UMZINYATHI DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2017

General Information

Mayoral committee	
Mayor	Cllr PMS Ngubane
Councillors	Cllr NG Mdlalose
	Cllr LWS Ngubane
	Cllr LG Mabaso
	Cllr MS Yengwa
	Cllr XS Xaba
	Cllr TH Mchunu
	Cllr LN Dladla
	Cllr NC Xaba
	Cllr BS Chambule
	Cllr CZ Mbatha
	Cllr BP Ngcobo
	Cllr BP Madondo
	Cllr B Mthethwa
	Cllr SK Radebe
	Cllr TM Mahaye
	Cllr PP Ntombela
	Cllr EM Mkhwanazi
	Cllr PM Ngobese
	Cllr LC Moloi
	Cllr TJ Motloung
	Cllr RN Ngubane
	Cllr FE Khumalo
	Cllr TC Ngubane
	Cllr PS Hlophe
	Cllr TB Zitha
Speaker of the Council	Cllr FJ Sikhakhane
Grading of local authority	Grade 4
Accounting Officer	V.M Kubeka
Registered office	39 Victoria Street Princess Magogo Building Dundee 3000
Business address	39 Victoria Street Princess Magogo Building Dundee 3000
Postal address	PO Box 1965 Dundee 3000
Telephone number, Website & e-mail	034 219 1500 www.umzinyathi.gov.za rc3@umzinyathi.gov.za
Bankers	First National Bank
Auditors	Auditor General

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

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
GAMAP	Generally Accepted Municipal Accounting Practice
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)
WIP	Working In Progress
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 65, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 26 of these annual financial statements 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.

V.M Kubeka
Acting Municipal Manager

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	2	697,331	690,984
Receivables from non-exchange transactions	3	9,530,440	9,167,057
VAT receivable	4	15,770,979	12,071,805
Consumer debtors	5	78,464,062	62,053,909
Cash and cash equivalents	6	68,850,920	60,935,336
		173,313,732	**144,919,091**
Non-Current Assets			
Investment property	7	894,786	894,786
Property, plant and equipment	8	62,241,449	35,708,684
Infrastructure	9	1,846,283,068	1,631,099,689
Intangible assets	10	548,895	1,261,682
Interest in joint ventures	11	301,744,328	335,636,255
		2,211,712,526	**2,004,601,096**
Total Assets		**2,385,026,258**	**2,149,520,187**
Liabilities			
Current Liabilities			
Short term portion of long term liability	12	1,104,197	9,565,204
Payables from exchange transactions	13	66,414,715	78,730,352
Consumer deposits	14	467,239	491,712
Unspent conditional grants and receipts	15	36,749,490	17,361,859
		104,735,641	**106,149,127**
Non-Current Liabilities			
Long term liability	16	64,191,401	65,220,200
Employee benefit obligation	17	24,222,000	25,498,000
		88,413,401	**90,718,200**
Total Liabilities		**193,149,042**	**196,867,327**
Net Assets		**2,191,877,216**	**1,952,652,860**
Reserves			
Other reserves		698,434,731	698,434,731
Accumulated surplus		1,493,442,485	1,254,218,129
Total Net Assets		**2,191,877,216**	**1,952,652,860**

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	44,141,421	44,209,437
Rental of facilities and equipment	19	467,706	473,359
Interest earned- outstanding debtors	20	11,637,111	19,920,325
Other income	21	224,907	275,964
Interest earned- investments	22	12,920,588	8,007,817
Total revenue from exchange transactions		**69,391,733**	**72,886,902**
Revenue from non-exchange transactions			
Gains and donations received			
Actuarial gain from post retirement	17	1,642,351	-
Transfer/Donation received	8	5,291,853	-
Transfer revenue			
Government grants & subsidies	23	622,723,715	706,832,060
Total revenue from non-exchange transactions		**629,657,919**	**706,832,060**
Total revenue	24	**699,049,652**	**779,718,962**
Expenditure			
Employee related costs	25	(113,168,578)	(104,973,727)
Remuneration of councillors	26	(3,242,001)	(4,245,599)
Depreciation and amortisation	27	(24,915,222)	(63,042,926)
Finance costs	28	(654,839)	(3,067,434)
Provision for debt impairment	29	(19,875,321)	(30,932,106)
Post Retirement Benefits	17	(697,500)	(7,586,165)
Repairs and maintenance	30	(8,678,485)	(9,989,248)
Bulk purchases	31	(13,081,517)	(11,366,985)
General Expenses	32	(241,619,907)	(307,375,890)
Total expenditure		**(425,933,370)**	**(542,580,080)**
Operating surplus		**273,116,282**	**237,138,882**
Share of profit/(deficit) from joint venture		(33,891,926)	(41,905,972)
Surplus for the year		**239,224,356**	**195,232,910**

Statement of Changes in Net Assets

Figures in Rand	Other reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	698,434,731	1,058,591,666	1,757,026,397
Adjustments			
Prior year adjustments	-	393,553	393,553
Balance at 01 July 2015 as restated*	**698,434,731**	**1,058,985,219**	**1,757,419,950**
Changes in net assets			
Surplus for the year	-	195,232,910	195,232,910
Total changes	-	195,232,910	195,232,910
Opening balance as previously reported	698,434,731	1,257,916,700	1,956,351,431
Adjustments			
Prior year adjustments	-	(3,698,571)	(3,698,571)
Restated* Balance at 01 July 2016 as restated*	**698,434,731**	**1,254,218,129**	**1,952,652,860**
Changes in net assets			
Surplus for the year	-	239,224,356	239,224,356
Total changes	-	239,224,356	239,224,356
Balance at 30 June 2017	**698,434,731**	**1,493,442,485**	**2,191,877,216**
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Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		24,228,639	25,382,801
Grants		691,079,387	719,463,508
Interest income		12,920,588	8,007,817
Other receipts		692,328	473,359
		728,920,942	753,327,485
Payments			
Employee costs		(116,410,579)	(108,973,260)
Suppliers		(346,946,631)	(311,923,279)
		(463,357,210)	(420,896,539)
Net cash flows from operating activities	34	**265,563,732**	**332,430,946**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(11,553,971)	(6,802,121)
Proceeds from sale of property, plant and equipment	8	360,621	704,828
Purchase of other intangible assets	10	(187,616)	(14,842)
Proceeds from sale of other intangible assets	10	3,545	2,650
Proceeds from sale of infrastructure assets		-	777,325
Purchase of infrastructure assets	9	(237,154,881)	(237,408,445)
Net cash flows from investing activities		**(248,532,302)**	**(242,740,605)**
Cash flows from financing activities			
Movement in short term portion: of long term liabilities		(8,461,007)	(83,662,029)
Finance costs		(654,839)	(3,067,434)
Net cash flows from financing activities		**(9,115,846)**	**(86,729,463)**
Net increase/(decrease) in cash and cash equivalents		**7,915,584**	**2,960,878**
Cash and cash equivalents at the beginning of the year		60,935,336	57,974,458
Cash and cash equivalents at the end of the year	6	**68,850,920**	**60,935,336**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for adjustments & difference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	51,139,801	(5,230,721)	**45,909,080**	44,141,421	**(1,767,659)**	Drought impacted on certain areas where water services were restricted.
Rental of facilities and equipment	659,855	(138,657)	**521,198**	467,706	**(53,492)**	One facility during the financial year became vacant no rent was recieved.
Interest earned- outstanding debtors	10,987,300	1,530,236	**12,517,536**	11,637,111	**(880,425)**	Drought impacted on certain areas where water services were restricted.
Other income	306,954	(149,525)	**157,429**	224,907	**67,478**	
Interest received - investment	6,934,486	1,073,331	**8,007,817**	12,920,588	**4,912,771**	Rate variances and period differences on grant funds.
Total revenue from exchange transactions	**70,028,396**	**(2,915,336)**	**67,113,060**	**69,391,733**	**2,278,673**	
Revenue from non-exchange transactions						
Taxation revenue						
Actuarial gain from post retirement	-	-	-	1,642,351	**1,642,351**	There had been a decline in post retirement benefit calculations thus resulting in revenue to the municipality.
Transfer/Donation received	-	-	-	5,291,853	**5,291,853**	Unanticipated transfer received.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for adjustments & difference
Transfer revenue						
Government grants & subsidies	642,308,000	3,186,243	**645,494,243**	622,723,715	**(22,770,528)**	Grants are only recognised as revenue once conditions are met, some grants have not met their conditions as at 30 June 2017.
Total revenue from non-exchange transactions	**642,308,000**	**3,186,243**	**645,494,243**	**629,657,919**	**(15,836,324)**	
Total revenue	**712,336,396**	**270,907**	**712,607,303**	**699,049,652**	**(13,557,651)**	
Expenditure						
Personnel	(123,908,357)	7,819,500	**(116,088,857)**	(113,866,078)	**2,222,779**	There had been a decline in post retirement benefit calculations thus resulting in revenue to the municipality.
Remuneration of councillors	(4,474,297)	970,022	**(3,504,275)**	(3,242,001)	**262,274**	Council was inaugurated late during the financial year.
Depreciation and amortisation	(58,043,842)	65,709	**(57,978,133)**	(24,915,222)	**33,062,911**	Corrections to the useful lifes of assets, with the alignment of the assets to the accounting policy's.
Finance costs	(600,810)	1	**(600,809)**	(654,839)	**(54,030)**	Interest paid differed from the amortisation schedule submitted by DBSA when the budget was prepared.
Provision for bad debts	(35,114,704)	15,114,704	**(20,000,000)**	(19,875,321)	**124,679**	
Repairs and maintenance	(9,802,018)	2,815,820	**(6,986,198)**	(8,678,485)	**(1,692,287)**	Based on demand and corrective maintenance.
Bulk purchases	(18,000,000)	4,873,370	**(13,126,630)**	(13,081,517)	**45,113**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for adjustments & difference
Transfers and subsidies	(378,776,000)	(3,154,653)	**(381,930,653)**	(361,658,053)	**20,272,600**	Grant transfers are only recognised as expenditure once conditions are met, some grant transfers have not met their conditions as at 30 June 2017.
General Expenses	(148,180,825)	(40,797,613)	**(188,978,438)**	(104,849,269)	**84,129,169**	Since council had been inaugurated late, No social & economic projects were carried out. The municipality experienced challenges in the procurement of water tankers.
Total expenditure	**(776,900,853)**	**(12,293,140)**	**(789,193,993)**	**(650,820,785)**	**138,373,208**	
Operating surplus	**(64,564,457)**	**(12,022,233)**	**(76,586,690)**	**48,228,867**	**124,815,557**	
Interest in joint venture	-	-	-	(33,891,926)	**(33,891,926)**	
Deficit before taxation	**(64,564,457)**	**(12,022,233)**	**(76,586,690)**	**14,336,941**	**90,923,631**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(64,564,457)**	**(12,022,233)**	**(76,586,690)**	**14,336,941**	**90,923,631**	

