	89	19 496 495	89	19 496 495
<b>Non-cash line items</b>				
Depreciation and amortisation	182 130 552	97 244 191	182 130 552	97 244 191
Impairment loss	19 352 442	-	19 352 442	-
Bad debts written-off	17 564 913	10 000 710	17 564 913	10 000 710
	<b>228 149 864</b>	<b>279 448 379</b>	<b>228 149 864</b>	<b>279 448 379</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>48. Fruitless and wasteful expenditure</b>				
<b>Fruitless and wasteful expenditure</b>				
Opening balance	9 780 867	2 227 148	9 430 832	2 016 607
Interest on eskom	72 495	10 164	72 495	10 164
Interest on Unmgeni water	2 784 163	177 952	2 784 163	177 952
SARS Penalties	-	815 106	-	815 106
Penalties from compensation fund	484 523	-	484 523	-
Interest on Trade Creditors	68 406	-	68 406	-
Interest on Ray Nkonyeni	6 755	-	6 755	-
Unauthorised expenditure for the period	100 159	141 200	-	-
Fruitless and wasteful expenditure written-off during the period - Condoned	(1 381 797)	(202 156)	(991 158)	(200 450)
Court penalties	1 689 642	-	1 689 642	-
Sanlam scheme cancelled	-	6 611 453	-	6 611 453
Interest on Umdoni	212	-	212	-
	<b>13 605 425</b>	<b>9 780 867</b>	<b>13 545 870</b>	<b>9 430 832</b>

### Details Fruitless and wasteful expenditure

Other Fruitless and wasteful expenditure - Interest on late payment	-	141 495	-	-
Interest on Eskom	72 495	10 164	72 495	10 164
Interest on Umngeni Water	2 784 163	177 952	2 784 163	177 952
SARS Penalties	-	815 106	-	815 106
Penalties from Compensation fund	484 523	-	484 523	-
Interest on Trade Creditors	68 406	-	68 406	-
Court penalties	1 689 642	-	1 689 642	-
Sanlam Scheme Cancelled	-	6 611 453	-	6 611 453
Interest on Umdoni	212	-	212	-
Interest on Ray Nkonyeni	6 755	-	6 755	-
	<b>5 106 196</b>	<b>7 756 170</b>	<b>5 106 196</b>	<b>7 614 675</b>

Disciplinary steps/criminal proceedings:

Investigations are being conducted by internal audit on the "fruitless and wasteful expenditure" for the current year.

Disciplinary action is in progress for the prior year's fruitless and wasteful.

### 49. Irregular expenditure

Opening balance	291 390 220	170 177 588	291 199 164	158 391 656
Add: Irregular Expenditure - current year	305 041 440	143 582 356	302 012 347	142 357 170
Less: Amounts condoned/write offs	(232 878 289)	(22 369 724)	(231 506 662)	(9 549 662)
	<b>363 553 371</b>	<b>291 390 220</b>	<b>361 704 849</b>	<b>291 199 164</b>

### Details of irregular expenditure – current year

Irregular Expenditure incurred due contraventions of Municipal Supply Chain Management Regulations and processes	305 041 440	-	302 012 347	-
--	-------------	---	-------------	---

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

---

### 50. Multi-employer retirement benefit information

The economic entity makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Councillors have the option to belong to the Pension Fund for Municipal Councillors.

All full-time employees belong to the KwaZulu-Natal Joint Municipal Pension Fund, which are made up of the Retirement, Superannuation and Provident Funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the economic entity with respect to the retirement benefit plans is to make the specified contributions. Where councillors/employees leave the plans prior to full vesting of the contributions, the contributions payable by the economic entity are reduced by the amount of forfeited contributions.

#### Defined benefits schemes

##### Retirement fund

The scheme is subject to a tri-annual actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The statutory actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R251,5 (31 March 2011: shortfall of R382,3) million, with a funding level of 82,0% (31 March 2011: 84,1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (34,22%) was expected to eradicate the shortfall in the fund by 31 March 2015. However, the basic contribution payable is 4,72% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17% of pensionable emoluments, of which 1,65% is payable by members and 15,35% is payable by the local authority.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 15,85% (Total employer contribution of 34,22%) and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 15,85% with effect from 1 July 2012 for an indefinite period of time. The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Superannuation Fund in the near future.

##### Superannuation fund

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R270,0 (31 March 2011: R549,5) million, with a funding level of 96,0% (31 March 2011: 90,9%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 3,63% (31 March 2011: 3,63%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 9,5% of pensionable salaries to meet the shortfall within the 8 year period provided for in the scheme. It was expected that the deficit will be fully funded by 2020.