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, except for the changes set out in note 1.2 Changes in accounting policy.

1.1 Going concern assumption

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

1.2 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 municipality, and the cost or fair value of the investment property can be measured reliably.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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.

1.3 Property, plant and equipment

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

Accounting Policies

1.3 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 municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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 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.

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.

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 straight line basis over their expected useful lives to their estimated residual value.

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

Item	Depreciation method	Average useful life
Infrastructure	Straight line	10-100 years
Other property, plant and equipment	Straight line	4-15 years

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

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

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

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

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

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

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

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

1.4 Intangible assets

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

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

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

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

Accounting Policies

1.4 Intangible assets (continued)

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:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 years

1.5 Interest in joint ventures

Interest in joint ventures are accounted for using the equity method. The carrying amount of the interest in joint venture is calculated at cost plus the entity's subsequent share of the joint ventures comprehensive income. If at the end of a reporting period there is an indication that an interest in a joint venture may be impaired, the entire carrying amount of the joint venture is tested for impairment. If the carrying amount of the joint venture is found to be less than its recoverable amount, the carrying amount is reduced to its recoverable amount and an impairment loss is immediately recognised in profit or loss.

1.6 Financial instruments

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

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.

Accounting Policies

1.6 Financial instruments (continued)

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.

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.

1.6 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

Accounting Policies

1.6 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Trade and other receivables

Trade and other receivables are categorized as financial assets: loans and receivables and recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Significant financial difficulties of the debtor, probabilities that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 150 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current. An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

1.7 Leases

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

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.

1.8 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.

1.8 Inventories (continued)

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

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

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

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.

1.9 Accounts payable

Consumer deposits and creditors are initially stated at their nominal value.

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

1.11 Impairment of non-cash-generating assets (continued)

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

Identification

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

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.11 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

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

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

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

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

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

1.12 Share capital / contributed capital

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

1.13 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

1.13 Employee benefits (continued)

Defined benefit plans

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

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

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

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

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

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

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

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

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

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.14 Provisions and contingencies

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

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

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

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

1.14 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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 a 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 municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality 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 38.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

Accounting Policies

1.14 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.16 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.

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.16 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

1.17 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.

Measurement

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

Government grants

Government grants are recognised as revenue when:

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

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

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

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

Accounting Policies

1.18 Borrowing costs

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

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

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

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

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

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

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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

Accounting Policies

1.21 Irregular expenditure (continued)

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

1.22 Budget information

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

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

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

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

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

1.23 Related parties

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

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

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

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

1.24 Events after reporting date

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

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

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

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

Accounting Policies

1.25 New standards and interpretations

Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

- Grap 20: Related parties
- GRAP32: Service Concession Arrangements: Grantor
- GRAP108: Statutory Receivables
- Grap 109: Standard of GRAP on accounting by principals and agents

1.26 Transfers of functions between entities not under common control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions. In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit). For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

2. Inventories

Water on hand	75,154	195,779
Chemicals	622,177	495,205
	697,331	**690,984**

Inventory is valued at lower of cost or net realisable value.

3. Receivables from non-exchange transactions

Agreement/Arrangement debtors	3,439	113,177
Debtor-Interest accrued	105,771	271,202
Grant debtors	712,336	-
Prepaid creditors	-	101,342
Sundry debtors deposits	4,324,392	4,296,834
Uthukela receipting debtor	4,384,502	4,384,502
	9,530,440	**9,167,057**

4. VAT receivable

VAT	15,770,979	12,071,805

VAT is prepared on a cash basis. This receivable is as a result of expenditure incurred.

5. Consumer debtors

Gross balances		
Water	88,113,220	155,633,796
Sewerage	27,234,253	48,874,538
Consumer debtor - Vat payable	28,484,340	26,383,483
Consumer debtor - Interest	51,854,829	65,495,516
Consumer debtor - payments in advance / adjustment	(2,270,196)	(2,078,539)
	193,416,446	**294,308,794**

Less: Allowance for impairment		
Water	(45,246,733)	(119,704,882)
Sewerage	(15,256,501)	(41,428,831)
VAT payable	(19,104,656)	(20,549,464)
Interest	(35,344,494)	(50,571,708)
	(114,952,384)	**(232,254,885)**

Net balance		
Water	42,866,487	35,928,914
Sewerage	11,977,752	7,445,707
Consumer debtor - VAT payable	9,379,684	5,834,019
Consumer debtor - Interest	16,510,335	14,923,808
Consumer debtor - payments in advance / adjustment	(2,270,196)	(2,078,539)
	78,464,062	**62,053,909**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

5. Consumer debtors (continued)

Water		
Current (0 -30 days)	5,255,350	2,843,504
31 - 60 days	2,445,207	2,559,368
61 - 90 days	2,091,038	2,763,823
91 - 120 days	2,346,163	2,411,455
121 - 365 days	75,975,461	145,055,646
Impairment	(45,246,732)	(119,704,882)
	42,866,487	**35,928,914**

Sewerage		
Current (0 -30 days)	1,820,019	705,580
31 - 60 days	255,090	633,850
61 - 90 days	645,298	656,172
91 - 120 days	687,785	555,262
121 - 365 days	23,826,061	46,323,674
Impairment	(15,256,501)	(41,428,831)
	11,977,752	**7,445,707**

VAT payable		
Current (0 -30 days)	992,585	489,348
31 - 60 days	374,072	440,370
61 - 90 days	383,233	393,830
91 - 120 days	423,744	379,390
121 - 365 days	26,310,708	24,680,545
Impairment	(19,104,658)	(20,549,464)
	9,379,684	**5,834,019**

Interest		
Current (0 -30 days)	1,002,123	1,767,681
31 - 60 days	985,361	1,752,935
61 - 90 days	938,544	1,728,281
91 - 120 days	917,220	1,752,864
121 - 365 days	48,011,581	58,493,755
Impairment	(35,344,494)	(50,571,708)
	16,510,335	**14,923,808**

Payments in advance/ adjustments		
Current (0 -30 days)	172,734	(69,608)
31 - 60 days	(94,149)	(128,864)
61 - 90 days	(67,692)	(81,233)
91 - 120 days	(152,405)	(80,726)
121 - 365 days	(2,128,684)	(1,718,108)
	(2,270,196)	**(2,078,539)**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

5. Consumer debtors (continued)

Summary of debtors by customer classification

Domestic Consumers		
Current (0 -30 days)	7,262,060	3,476,988
31 - 60 days	2,581,572	3,465,923
61 - 90 days	2,315,649	3,308,080
91 - 120 days	2,602,926	3,271,008
>121 days	117,896,586	202,845,642
Payments in advance / adjustment	(1,634,823)	(1,317,495)
	131,023,970	215,050,146
Less: Allowance for impairment	(87,252,950)	(197,860,688)
	43,771,020	**17,189,458**

Industrial/ commercial		
Current (0 -30 days)	40,911	655,680
31 - 60 days	198,700	486,911
61 - 90 days	301,974	649,267
91 - 120 days	326,308	444,071
>121 days	10,724,728	19,936,567
Payments in advance / adjustment	(216,253)	(287,149)
	11,376,368	**21,885,347**

Indigent		
Current (0 -30 days)	944,494	589,121
31 - 60 days	603,160	614,778
61 - 90 days	658,478	609,100
91 - 120 days	728,850	581,023
>121 days	30,875,919	35,352,830
Payments in advance / adjustment	(13,644)	18,346
Less: Allowance for impairment	(27,699,434)	(34,394,196)
	6,097,823	**3,371,002**

Provincial government		
Current (0 -30 days)	822,612	1,064,171
31 - 60 days	676,297	818,911
61 - 90 days	782,013	975,659
91 - 120 days	716,827	802,869
>121 days	14,626,577	16,418,581
Payments in advance / adjustment	(405,476)	(493,380)
	17,218,850	**19,586,811**

Total		
Current (0 -30 days)	9,070,077	5,806,113
31 - 60 days	4,059,729	5,386,523
61 - 90 days	4,058,114	5,542,107
91 - 120 days	4,374,912	5,098,970
>121 days	174,123,810	274,553,621
Payments in advance / adjustment	(2,270,196)	(2,078,539)
	193,416,446	294,308,795
Less: Allowance for impairment	(114,952,384)	(232,254,886)
	78,464,062	**62,053,909**

Less: Allowance for impairment		
Water	(45,246,733)	(119,704,881)

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

5. Consumer debtors (continued)

Sewerage	(15,256,501)	(41,428,831)
VAT	(19,104,656)	(20,549,464)
Interest	(35,344,494)	(50,571,709)
	(114,952,384)	**(232,254,885)**

Neither passed due or impaired	-	-
Past due and impaired	114,952,384	232,254,886
Past due and not impaired	78,464,063	62,043,235
	193,416,447	**294,298,121**

Reconciliation of allowance for impairment

Balance at beginning of the year	(232,254,885)	(201,322,780)
Contributions to allowance	(19,875,322)	(30,932,105)
Debt impairment written off against allowance	137,177,823	-
	(114,952,384)	**(232,254,885)**

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Ageing of the receivables impaired

The ageing of these receivables impaired is as follows:

3 to 6 months	-	-
Over 6 months	114,952,384	232,254,886

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,100	4,100
Bank balances	4,006,920	9,594,515
Short-term deposits	64,837,900	51,336,721
	68,850,920	**60,935,336**

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
FNB Current Cheque Account - (Main) 62358106279	4,002,332	9,586,844	3,996,920	9,584,515
FNB Water Account - 62358438044	10,000	10,000	10,000	10,000
FNB 7 Days Notice Account - 74321014438	11,101,077	36,277,794	11,101,077	36,029,896
ABSA Investment Account - 92553667878	-	1,200,520	-	1,199,896
FNB Investment Account - 62353578564	4,825,783	2,873,908	4,825,783	2,859,376
RMB Call Investment Account - 021900664	9,106	58,138	9,058	57,829
Nedbank Investment Account - 7337000049	20,969	1,076,260	20,969	1,068,421
Investec bank Investment Account - 1100461826502	44,585,972	8,948,329	44,585,972	8,948,329
Investec bank Investment Account - 1100461826503	20,431	19,104	20,431	19,104
Standard Bank Account - 308632095	4,273,479	1,153,870	4,273,479	1,153,870
Standard Bank Account - 035517239	1,218	-	1,130	-
Petty Cash Account	-	4,100	6,100	4,100
Total	**68,850,367**	**61,208,867**	**68,850,919**	**60,935,336**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

7. Investment property

	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	1,160,845	(266,059)	894,786	1,160,845	(266,059)	894,786

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	894,786	894,786

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	944,620	(49,834)	894,786

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.

Details of valuation

The fair value of these properties as valued by Endumeni municipality council on the June 2017 amounts as shown above.

The investment property values are based on the valuation roll of Endumeni Municipality. Valuations were performed by an independent valuer. Kharl Theodor Hellberg, Professional valuer, Registration number 696, of Umhlanga Geomatics Incorporated. The valuer is not connected to the municipality and has recent experience in the location and category of investment property being valued. The valuation was based on the open market value.

The direct operating expenses (including repairs & maintenance) arising from investment property is **NIL**.

Rental income from investment property is disclosed on note 19.

8. Property, plant and equipment

	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	43,358,494	(7,658,790)	35,699,704	28,880,300	(7,417,454)	21,462,846
Plant and machinery	24,442,203	(14,039,760)	10,402,443	23,014,613	(12,414,825)	10,599,788
Motor vehicles	26,531,050	(12,661,028)	13,870,022	11,839,137	(10,394,660)	1,444,477
Office equipment	9,491,275	(7,221,995)	2,269,280	9,125,574	(6,924,001)	2,201,573
Total	**103,823,022**	**(41,581,573)**	**62,241,449**	**72,859,624**	**(37,150,940)**	**35,708,684**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers received	Work in Progress	Other changes, movements	Depreciation	Total
Buildings	21,462,846	-	-	-	14,478,194	-	(241,336)	35,699,704
Plant and machinery	10,599,788	1,437,606	(10,016)	-	-	942,512	(2,567,447)	10,402,443
Motor vehicles	1,444,477	9,400,059	-	5,291,853	-	(944,108)	(1,322,259)	13,870,022
Office equipment	2,201,573	716,306	(350,605)	-	-	-	(297,994)	2,269,280
	35,708,684	**11,553,971**	**(360,621)**	**5,291,853**	**14,478,194**	**(1,596)**	**(4,429,036)**	**62,241,449**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	17,194,020	5,550,238	(199,280)	(1,082,132)	21,462,846
Plant and machinery	12,376,748	515,160	(292,215)	(1,999,905)	10,599,788
Motor vehicles	2,363,501	-	-	(919,024)	1,444,477
Office equipment	2,229,173	736,723	(213,333)	(550,990)	2,201,573
	34,163,442	**6,802,121**	**(704,828)**	**(4,552,051)**	**35,708,684**

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.

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Transfer/Donations received from COGTA (Disaster Management) for fire service trucks amounting to the value disclosed above in 2016 /2017.

Pledged as security

No PPE assets are pledged as security.

Compensation received for losses on property, plant and equipment – included in operating profit.