This surcharge is payable until 31 March 2020. It is necessary that the basic employer contribution be increased by 3,63% to 21,63% and the surcharge be increased to 9,5% and extended by a further 8 years to 31 March 2020. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 31,13% with effect from 1 July 2012 for an indefinite period of time.

It is intended that the fund merge with the retirement fund in the near future.

#### Defined contributions schemes

---

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 50. Multi-employer retirement benefit information (continued)

Municipal councillors pension fund.

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 31 March 2012.

The statutory valuation performed as at 30 June 2011 revealed that the market value of the fund was R1 446,8 (30 June 2010: R1 446,8) million. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the actuaries, the fund was in a sound financial condition as at 30 June 2017.

#### Provident fund

The scheme is subject to a tri-annual actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The statutory actuarial valuation performed as at 31 March 2012 revealed that the market value of the fund was R1 293,4 (31 March 2011: R1 056,2) million. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 1,95 times the member's contributions by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2012.

### 51. Water losses

#### Water losses

Unaccounted water losses in Rand Value	20 727 740	30 496 739	20 727 740	30 496 739
--	------------	------------	------------	------------

Water losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tempered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

A five-year strategic non-revenue water reduction was adopted and implemented by the Executive Committee in May 2014. The below-mentioned technical information was derived as part of the implementation plan:

Volumes in ML/year:	2019 ML/Year	2018 ML/Year	2019 ML/Year	2018 ML/Year
System input volume	44 781 319	45 778 648	44 781 319	45 778 648
Billed authorised consumption	28 806 404	29 585 938	28 806 404	29 585 938
Unbilled authorised consumption	6 962 855	7 404 479	6 962 855	7 404 479
Apparent losses	2 523 377	2 409 504	2 523 377	2 409 504
Real losses	6 488 684	6 195 869	6 488 684	6 195 869
Estimated non-revenue water	15 974 915	16 009 852	15 974 915	16 009 852
	<b>105 537 554</b>	<b>107 384 290</b>	<b>105 537 554</b>	<b>107 384 290</b>

Number of connections	44 651	43 388	44 651	43 388
-----------------------	--------	--------	--------	--------

Real losses %	14.49 %	13.53 %	14.49 %	13.53 %
Water losses %	21.18 %	18.80 %	21.18 %	18.80 %
Non-revenue water %	35.67 %	34.97 %	35.67 %	34.97 %
	- %	- %	- %	- %

### 52. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	85 036 924	106 499 005	85 036 924	106 499 005
------------------------------	------------	-------------	------------	-------------

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 52. Multi-employer retirement benefit information (continued)

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

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

#### Contributions to organised local government

Current year subscription / fee	3 988 613	3 366 984	3 988 613	3 366 984
Amount paid - current year	(3 988 613)	(3 366 984)	(3 988 613)	(3 366 984)
	-	-	-	-

No amounts were outstanding at the end of the financial year.

#### Audit fees

Current year subscription / fee	6 748 756	4 619 846	6 093 485	3 730 746
Amount paid - current year	(4 762 078)	(4 619 846)	(4 097 498)	(3 730 746)
	<b>1 986 678</b>	<b>-</b>	<b>1 995 987</b>	<b>-</b>

No amounts were outstanding at the end of the financial year.

#### PAYE and UIF

Current year subscription / fee	66 414 721	61 961 916	63 385 643	60 547 096
Amount paid - current year	(65 421 913)	(57 566 851)	(62 391 886)	(56 152 980)
	<b>992 808</b>	<b>4 395 065</b>	<b>993 757</b>	<b>4 394 116</b>

#### Pension and Medical Aid Deductions

Current year subscription / fee	88 181 677	81 980 336	87 391 216	81 297 483
Amount paid - current year	(83 357 799)	(81 980 336)	(82 567 338)	(81 297 483)
	<b>4 823 878</b>	<b>-</b>	<b>4 823 878</b>	<b>-</b>

No amounts were outstanding at the end of the financial year.

#### VAT

VAT receivable	30 836	1 358 193	-	-
VAT payable	47 131 880	9 547 912	45 558 550	9 547 912
	<b>47 162 716</b>	<b>10 906 105</b>	<b>45 558 550</b>	<b>9 547 912</b>

All VAT returns have been submitted by the due date throughout the year.