Office equipment	117,055	34,644

9. Infrastructure

	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Infrastructure	2,023,526,298	(177,243,230)	1,846,283,068	1,788,753,564	(157,653,875)	1,631,099,689

Reconciliation of infrastructure - 2017

	Opening balance	Additions	Work in progress	Transfer from WIP	Depreciation	Total
Infrastructure	1,631,099,689	12,096,046	234,772,734	(12,096,046)	(19,589,355)	1,846,283,068

Reconciliation of infrastructure - 2016

	Opening balance	Additions	Work in progress	Disposals	Transfers from WIP	Depreciation	Changes in estimates	Total
Infrastructure	1,453,899,285	82,798,461	214,578,091	(777,325)	(59,960,108)	(58,995,865)	(442,850)	1,631,099,689

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.

9. Infrastructure (continued)

Reconciliation of Work-in-Progress

Figures in Rand	2017	2016
Opening balance	664,927,275	510,309,292
Additions: Infrastructure assets	222,676,687	196,115,233
Additions: Building	14,478,194	18,462,858
Transferred to completed items	(12,096,046)	(59,960,108)
	889,986,110	**664,927,275**

10. Intangible assets

	2017			2016		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software, other	3,788,068	(3,239,173)	548,895	3,603,997	(2,342,315)	1,261,682

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	1,261,682	187,616	(3,545)	(896,858)	548,895

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software, other	167,791	14,842	(2,650)	1,119,099	(37,400)	1,261,682

The carrying value of intangile assets disclosed relate to computer software of R744 096.

11. Interest in joint ventures

Name of company	Listed / Unlisted	Carrying amount 2017	Carrying amount 2016
uThukela Water (Pty) Ltd	Unlisted	301,744,328	335,636,255

Reconciliation of Interest in Joint Venture		
Opening Balance	335,636,255	377,542,227
Share of (Deficit) / Surplus	(33,891,927)	(41,905,972)
Share of joint venture at 30/06/2017	**301,744,328**	**335,636,255**

12. Short term portion of long term liability

Uthukela Water Pty (Ltd)	-	9,041,025
DBSA / Endumeni loan	1,104,197	524,179
	1,104,197	**9,565,204**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

13. Payables from exchange transactions

Trade payables	4,771,549	2,032,647
Accrued leave pay	10,792,492	10,089,562
Accrued expense	37,039,955	54,029,714
Retention held suspense	13,810,719	12,578,429
	66,414,715	**78,730,352**

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

14. Consumer deposits

Water	467,239	491,712

The Consumer deposits relates to monies paid for connections before any services could be rendered.

These amounts relates to prior period deposits.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Municipal Infrastructure Grant	-	12,967,733
Rural Transportation Infrastructure Grant	547,492	-
Expended Public Works Programme Grant	-	21,554
COGTA Rural Development	-	289,088
Environmental Management Framework Grant	-	426,512
Water Services Operating Subsidy Grant	-	3,650,000
Regional Bulk Infrastructure Grant	29,536,792	-
Water Services Infrastructure Grant	6,634,773	-
Development Planning Shared Services Grant	30,433	6,972
	36,749,490	**17,361,859**

16. Long term liabilities

Long term liability DBSA / Endumeni loan	-	1,028,799
uThukela Water Creditor-Long T	64,191,401	64,191,401
	64,191,401	**65,220,200**

Uthukela Water (Pty) Ltd was formed by 3 municipalities with each municipality having a share-holding, when Uthukela Water (Pty) Ltd was dissolved the municipalities had then gotten functions no longer honoured by Uthukela Water (Pty) Ltd.

Umzinyathi had financial constraints which lead the municipality into not being able to honour the Water Service Provider agreement inovices with Uthukela Water (Pty) Ltd.

Development Bank of South Africa Loans	Opening balance	Interest capitalised	Capital repayment	Carrying value @ 30 June 2017
DBSA/uThukela Loan	9,041,025	347,567	(9,388,592)	-
DBSA/Endumeni Loan	1,552,978	307,272	(756,054)	1,104,196
Subtotal	10,594,003	654,839	(10,144,646)	1,104,196
	10,594,003	**654,839**	**(10,144,646)**	**1,104,196**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

17. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	(18,661,000)	(20,615,000)
Fair value of plan assets	(5,561,000)	(4,883,000)
	(24,222,000)	**(25,498,000)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(20,615,000)	(14,071,000)
Current service cost and interest cost	6,601,702	(2,192,000)
Benefits paid	311,649	278,165
Actuarial loss or (gain)	(4,959,351)	(4,630,165)
	(18,661,000)	**(20,615,000)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(4,883,000)	(4,119,000)
Current service cost and interest cost	(1,114,630)	(920,000)
Benefits paid	600,630	307,000
Actuarial (loss) or gain	(164,000)	(151,000)
	(5,561,000)	**(4,883,000)**

Figures in Rand	2017	2016

17. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.60 %	9.60 %
Medical cost trend rates	9.10 %	9.10 %
Net effective discount rate	0.46 %	0.46 %

The basis on which the discount rate has been determined is as follow:

Discount Rate- GRAP 25 defines the determination of the Discount rate assumption to be used as follows: The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curveWe used the nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability.

Medical Aid Inflation
The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period. South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 2% per annum over the foreseeable future.

Average Retirement Age
The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements..

Normal Retirement Age
The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates
Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependants
We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.t

Financial Variables

Discount rate	8.50 %	8.50 %
Normal salary increase rate	9.10 %	9.10 %
Net effective discount rate	0.55 %	0.55 %

Normal Salary Inflation Rate
We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2017 of 7.36%. The next salary increase was assumed to take place on 01 July 2018.

Figures in Rand	2017	2016

17. Employee benefit obligations (continued)

Withdrawal assumption

The table below shows the annual withdrawal rate for the current and previous valuation, differentiated by age

Age	Withdrawal Rate Males %	Withdrawal Rate Females %	Withdrawal Rate Males %	Withdrawal Rate Females %
20-24	16	24	16	24
25-29	12	18	12	18
30-34	10	15	10	15
35-39	8	10	8	8
40-44	6	6	6	6
45-49	4	4	4	4
50-54	2	2	2	2
55-59	1	1	1	1

Long Service Awards Liabilities

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

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

Membership Data

Membership Data- The key features of the membership data used in the current and prior valuation are summarised below;

Current Employees	Males	Females	Males	Females
Number of active employees	91	67	88	80
Subsidy weighted average age	43,9	40	42,7	39,2
Subsidy weighted average past service	9,2	8,2	8,5	8,5
Number of spouses	31	20		
Average annual salary in rands	1880	1860	1200	1200

18. Service charges

	2017	2016
Sale of water	33,278,872	34,308,798
Sewerage and sanitation charges	10,457,292	9,319,270
Water re-connection fee	44,293	54,377
Sewerage / Water new connection fee	360,964	526,992
	44,141,421	**44,209,437**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

19. Rental of facilities and equipment

Rental of Premises:;	400,506	406,159
Rental Of Staff Houses;	67,200	67,200
	467,706	**473,359**

The amount received on the investment property for rental of premises owned by the municipality totals to R467 706.

20. Interest earned- outstanding debtors

Interest earned- outstanding debtors	11,637,111	19,920,325

21. Other income

Insurance claim refunds	117,055	-
Profit on sale of asset	-	3,788
Sale of tender documents	107,852	272,176
	224,907	**275,964**

22. Investment revenue

Interest revenue		
Bank	12,920,588	7,975,966
SARS interest	-	31,851
	12,920,588	**8,007,817**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

23. Government grants and subsidies

Operating grants		
Equitable share	263,531,554	240,374,000
LGSETA Training Grant	191,507	12,806
Other Government Grants	8,054,809	3,138,998
	271,777,870	**243,525,804**
Capital grants		
Government grants (capital)	350,945,845	463,306,256
	622,723,715	**706,832,060**

Equitable Share

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

All registered indigents receive a monthly subsidy of 6 kilo litres @ R 6.33 excl of Vat, which is funded from the grant.

MIG

Balance unspent at beginning of year	12,967,733	-
Current-year receipts	181,064,000	203,835,000
Conditions met - transferred to revenue	(194,031,733)	(190,867,267)
	-	**12,967,733**

Conditions

Municipalities must prioritise MIG for eligible beneficiaries and infrastructure that includes: basic residential infrastructure for the poor for water, sanitation, roads, waste management, streetlighting, community facilities as well as associated municipal bulk and connector infrastructure new or upgrading of municipal bulk, connector and reticulation infrastructure to support existing areas and the formalisation of settlements renewal of eligible infrastructure servicing the poor subject to the confirmation by the relevant sector department of the state of infrastructure and a commitment from the municipality of how on-going operations and maintenance of the renewed infrastructure will be funded and performed maintenance of roads infrastructure mainly servicing the poor.

Rural Transport Services Infrastructure Grant

Current-year receipts	2,183,000	2,124,000
Conditions met - transferred to revenue	(1,635,508)	(2,124,000)
	547,492	**-**

Conditions

District municipalities must provide local municipalities with validated information from the condition data collected to enable municipalities to identify and prioritise road maintenance requirements within their own budgets, to improve the condition and extend the lifespan of road infrastructure. District municipalities must participate in grant management structures, including attending quarterly rural RAMS meetings.

Conditions still to be met - remain liabilities (see note15).

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

23. Government grants and subsidies (continued)

Asisukume Maize Mill

Current-year receipts	-	61,382
Conditions met - transferred to revenue	-	(61,382)
	-	-

Conditions

Asiskume maize mill is assigned to assist the municipality in the development of the municipal economic agricultural sector.

Expanded Public Works Programme Grant

Balance unspent at beginning of year	21,554	-
Current-year receipts	2,350,000	3,434,000
Conditions met - transferred to revenue	(2,371,554)	(3,412,446)
	-	**21,554**

Conditions

EPWP projects must comply with the project selection criteria determined in the EPWP grant manual, the EPWP guidelines set by Department of Public Works (DPW) and the Ministerial Determination updated annually on 1 November each year Eligible municipalities must sign a funding agreement with the DPW before the first grant disbursement, with their final EPWP project list attached.Reports must be loaded on the EPWP reporting system within 15 days after the end of every quarter in order for progress to be assessed. Municipalities must maintain beneficiary and payroll records as specified in the audit requirements in the EPWP grant manual.The EPWP grant cannot be used to fund the costs of permanent municipal personnel; however, a maximum of five per cent of the grant can be used to fund contract based capacity required to manage data capturing and on-site management costs related to the use of labour intensive methods. The EPWP grant can only be utilised for EPWP purposes, for the projects approved in each municipality's EPWP project list. To receive the first planned grant disbursement, eligible municipalities must submit a signed Incentive. Subsequent grant disbursements are conditional upon eligible municipalities reporting quarterly on EPWP performance within the required timeframes. Municipalities must implement their approved EPWP project list and meet agreed job creation targets. EPWP branding must be incorporated on any existing signage as per corporate identity manual.

COGTA Rural Development Grant

Balance unspent at beginning of year	289,088	289,799
Conditions met - transferred to revenue	(289,088)	(711)
	-	**289,088**

Conditions

The Development grant is assigned to assist the municipality in the development of the municipal economic sector.

Mtshongweni Veg Project

Balance unspent at beginning of year	-	70,389
Conditions met - transferred to revenue	-	(70,389)
	-	-

Conditions

Mtshongweni vegetable project is assigned to assist the municipality in the development of the municipal economic agricultural sector.

Figures in Rand	2017	2016

23. Government grants and subsidies (continued)

Municipal Water Infrastructure Grant

Current-year receipts	-	78,250,000
Conditions met - transferred to revenue	-	(78,250,000)
	-	-

Conditions

Municipalities must submit business plans signed off by the Accounting Officer in line with their Water Services Development Plans (WSDP). The Department of Water and Sanitation (DWS) must approve the business plans before projects can be implemented WSAs may only spend funds in line with approved business plans WSA must submit monthly financial and quarterly non-financial reports to DWS. All projects funded must be aligned to, and not duplicate, any existing or planned projects funded from other conditional grants or municipal own funds. Funds must be reflected on the capital budget of the municipality Grant funds may not be spent on operations and routine maintenance. Municipalities must demonstrate in the business plan how they plan to fund and manage the infrastructure over the long term.

Rural Househols Infrastructure Grant

Current-year receipts	-	4,300,000
Conditions met - transferred to revenue	-	(4,300,000)
	-	-

Conditions

Municipalities must submit business plans approved by the Accounting Officer (AO), in accordance with their Water Services Development Plans (WSDPs). Fund training for beneficiaries on health and hygiene practices and how to use the facilities and perform basic maintenance. Target the provision of on-site sanitation facilities to rural households not intended for connector services. The design of sanitation facilities has to be consistent with South African National Standards norms and standards. The implementation of the programme must include training of communities on their responsibilities with regard to the outcomes of the programme and health and hygiene awareness training.

Disaster Management Grant

Balance unspent at beginning of year	-	3,296,033
Current-year receipts	-	5,000,000
Conditions met - transferred to revenue	-	(8,296,033)
	-	-

Conditions

Municipalities must undertake to utilise the grant exclusively for purposes of the project in accordance with the business plan, provided that the Department may conduct an audit at any stage during the term of the agreement or after termination thereof.

Environmental Management Framework Grant

Balance unspent at beginning of year	426,512	1,000,000
Conditions met - transferred to revenue	(426,512)	(573,488)
	-	**426,512**

Conditions

The environmental management framework grant is assigned to assist the municipality in the development of the municipal environment management framework plan.

Figures in Rand	2017	2016

23. Government grants and subsidies (continued)

Water Services Operational Grant

Balance unspent at beginning of year	3,650,000	-
Current-year receipts	-	3,650,000
Transferred to revenue	(3,650,000)	-
	-	**3,650,000**

Conditions

Funds transferred to WSAs must be utilised in line with the approved business plan. The grant may be used to fund refurbishment of water services schemes transferred to WSAs. All receiving municipalities and WSPs will be required to adhere to the Transfer Agreements (TA) with, DWS and all subsequent addendums. Receiving municipalities must demonstrate that appropriate operations and maintenance measures are in place to ensure the sustainability of transferred water services schemes. Progress reports on the grant must be submitted on a monthly, quarterly and annual basis.

Regional Bulk Infrastructure Grant

Current-year receipts	106,377,000	86,800,866
Conditions met - transferred to revenue	(76,840,208)	(86,800,866)
	29,536,792	**-**

Conditions

The Regional Bulk Infrastructure Grant (RBIG) is intended to fund the social component of regional bulk water and waste water projects approved by the Department of Water and Sanitation (DWS), unless arguments for exemption based on affordability are recommended by DWS and approved by National Treasury. This grant can be used to build enabling infrastructure required to connect or protect water resources over significant distances with bulk and reticulation systems. The need for a bulk infrastructure solution must be confirmed and accepted by DWS through the regional bulk master planning process. A financing plan with associated co-funding agreements must be in place prior to implementation of RBIG funded projects. All sources of funding for the full cost of the project must be outlined in the IRS and the funding agreement RBIG payments will be made (IA) based on invoices for work done. All projects must be aligned with and referenced to Integrated Development Plans (IDPs) and Water Services Development Plans (WSDPs) as well as a detailed plan which shows alignment of RBIG projects with those funded through the Municipal Infrastructure Grant, Municipal Water Infrastructure Grant and the Water Services Operating Subsidy Grant .A transfer plan must be developed and agreed to prior to the commencement of any new projects.

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

Water Services Infrastructre Grant

Current-year receipts	84,111,000	-
Conditions met - transferred to revenue	(77,476,227)	-
	6,634,773	**-**

Conditions

To 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 services that ensure provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equipping of boreholes and on-site solutions.To support drought relief projects in affected municipalities.

Conditions still to be met - remain liabilities (see note15)

Figures in Rand	2017	2016

23. Government grants and subsidies (continued)

Municipal Systems Improvement Grant

Current-year receipts	-	940,000
Conditions met - transferred to revenue	-	(940,000)
	-	-

Conditions

Municipalities must submit to the Department of Cooperative Governance (DCoG) signed activity plans in the prescribed format with detailed budgets and timeframes for the implementation of prioritised measurable outputs, in line with the outputs of this grant. Only projects from the activity plans approved by DCoG will be funded from this grant.