### 54. S36 Deviation from supply chain management regulations

Section 36 deviations	15 847 013	279 111 738	15 802 704	278 877 097
-----------------------	------------	-------------	------------	-------------



# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 55. Change in estimate

#### Property, plant and equipment

A change in the estimated remaining useful lives of various assets of the Municipality based on their assessment conducted as at 30 June 2019 will result in the following decreases in depreciation for property plant and equipment in the 2019 financial year and future periods:

#### The impact on the statement of financial performance (Depreciation) in the 2019 financial year and future periods

Infrastructure assets	2 921 938	-	2 921 938	-
Other PPE	15 879 278	-	15 879 278	-
	<b>18 801 216</b>	<b>-</b>	<b>18 801 216</b>	<b>-</b>

#### The impact on the statement of financial performance (Depreciation) in the future periods:

Infrastructure assets	2 921 938	5 092 873	2 921 938	5 092 873
Other PPE	15 879 278	3 989 151	15 879 278	3 989 151
	<b>18 801 216</b>	<b>9 082 024</b>	<b>18 801 216</b>	<b>9 082 024</b>

### 56. Prior period errors

Corrections were made during the previous financial years. Details of the corrections are described below:

#### Property, Plant Equipment

Report Amount	- 3 991 167 071	- 3 989 800 194
Infrastructure assets: Correction of incorret depreciation:error in recognising newly found assets; recognising assets previously omitted;capitalisation of projects completed in prior years; reversal of prior years unsupported transactions	- 736 199 601	- 736 199 601
Land and Buildings: Correction incorrect prior recognition of land not registered in the name of the municipality; recognition of prior year omitted acquisition of buildings; correction of prior transfer of completed projects	- 1 744 691	- 1 752 865
	<b>- 4 729 111 363</b>	<b>- 4 727 752 660</b>

#### Receivables from non -exchange transactions

Report Amount	- 99 984 381	- 98 638 875
Correction of error: Reversal of prepaid expense relating to VAT	- (9 740 266)	- (9 740 266)
Correction of error: Over-billing of Water availabilty charge	- (9 741)	- (9 741)
Correction of error: Adjustments to take into account the increase	- (4 417 682)	- (4 412 304)
	<b>- 85 816 692</b>	<b>- 84 476 564</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>56. Prior period errors (continued)</b>				
<b>Receivables from exchange transactions</b>				
Reported Amount	-	114 660 679	-	112 479 454
Correction of error: Reversing the debtors with credit balances journal done in the 2017 year	-	(26 127 477)	-	(26 127 477)
Correction of error: Water charges not billed for in the prior period	-	3 608 539	-	3 608 539
Correction of error: Sanitation charges not billed for in June 2018	-	725 383	-	725 383
Correction of error: Water charges not billed for in June 2018	-	8 225 540	-	8 225 540
Correction of error: Fire Hydrants over billed for in the prior year	-	(2 289 520)	-	(2 289 520)
Correction of error: Fire Hydrants not billed for in the prior year	-	3 497	-	3 497
Correction of error: Year end journals done on legacy system in June 2017, but were reversed in the new system as at 30 June 2017, which incorrectly affected the take on balances.	-	6 542 094	-	6 542 094
Correction of error: Year end journals done on legacy system in June 2017, but were reversed in the new system as at 30 June 2017, which incorrectly affected the take on balances.	-	23 959 255	-	23 959 255
Correction of error: Increase in provision for impairment relating to the 2018 year	-	(17 269 257)	-	(17 269 257)
Correction of error: Fire Hydrants not billed for in the prior year	-	13 978	-	13 978
Correction of error: Debtors with Credits balances not reversed in the prior year	-	11 088 290	-	11 088 290
Correction of error: Debtors with Credits balances not reversed in the prior year	-	(11 088 290)	-	(11 088 290)
Correction of error: Debtors with Credits balances not reversed in the prior year	-	38 230 199	-	38 230 199
Correction of error: increase in provision impairment to take into account	-	(4 155 993)	-	(4 155 993)
	-	<b>146 126 917</b>	-	<b>143 945 692</b>
<b>Payables from Exchange transactions</b>				
Report Amount	-	178 496 580	-	177 584 249
Correction of error: Reversing the debtors with credit balances journal done in the 2017 year	-	(26 127 477)	-	(26 127 477)
Correction of error: Reversing the Cash in transit account against the debtors control account	-	21 276 515	-	21 276 515
Correction of error: Expenditure and accruals not previously recognised	-	13 127 196	-	13 127 196
Correction of error: Expenditure and accruals not previously recognised	-	122 170	-	122 170
Correction of error: Year end journals done on legacy system in June 2017, but were reversed in the new system as at 30 June 2017, which incorrectly affected the take on balances.	-	23 959 255	-	23 959 255
Correction of error: Being reversal of incorrect SARS entry	-	1 606 080	-	1 606 080
Correction of error: Recognising retentions not previously recognised	-	643 941	-	643 941
Corrections of error: Accrual not recognised	-	6 993	-	6 993
Correction of error: Debtors with Credits balances not reversed in the prior year	-	20 837 212	-	20 972 923