Financial Management Grant

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

FMG funds can be used towards the following: establishment of a Budget and Treasury Office (BTO) with positions filled by appropriately qualified personnel establishment of SCM capacity, an Internal Audit unit and Audit Committees, at least five interns appointed over a multi-year period on-going review, revision and submission of FMG support plans to National Treasury that address weaknesses in financial management acquisition, upgrade and maintenance of financial management systems to produce multi-year budgets, in-year reports, Service Delivery and Budget Implementation Plans, Annual Financial Statements, annual reports and automated financial management practices including the municipal Standard Chart of Accounts review and adoption of a delegation system support the training of municipal officials in financial management towards attaining the minimum competencies, as regulated in Government Gazette 29967 of June 2007 preparation and timely submission of annual financial statements for audits support implementation of corrective actions to address audit findings in municipalities that received adverse and disclaimer opinions technical support in financial management to municipalities must include the transfer of skills to municipal officials, the preparation of a financial recovery plan and the implementation thereof, where appropriate, implementation of financial management reforms and addressing shortcomings identified in the Financial Management Capability Maturity Model (FMCMM) Assessment Report for that municipality, ensuring timely submission of the FMG support plan consistent with the conditions of the grant, Regular, timely submission of reports with completed information, Expenditure must be maintained at appropriate levels.

Drought Relief Grant

Current-year receipts	1,070,740	69,446,649
Conditions met - transferred to revenue	(1,070,740)	(69,446,649)
	-	-

Drilling of production boreholes in Greytown area and to fund water tankers in areas affected by the drought within the district.

Shared Services Development Grant

Balance unspent at beginning of year	6,972	-
Current-year receipts	400,000	250,000
Conditions met - transferred to revenue	(376,539)	(243,028)
	30,433	**6,972**

Conditions

Optimise planning function and resources in the district to increase efficieny and to reduce cost of service. Create an environment of learning where jounior and inexperienced staff can be mentored by more senior officials. Promote continuity where the loss of one staff member should not disprut services. Promote integration and alignment (IDP-Spatialsetc).

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

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

23. Government grants and subsidies (continued)

Opathe/Umgungundlovu

Current-year receipts	2,239,944	19,611,105
Conditions met - transferred to revenue	(2,239,944)	(19,611,105)
	-	-

Building of water infrastructure from the Umzinyathi district to the Umgugundlovu district.

24. Revenue

Government grants & subsidies	622,723,715	706,832,060
Actuarial gain from post retirement benefit	1,642,351	-
Interest earned- outstanding debtors	11,637,111	19,920,325
Interest received - investment	12,920,588	8,007,817
Other income	224,907	275,964
Transfer/Donation received	5,291,853	-
Rental of facilities and equipment	467,706	473,359
Service charges	44,141,421	44,209,437
	699,049,652	**779,718,962**

Interest earned- outstanding debtors	11,637,111	19,920,325
Interest received - investment	12,920,588	8,007,817
Other income	224,907	275,964
Rental of facilities and equipment	467,706	473,359
Service charges	44,141,421	44,209,437
The amount included in revenue arising from exchanges of goods or services are as follows:		
	69,391,733	**72,886,902**

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

Actuarial gain post retirement benefit	1,642,351	-
Transfer/Donation received	5,291,853	-
Transfer revenue		
Government grants & subsidies	622,723,715	706,832,060
	629,657,919	**706,832,060**

Transfer/Donations received from COGTA (Disaster Management) for fire service trucks amounting to the value disclosed above.

Figures in Rand	2017	2016

25. Employee related costs

Basic	75,213,952	67,162,560
Bonus	5,474,733	4,563,392
Defined contribution plans	10,254,008	8,736,864
Housing benefits and allowances	1,573,388	1,705,676
Leave provision	2,401,789	3,084,051
Medical aid - company contributions	3,909,966	3,251,880
Overtime payments	7,219,673	8,971,481
SDL	967,752	913,752
Shift allowance	2,064,516	1,798,497
Travel, motor car, accommodation, subsistence and other allowances	3,491,750	4,198,134
UIF	597,051	587,440
	113,168,578	**104,973,727**

Remuneration of Municipal Manager

Annual remuneration	1,015,384	772,704
Performance bonus	-	-
Travel and other allowances	372,056	270,024
Acting allowance	94,210	64,924
Contributions to UIF,medical and pension funds	14,827	62,250
	1,496,477	**1,169,902**

The Municipal Manager was suspend during the financial year and had an acting municipal manager in the financial year.

Remuneration of Chief Finance Officer

Annual remuneration	430,327	217,184
Performance bonus	-	-
Travel and other allowances	206,758	99,056
Acting allowance	21,744	31,848
Contributions to UIF,medical and pension funds	84,195	51,861
	743,024	**399,949**

The Chief finance officer position was filled in 2016/2017 financial year but the CFO was suspend and there had been an acting CFO.

Remuneration of Community Services Director

Annual remuneration	597,149	540,801
Performance bonus	73,422	73,270
Travel and other allowances	531,083	178,513
Acting allowance	-	-
Contributions to UIF,medical and pension funds	67,326	282,976
	1,268,980	**1,075,560**

Figures in Rand	2017	2016

25. Employee related costs (continued)

Remuneration of Technical Director

Annual remuneration	435,578	734,852
Performance bonus	72,596	-
Travel and other allowances	174,999	239,069
Acting allowance	125,297	40,459
Contributions to UIF,medical and pension funds	77,896	316,521
	886,366	**1,330,901**

The Technical Director position during financial year became vacant but there had been an offical acting on the position and a deployed offical by the Provincial COGTA department.

Remuneration of Corporate Director

Annual remuneration	703,977	630,934
Performance bonus	-	64,111
Travel and other allowances	225,081	120,664
Acting allowance	21,778	-
Contributions to UIF,medical and pension funds	143,031	234,224
	1,093,867	**1,049,933**

The Corporate Director during the financial year had acted on the Municipal Manager position and an official had then acted on the Corporate Director position.

Remuneration of Planning and Development Director

Annual remuneration	789,521	609,933
Performance bonus	-	29,168
Travel and other allowances	149,858	67,378
Acting allowance	-	-
Contributions to UIF,medical and pension funds	57,878	115,253
	997,257	**821,732**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

26. Remuneration of councillors

Mayor	79,593	222,629
Deputy Mayor	120,268	607,764
Mayoral Committee Members	79,071	286,416
Speaker	69,715	302,063
Councillors	2,336,638	2,222,886
Councillors' pension contribution	168,971	146,944
Local authority/ Travel Fees	18,268	105,662
Medical aid contributions	8,059	38,806
Cellphone and Mobile data	334,113	15,300
Skill levy	27,305	297,129
	3,242,001	**4,245,599**

In-kind benefits

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

The Mayor , the Deputy Mayor and Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor, the Deputy Mayor and Speaker have bodyguards.

The Council was only consituted on the 13 June 2017.

27. Depreciation and amortisation

Total depreciation and amortisation	24,915,222	63,042,926

Depreciation and amortisation by asset class		
Buildings	241,336	1,166,154
Infrastructure	19,589,328	59,438,718
Intangible	896,858	(1,081,699)
Investment property	-	49,834
Motor vehicles	1,322,259	919,024
Office equipment	297,994	550,990
Plant and machinery	2,567,447	1,999,905
	24,915,222	**63,042,926**

28. Finance costs

Interest paid	654,839	3,067,434

Interest rate paid on DBSA - Endumeni loan is 17%.

Interest rate paid on DBSA- Uthukela loan is 7%.

29. Provision for debt impairment

Contributions to debt impairment provision	19,875,321	30,932,106

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

30. Repairs & Maintenance

Buildings & Grounds	296,013	12,011
Buildings & Offices;	815,678	166,511
IT Support;	939,652	624,290
Office Furniture & Equipment	171,162	79,237
Sanitation;	4,239,250	5,076,380
Vehicle Maintenance;	1,672,310	2,947,351
Water Operation-repairs&mainte	544,419	1,083,468
	8,678,484	**9,989,248**

31. Bulk purchases

Water	13,081,517	11,366,985

4 419 431 kilo litres of water was purchased @ R 2.96 per litre.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

32. General expenses

Advertising	299,318	270,153
Agency development	69,736	358,000
Asset verification expense	1,684,000	1,126,203
Auditors remuneration	2,822,558	3,444,120
Bank charges	52,009	48,262
Bursaries	722,359	568,156
Chemicals	58,800	20,883
Children and Youth	11,849	190,146
Cleaning	172,219	143,469
Computer expenses	62,621	157,765
Conferences and seminars	66,008	160,166
Consulting and professional fees	5,335,388	394,091
Corporate materials	1,137	328,512
Disaster relief	1,151,495	1,215,527
District cultural events	305,434	609,503
Drought relief	59,023,372	25,642,933
Eldery & widows	351,151	190,248
Entertainment	5,412	33,456
Fines and penalties	103,955	55,791
Fire services operating cost	-	17,150
Fuel and oil	3,741,219	3,668,387
HIV/ AIDS programmes	65,366	281,524
Hiring of vehicles	-	2,271,862
Human resource development	902,848	801,044
IDP review costs	639,795	816,014
IDP sector plans	107,966	661,578
IT expenses- GIS tools	760,637	787,368
Legal costs	3,202,681	1,714,581
Insurance costs	975,044	1,055,328
Inventory loose tools	3,263	7,059
LED project costs	1,522,738	2,267,304
License fees	743,484	313,882
Marketing & Promotions	139,476	596,408
Mayoral imbizo	263,934	453,906
Mayoral sports tournament	-	60,725
Other expenses	1,220,228	2,342,576
Overgrown stands	-	14,050
Pauper Burials	27,420	149,559
People with disablities	206,977	263,311
Postage and courier	648,185	613,996
Poverty alleviation programmes	-	305,800
Printing and stationery	168,499	224,692
Project launch costs	365,194	254,206
Promotions and sponsorships- LED	301,144	513,890
Recruitment of staff	144,429	126,735
Rural horse riding events	95,773	340,823
SALGA Sports & culture programmes	1,987,245	1,588,186
Sampling of water, milk & food	61,880	79,813
Security (Guarding of municipal property)	8,859,681	5,517,054
Subscriptions and membership fees	1,303,736	1,273,543
Telephone and fax	1,145,462	1,202,710
Rental office machines	1,017,022	1,074,554
Travel - local costs	2,366,819	3,399,598
Uniforms	479,565	108,613
Utilities - Rates	705,508	599,744
VAT adjustment	-	1,500,503
Water & electricity costs	21,081,725	31,798,641
Water services operational costs	114,066,143	203,009,132
Women & gender programmes	-	342,657

Figures in Rand	2017	2016

32. General expenses (continued)

	241,619,907	**307,375,890**

33. Prior period errors

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

Statement of financial position		
Net assets @1 July 2016	-	1,257,916,700
Prior year adjustments decrease on interest in Joint Venture	-	(3,698,571)
	-	-
	-	-
	-	1,254,218,129

Statement of Financial Performance		
Net surplus for 2015/2016 as previously stated	-	198,931,481
Prior year adjustments decrease in share of profit from joint venture	-	(3,698,571)
	-	**195,232,910**

34. Cash generated from operations

Surplus	239,224,356	195,232,910
Adjustments for:		
Depreciation and amortisation	24,915,222	63,042,926
Income from equity accounted investments	33,891,926	41,905,972
Finance costs	654,839	3,067,434
Debt impairment	19,875,321	30,932,106
Movements in Long term liability	(1,028,799)	(1,142,124)
Movements in retirement benefit assets and liabilities	(1,276,000)	7,308,000
Other non-cash items	(37,267,701)	(12,100)
Other non-cash items	6,100	4,100
Changes in working capital:		
Inventories	(6,347)	127,045
Consumer debtors	(16,410,153)	(44,423,397)
Other receivables from non-exchange transactions	(363,383)	63,659
Payables from exchange transactions	(12,315,633)	28,562,037
VAT	(3,699,174)	(4,839,089)
Unspent conditional grants and receipts	19,387,631	12,644,256
Consumer deposits	(24,473)	(42,789)
	265,563,732	**332,430,946**

35. Auditors' remuneration

Internal audit fees	185,350	1,003,480
External audit fees - Auditor General (AG)	2,503,908	2,324,752
Audit committee costs	133,300	115,888
	2,822,558	**3,444,120**

Figures in Rand	2017	2016

36. MIG Expenditure

Douglas water supply	3,175,920	1,635,981
Makhabeleni water supply	2,080,238	7,006,059
Mbono Mkhuphula sanitation	25,936,008	-
Mbono water supply	10,837,357	6,565,490
Mbulwane- Hlimbithwa sanitation	-	2,420,348
Mthembu water supply	8,800,361	683,655
Muden sanitation	-	2,811,548
Muden water supply	45,242,867	14,352,486
Ngubukazi water supply	-	213,280
Nquthu north eastern water supply	-	1,145,876
Nquthu sanitation	11,430,678	4,479,317
Ntini water supply	11,079,060	2,744,711
Ophathe water supply	5,096,453	14,831,965
PMU Support	9,057,000	-
Pomery sanitation	6,012,006	24,688
Sithembile water supply	2,931,371	9,078,586
UDM Disaster center	16,505,141	12,751,625
Umsinga water supply	29,814,021	21,605,122
Umvoti Sanitation	6,033,252	1,409,994
Water tanker reduction	-	87,106,533
	194,031,733	**190,867,264**

37. Commitments

Total commitments

Total commitments		
Approved and contracted for	313,166,778	390,264,902
Approved but not contracted for	-	-
	313,166,778	**390,264,902**

This committed expenditure relates to capital commitments and will be financed by government grants.

Commitments are committed for more than a period of twelve months.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	24,075	303,548
- in second to fifth year inclusive	-	12,709
	24,075	**316,257**

The municipality is leasing 4 copiers from Technology Acceptance to the term ending September 2017.

The contract ended at 30 June 2017 with an extension on the above mentioned copiers. The municipality is in the process of appointing a new service provider.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

38. Contingencies

DBSA

An amount of R2 004 020 is still showing on the statement for the DBSA loan, which was a discount given upon renegotiations after taking over the uThukela Water Pty Ltd loan and upon enquiries DBSA has referred the matter to its board of directors to rectify.

Umvoti / uThukela Water (Pty) Ltd

Umvoti presented to the municipality an outstanding balance of R407 585 owing by uThukela Water (Pty) Ltd the water service authority whom was responsible for the water reticulation function within the district. Umvoti has liaised with uThukela Water (Pty) Ltd to pay the outstanding balance however uThukela Water (Pty) Ltd has advised Umvoti that the debt be settled by Umzinyathi, since uMzinyathi took over the reticulation function on the 1st of July 2013. The dispute arises because neither uThukela Water (Pty) Ltd or Umvoti has submitted proof of the liability or debt in a form an invoice or any relevant supporting documentation.

uThukela Water (Pty) Ltd

There's a dispute of an amount of R43 400 474 between uThukela water (Pty) Ltd and Umzinyathi District Municipality as uThukela water (Pty) Ltd claims that the municipality owes an amount of R110 734 609 but can only prove an amount of R64 191 401.

Legal matters pending

There are 7 litigations and value of claims pending against the municipality

Umzinyathi District Municipality vs Consultant

Consultant claims payment arising from a contract . The application was withdrawn. The matter will then be set down for a pre-trial conference in front of a judge in terms of Rule 37(8). The judge will then certify the matter ready for trial and trial date will be allocated. R132 226.78

Umzinyathi District Municipality vs Supplier

Supplier claims payment arising from a contract .Matter has been certified ready for trial and trial date has been allocated. The matter will be heared on the 7th to the 10th of May 2018. R18 210 630.66

Umzinyathi District Municipality vs Supplier

Supplier claims payment arising from a lease agreement. Matter is ongoing, pleadings have closed, parties are to convene pre-trial conference. R68 306.07

Umzinyathi District Municipality vs Former employee

A former employee claims payment arising from an alleged contract. Matter is ongoing, set down for hearing of an application to strike out on 4 September 2017. R1 230 847.92

Umzinyathi District Municipality vs Resident

Claim by resident for injury suffered due to open manhole. Matters is ongoing, pre-trial conference was convened, matter is awaiting allocation of trial date. R300 000

Umzinyathi District Municipality vs Supplier

Claim by supplier for payment in terms of cession agreement. Matter is ongoing, pleadings have closed, parties are to convene a pre-trial conference. R10 074 107.40

Umzinyathi District Municipality vs Supplier

Figures in Rand	2017	2016

38. Contingencies (continued)

Supplier is claiming payment arising from a contract termination. Matter is ongoing, pleadings have closed, parties are to convene a pre-trial conference. R329 600.00

39. Related parties

Uthukela Water (Pty) Ltd is considered a related party due to the fact that Umzinyathi District Municipality has a 33,3% shareholding. Uthukela Water (Pty) Ltd supplies Umzinyathi District Municipality with bulk water. This includes both raw and portable water.