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>56. Prior period errors (continued)</b>				
	-	<b>233 948 465</b>	-	<b>233 171 845</b>
<b>Value added tax payable</b>				
Report Amount	-	18 275 845	-	18 275 845
Correction of error: Reversal of prepaid expense relating to VAT	-	(9 740 266)	-	(9 740 266)
Correction of error: Water charges not billed for in the prior period	-	470 679	-	470 679
Correction of error: Sanitation charges not billed for in June 2018	-	94 615	-	94 615
Correction of error: Water charges not billed for in June 2018	-	1 072 896	-	1 072 896
Correction of error: Fire hydrants over billed for in June 2018	-	(298 633)	-	(298 633)
Correction of error: VAT relating Fire hydrants under billed for in prior year	-	455	-	455
Correction of Error: Interest on Vat for prior periods not accounted for	-	(327 678)	-	(327 678)
	-	<b>9 547 913</b>	-	<b>9 547 913</b>
<b>Revenue from exchange transactions</b>				
Service Charges as previously reported	-	325 342 984	-	325 342 983
Correction of error: Water charges not billed for in the prior period	-	3 137 860	-	3 137 860
Correction of error: Sanitation charges not billed for in June 2018	-	630 768	-	630 768
Correction of error: Water charges not billed for in June 2018	-	7 152 644	-	7 152 644
Correction of error: Fire Hydrants over billed for in the prior year	-	(1 990 887)	-	(1 990 887)
Correction of error: Under Billing correction in the prior year	-	3 617	-	3 617
Correction of error: Indigent Relief	-	(2 144 273)	-	(2 144 273)
Correction of error: Revenue not previously recognised	-	135 892	-	135 892
Correction of error: Reversing the Cash in transit account against Revenue	-	4 869 039	-	4 869 039
	-	<b>337 137 644</b>	-	<b>337 137 643</b>
<b>Other income</b>				
Reported amount	-	7 853 992	-	4 008 851
Insurance commission and excess sundry recoveries	-	(81 972)	-	(77 105)
	-	<b>7 772 020</b>	-	<b>3 931 746</b>
<b>Finance cost</b>				
Reported amount	-	10 382 874	-	10 382 874
Correction of error: Fines not previously recognised	-	1 099 171	-	803 040
	-	<b>11 482 045</b>	-	<b>11 185 914</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>56. Prior period errors (continued)</b>				
<b>Lease on operating leases</b>				
Reported amount	-	5 531 176	-	5 531 176
Correction of error: Expenses not previously recognised	-	124 287	-	124 287
Correction of error: Expenses incorrectly recognised previously	-	(84 187)	-	(84 187)
	-	<b>5 571 276</b>	-	<b>5 571 276</b>
<b>Bulk purchases</b>				
Reported amount	-	94 489 718	-	94 489 718
Correction of error: Expenses not previously recognised	-	1 066 725	-	1 066 725
	-	<b>95 556 443</b>	-	<b>95 556 443</b>
<b>Contracted services</b>				
Reported amount	-	170 534 417	-	170 534 417
Correction of error: Expenses not previously recognised	-	8 755 176	-	8 755 176
	-	<b>179 289 593</b>	-	<b>179 289 593</b>
<b>General expenses</b>				
Reported amount	-	187 410 738	-	172 492 435
Correction of error: Expenses not previously recognised	-	1 830 386	-	1 830 386
Reclassification from Contracted Services	-	22 909 729	-	22 909 729
	-	<b>212 150 853</b>	-	<b>197 232 550</b>
<b>Gain on disposal of assets</b>				
Reported amount	-	635 337	-	635 337
Correction of error: Gain on assets incorrectly recognised in the prior year	-	(40 582)	-	(40 582)
	-	<b>594 755</b>	-	<b>594 755</b>
<b>Employee cost</b>				
Reported amount	-	382 993 608	-	371 001 555
Correction of error: Accruals	-	(412 464)	-	(28 129)
	-	<b>382 581 144</b>	-	<b>370 973 426</b>
<b>Impairment losses/ reversal</b>				
Reported amount	-	(12 040 599)	-	(12 050 630)
Increase in provision for impairment	-	17 269 257	-	17 269 257
Reversal of impairment	-	(850 613)	-	(850 613)
Correction of error: Adjustment to take into account the increase in the Provision for Doubtful Debts relating to Sundry Debtors	-	4 412 304	-	4 412 304
Correction of error: Increase in provision impairment to take into account	-	4 210 361	-	4 220 392
	-	<b>13 000 710</b>	-	<b>13 000 710</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>56. Prior period errors (continued)</b>				
<b>Depreciation &amp; amorti</b>				
Reported amount	-	217 452 915	-	217 190 726
Correction of error: Depreciation incorrectly recognised in the prior year	-	729 328	-	711 121
	-	<b>218 182 243</b>	-	<b>217 901 847</b>
<b>Unspent conditional grants and receipts</b>				
Report Amount	-	4 116 663	-	116 663
Error correction	-	(48 796)	-	-
	-	<b>4 067 867</b>	-	<b>116 663</b>
<b>Government grants and subsidies</b>				
Reported amount	-	5 385 729	-	-
Error correction	-	48 789	-	-
	-	<b>5 434 518</b>	-	-
<b>Capital commitments</b>				
Reported amount	-	569 771 500	-	568 550 408
Correction of error: Error in the casting of the prior period note leading to incorrect amount disclosed on the face of the AFS	-	55 027 769	-	55 027 769
Correction of error: Update of award values for projects for consultants that had award letters with no award values; correction of error in the calculation of the commitments schedule	-	59 951 831	-	59 951 831
	-	<b>684 751 100</b>	-	<b>683 530 008</b>