Related party transactions

Purchases from related parties		
Uthukela Water(Pty) Ltd - bulk water	13,081,517	11,366,985
Uthukela Water(Pty) Ltd - services on drought relief project	2,098,040	20,533,154
Altimax Pty (Ltd)	-	46,780
KDM Sports	-	92,827
Phumelele's Catering Services (Ndlovu STN)	-	8,175

Transactions disclosed above are exclusive of VAT.

40. Risk management

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses.

The table below provides the municipality's financial liabilities which include borrowings inclusive of interest.

	Up to one year	Total
Borrowings	1,104,197	1,104,197

Notes to the Annual Financial Statements

40. Risk management (continued)

Credit risk

Financial instruments - Investments and receivables

	-	-
Cash and cash equivalents	68,850,920	60,935,336
Other receivables	15,770,979	12,071,805
Trade receivables	78,464,062	62,043,235
	163,085,961	**135,050,376**

Liabilities and creditors		
Long term liability	64,191,401	65,220,200
Payables from exchange transactions	66,881,958	79,222,064
	131,073,359	**144,442,264**

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

Receivables
Receivables are amounts owing by consumers and are presented net of impairment loss. The municipality has a credit control policy in place and the exposure to credit risk is monitored continuously. The municipality establishes an allowance for doubtful debts that represents its estimate of anticipated losses in respect of receivables. Payments of accounts of consumer debtors who are unable to pay, are negotiated in line with the 'credit control policy and terms of payments are agreed upon with the consumer.

Cash and cash equivalents
The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy. The municipality does not consider there to be any significant exposure to credit risk.

Market risk

Interest rate risk

The municipality's policy is to manage interest rate risk so that fluctuations in variable costs do not have a material impact on surplus. All long-term debt are at fixed rates.

41. Going concern

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

42. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- Investigation on irregular expenditure for 2013/14 and 2014/15 financial year's conducted by Provincial Treasury was tabled to council on 7th of August 2017, council resolved to implement recommendations made by Provincial Treasury on the report.
- MEC for COGTA will institute Section 106 of the Systems Act in the municipality.

43. Fruitless and wasteful expenditure

Opening balance	265,205	672,202
Fruitless and wasteful expenditure	103,955	265,205
Less: Amounts written-off	-	(672,202)
	369,160	**265,205**

Interest and penalties incurred on Eskom, Telkom and Nquthu Municipality invoices amounting to R103 955.

44. Irregular expenditure

Opening balance	498,593,458	301,418,759
Add: Irregular Expenditure - current year	190,629,405	236,851,153
Less: Amounts written-off	-	(39,676,454)
	689,222,863	**498,593,458**

45. Additional disclosure in terms of Municipal Finance Management Act Section 125

Councillors' and employees' arrear consumer accounts

The following Councillors and Employees had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Mahaye TM & ML	1,697	32,358	34,055
Councillor Yengwa MS	305	9,199	9,504
Councillor Chamule BS	418	1,316	1,734
Councillor Bedassi I	1,641	-	1,641
Councillor Mfeka JA	174	-	174
Africa LM	1,328	20,783	22,111
Mkhwanazi SC	1,170	10,419	11,589
Twala NB	791	7,619	8,410
Mlambo RK	437	6,011	6,448
Zulu VD	78	4,748	4,826
Mawila MP	689	3,527	4,216
Mazibuko LB	121	3,773	3,894
Kumalo P	1,717	2,117	3,834
Mncube TE	336	3,407	3,743
Malunga T	958	2,372	3,330
Malunga MS	-	2,388	2,388
Gcabashe S	856	-	856
Nzimakwe N	202	514	716
Munessar A	698	-	698
Mvelase Z	292	-	292
Zulu LB	203	-	203
Ntombela VB	186	-	186
Majola NP	137	-	137
Ntuli DS	56	68	124
Moodley S	(9)	51	42
Ndlovu STN	-	3	3

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Mahaye TM & ML	2,824	45,747	48,571
Councillor Yengwa MS	493	9,910	10,403
Councillor Chamule BS	704	518	1,222
Mncube TE	529	8,129	8,658
Dearlove PD	2,126	51,728	53,854
Mkhwanazi SC	1,819	20,040	21,859
Kumalo P	344	241	585
Zulu VD	192	7,666	7,858
Mawila MP	672	1,925	2,597
Nzimakwe N	-	800	800
Twala NB	779	4,731	5,510
Ndlovu N	-	1,168	1,168
Mazibuko LB	455	3,332	3,787
Ndlovu BE	1,730	32,065	33,795
Moodley S	1,450	27,082	28,532
Thompson MC	298	9,546	9,844
Khoza K	2,106	11,550	13,656
Mlambo RK	1,717	681	2,398
Williams S	300	4,911	5,211
Goge MD	9	338	347

45. Additional disclosure in terms of Municipal Finance Management Act Section 125 (continued)

Ntuli DS	195	403	598
	18,742	**242,511**	**261,253**

46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

SCM regulations 36		
Expenditure incurred	3,604,574	20,955

SCM regulations 32		
Icon Pty (Ltd)	46,000,840	-
Esor Pty (Ltd)	26,307,352	-
Tsotetsi & Mchunu	-	-
DNS security	-	399,000
Aquaplan JV Fransi Masedi	-	31,997,227
	72,308,192	**32,396,227**

The above appointments were done in accordance with regulations 36 and 32 which were approved by the Accounting Officer and ratified by the Council.

Tsotetsi & Mchunu were appointed on a 12% commission on the debt collection basis.

47. Water loss distribution

Msinga Fabeni WTW	2,408	1,185
Msinga Keats Drift WTW	346,731	346,270
Msinga Sampofu (Tugela Ferry) WTW	1,092,900	1,091,986
Msinga Sampofu Weir (Pomeroy) WTW	40,417	64,668
Umvoti Makhabeleni WTW Meter	320,056	356,427
Umvoti Greytown WTW	602,344	593,854
Umvoti Muden WTW	653,415	628,910
Umvoti Kranskop WTW	163,994	166,488
Nquthu Isandlwana WTW	90,306	77,328
Nquthu Nondweni WTW	408,309	547,350
Nquthu Nquthu/Vant's Drift WTW	3,071,100	2,984,940
Nquthu Qudeni WTW	63,750	56,707
Endumeni Biggarsberg WTW	4,967,431	4,471,935
	11,823,161	**11,388,048**

Total water loss		
Total water produced	(11,823,161)	(11,388,048)
Total water sold	4,778,433	5,226,318
	(7,044,728)	**(6,161,730)**

The monetary value of water loss is R 53 085 783.

The water loss percentage is 60%.

- The municipality has experienced a lot of internal leaks from domestic consumers and there's a programme that the municipality will be running to fix these leaks.

48. Transfer of functions Between entities not under common control

Uthukela Water (Pty) Ltd is an entity of three WSA's, namely Amajuba DM, Newcastle LM and Umzinyathi DM. The interest in this joint venture is at 33,3%, 33,4% and 33,3% respectively.

The voting rights are represented by the percentage shareholding in the entity. The transfer of function was initiated by the directive from the MEC: COGTA.

It stipulated that the function, including the infrastructure assets must be transferred back to the WSA's. The process was started and completed by the 30 June 2014, This arrangement is currently in place.Refer to note 9 for further details.