# Ugu District Municipality Consolidated

(Registration number DC21)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>56. Prior period errors (continued)</b>				
<b>Accumulated surplus</b>				
Reported amount 1 July 2017	- 3 921 181 217		- 3 901 932 520	
Prior period errors relating to PPE	- (31 583 536)		- (31 583 536)	
Prior period errors relating to PPE	- 14 780 213		- 14 780 213	
Prior period errors relating to PPE land	- 1 650 000		- 1 650 000	
Correction of error relating to take on balances	- 6 542 094		- 6 542 094	
Interest on VAT	- 327 678		- 327 678	
Prior period errors relating to PPE infrastructure	- 145 017 249		- 145 017 249	
Correction of error: Provision for sundry debtors	- (4 412 304)		- (4 412 304)	
Adjustment to the provision for doubtful debt account	- (4 220 392)		- (4 220 392)	
Write off of suspense accounts	- 21 276 532		- 21 276 532	
Correction of error misallocation of telephone expense	- (1 066)		- (1 066)	
Correction of error misallocation of telephone expense	- (1 959 762)		- (1 959 762)	
Correction of error duplicate expenditure transactions	- 13 321 189		- 13 321 189	
Correction of error misallocation of Grouplife payments	- (6 611 453)		- (6 611 453)	
Correction of error misallocation of Med aid contribution	- 667		- 667	
Recording of 2016/17 financial year accrual on overtime	- (2 982 961)		- (2 982 961)	
Recording of 2016/17 financial year accrual on overtime	- 2 982 961		- 2 982 961	
Recording of 2016/17 financial year accrual on overtime	- (2 954 832)		- (2 954 832)	
Write off on suspense account	- 48 256 360		- 48 256 360	
Write off of suspense accounts	- (16 724 818)		- (16 724 818)	
R & M incorrectly capitalised to Buildings WIP	- (437 633)		- (437 633)	
Correction of prior yr accelerated Depreciation	- 390 573 354		- 390 573 354	
Correction of prior yr WIP - Expenditure capitalised	- 255 142 964		- 255 142 964	
Correction of prior yr Dep & Impairment - Other PPE	- (19 919 010)		- (19 919 010)	
Recognition of Deprecitaion - Newly found Assets	- (8 336 060)		- (8 336 060)	
R & M incorrectly capitalised to Buildings WIP	- (511 140)		- (511 140)	
Recognition of Depreciation - Infrastructure	- (6 456 527)		- (6 456 527)	
R & M incorrectly capitalised to Infrastructure WIP	- (961 700)		- (961 700)	
Prior period asset adjustment	- (41 549 133)		- (41 549 133)	
Correction of error: revenue recognised from conditional grants which were in relation to expenditure on the KZN EDTEA grant	- 1 206 750		-	
Deficit for the year	- (38 290 594)		- (37 152 771)	
<b>Restated accumulated surplus</b>	<b>- 4 634 346 307</b>		<b>- 4 615 028 683</b>	