

Unaudited Annual Financial Statements

for

ILEMBE DISTRICT MUNICIPALITY

As at 30 June 2017

Province: KwaZulu Natal
AFS rounding: R (i.e. only cents)

Contact Information:

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**ILEMBE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
As at 30 June 2017**

General information

Legal Form of Entity	Municipality
Nature of Business and Principal Activities	Medium Capacity, Category C, District Municipality
His Worship, Councillor Siduduzo Siegsried Gumede	Mayor
Councillor Lucky Regionald Makhathini	Speaker
Councillor Sandeep Oudhram	Member of the Executive Committee
Councillor Musawenkosi Aubrey Maphumulo	Member of the Executive Committee
Councillor Monitha Dolly Shandu	Member of the Executive Committee
Councillor Aubrey Mtolo Baardman	Member of the Executive Committee
Councillor Andrew Gopaul	Member of the Executive Committee
Councillor Malcolm William Hubner	<i>Member</i>
Councillor Maureen Zola Mhlongo	<i>Member</i>
Councillor Sibongile Florence Ntuli	<i>Member</i>
Councillor Catherine Tholakele Khumalo	<i>Member</i>
Councillor Makhosini Desmond Mpofo	<i>Member</i>
Councillor Ntombenhle Cynthia Nene	<i>Member</i>
Councillor Musawenkosi Simeon Ntuli	<i>Member</i>
Councillor Madhum S Singh	<i>Member</i>
Councillor Innocent Ndumiso Vilakazi	<i>Member</i>
Councillor Muzi Emmanuel Ngidi	<i>Member</i>
Councillor Innocentia Phumelele Dube	<i>Member</i>
Councillor Radiwaath Singh	<i>Member</i>
Councillor Mavis Sdudla Mhlongo	<i>Member</i>
Councillor James Gabangani Van Whye	<i>Member</i>
Councillor Philemon Sboniso Goba	<i>Member</i>
Councillor Mamazane Veronica Shezi	<i>Member</i>
Councillor Silindile Zondi	<i>Member</i>
Councillor TS Jali	<i>Member</i>
Councillor Happiness Nonhlanhla Ngcobo	<i>Member</i>
Councillor Nkanyiso Brightman Hlongwa	<i>Member</i>
Councillor Msawenkosi Lindokuhle Ngidi	<i>Member</i>
Councillor Andile Mazwi Gwala	<i>Member</i>
Councillor Malindi Virginia Mhlongo	<i>Member</i>
Councillor Gloria Nompumelelo	<i>Member</i>
Councillor David Mthokozisi	<i>Member</i>
Accounting Officer	NG Kumalo - Acting Municipal Manager from August 2017
Chief Financial Officer	Thembinkosi Shezi - Acting from 1 June 2017
Grading of Local Authority	Five
Auditors	The Auditor-General, South Africa
Bankers	First National Bank

**ILEMBE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
As at 30 June 2017**

General information (continued)

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ILEMBE DISTRICT MUNICIPALITY
UNAUDITED ANNUAL FINANCIAL STATEMENTS

As at 30 June 2017

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 50, 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, and payments made to Councillors for loss of office, if any, as disclosed in note 24 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.

A handwritten signature in black ink, appearing to read 'NG Kumalo', is written over a horizontal line. The signature is stylized with a large, sweeping initial 'N'.

Municipal Manager:

NG Kumalo

Date:

**ILEMBE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
As at 30 June 2017**

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ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	2017 R	2016 R
ASSETS			
Current Assets			
Cash and cash equivalents	3	5,766,622	35,916,287
Trade and other receivables from exchange transactions	2	96,827,171	106,447,234
Trade and other receivables from non exchange transactions	4	27,423,456	147,005,337
Inventories	6	13,020,058	10,609,260
Total current assets		143,037,306	299,978,119
Non-current assets			
Non-current receivables	7	20,632	35,314
Long term Investments	8	25,809,873	24,419,710
Other non-current financial assets	5	100	100
Property, plant and equipment	10	2,234,604,509	1,962,775,643
Intangible assets	12	5,325,083	5,371,579
Heritage Assets	11	205,578	205,578
Total non-current assets		2,265,965,774	1,992,807,924
Total assets		2,409,003,081	2,292,786,043
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	13	234,300,057	344,972,698
Trade and other payables from non - exchange transactions	14	962,942	4,487,483
Current portion of borrowings	15	5,475,551	6,136,403
Current portion of finance lease liability	16	697,471	15,463,776
Current portion of employee benefits	37	494,551	1,014,311
Total current current liabilities		241,930,572	372,074,671
Non-current liabilities			
Non-current borrowings	15	79,373,305	78,475,085
Non-current finance lease liability	16	13,426,848	7,980,147
Employee benefits	37	7,764,215	6,962,850
Total non-current liabilities		100,564,369	93,418,081
Total liabilities		342,494,941	465,492,752
Net assets		2,066,508,140	1,827,293,293
NET ASSETS			
Accumulated surplus		2,066,508,140	1,827,293,293
Total net assets		2,066,508,140	1,827,293,293

ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
As at 30 June 2017

	Note	2017 R	2016 R
Revenue from exchange transactions		167,774,229	178,581,266
Service charges	17	136,637,461	145,147,918
Rental of facilities and equipment	18	13,244	14,221
Interest earned - external investments	19	2,854,791	4,768,538
Interest earned - outstanding receivables	20	18,997,572	18,195,506
Other income	22	9,271,161	10,455,083
Revenue from non exchange transactions		762,531,580	902,930,856
Government grants and subsidies	21	762,531,580	902,930,856
Total revenue		930,305,808	1,081,512,122
Expenses			
Employee related costs	23	172,968,049	162,315,862
Remuneration of councillors	24	8,020,646	9,713,898
Bad debts	2	40,241,279	97,678,134
Depreciation, impairment and amortisation	25	87,979,450	69,680,117
Repairs and maintenance		63,000,374	61,420,969
Finance costs	26	9,976,764	8,447,809
Bulk purchases	27	75,803,000	62,752,475
Contracted services	28	42,986,216	69,840,205
Grant Expenses	29	10,516,759	28,879,681
General expenses	30	88,364,313	89,453,543
Total expenses		599,856,849	660,182,693
Gain / (loss) on sale of assets	22	(20,314)	(1,127,527)
Forex gain/(loss)	40	78,248	(422,371)
Surplus / (deficit) for the period		330,506,893	419,779,531

ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
As at 30 June 2017

	Note	IDM Accumulated Surplus/(Deficit) Total R
Balance at 30 June 2015		1,410,832,705
Prior year adjustments	31	(3,318,943)
Restated balance		1,407,513,762
Surplus / (deficit) for the year		419,779,531
Balance at 30 June 2016, as previously reported		<u>1,827,293,293</u>
Opening Balance, 1 July 2016		1,827,293,293
Correction of prior period errors	31	-91,291,967
Restated balance		<u>1,736,001,326</u>
Transfers to / from accumulated surplus/(deficit)		(79)
Surplus / (deficit) for the year		330,506,893
Balance at 30 June 2017		<u><u>2,066,508,140</u></u>

ILEMBE DISTRICT MUNICIPALITY
CASH FLOW STATEMENT
As at 30 June 2017

	Note	IDM 2017 R	IDM 2016 R
Receipts		880,802,126	917,600,154
Sales of goods and services		113,884,228	90,743,417
Grants		766,917,898	826,856,736
Payments		(518,889,297)	(302,444,339)
Employee costs		179,057,514	170,665,565
Suppliers		339,831,783	131,778,773
CASH GENERATED FROM OPERATIONS	32	361,912,829	615,155,815
Interest received		2,854,791	4,768,538
Interest paid	26	(9,976,764)	(8,447,809)
Net cash flows from operating activities		354,790,856	611,476,544
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)	10	(356,270,355)	(581,751,685)
Proceeds from sale of fixed assets	10	198,862	910,864
Increase in investments		(1,390,163)	(1,437,287)
Purchase of intangibles	12	(1,884,400)	(2,433,870)
Net cash flows from investing activities		(359,346,055)	(584,711,978)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(3,665,526)	(6,770,955)
Repayment of finance lease liability		(21,928,940)	(15,940,421)
Net cash flows from financing activities		(25,594,466)	(22,711,377)
Net increase / (decrease) in net cash and cash equivalents		(30,149,664)	4,053,190
Net cash and cash equivalents at beginning of period		35,916,286	31,863,096
Net cash and cash equivalents at end of period	33	5,766,622	35,916,286

ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
As at 30 June 2017

Description	Original Budget	Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-Law)	Final Budget	Actual Income/ Expenditure	Variance	% Variance	Explanation of variances +/-10%
Service Charges	138,774,740	151,004,431	-1,347,881.70	149,656,550	136,637,461	-13,019,088	-9%	Accept the variance as immaterial
Investment Revenue	3,407,129	3,407,129.00	0.00	3,407,129	2,854,791	-552,338	-16%	Variance attributable to higher budget compared to actual interest earned, mostly due to low cash balance.
Transfers Recognised - Operational	396,961,000	390,530,676	0.00	390,530,676	364,201,017	-26,329,659	-7%	Accept the variance as immaterial
Other Own Revenue	32,107,087	30,615,682	0.00	28,939,900	28,281,976	-657,924	-2%	Accept the variance as immaterial
Total Revenue (Excluding Capital Transfers)	571,249,957	575,557,919	-1,347,881.70	572,534,255	531,975,246	-40,559,009		
Employee Costs	167,862,737	173,046,362	2,512,067.94	175,558,429	172,968,049	-2,590,380	-1%	Accept the variance as immaterial
Remuneration Of Councillors	10,406,858	10,406,858.00	-2,251,162.35	8,155,696	8,020,646	-135,050	-2%	Accept the variance as immaterial
Debt Impairment	55,763,382	41,465,645	0.00	41,465,645	40,241,279	-1,224,366	-3%	Accept the variance as immaterial The condition assessment as well as the physical verification conducted on municipal infrastructural assets revealed that the current status of certain assets is worse than it had been anticipated during the budget process. This is mainly attributable to the ageing of infrastructure as well as human acts of vandalism on sites that are presently not guarded.
Depreciation & Asset Impairment	64,513,296	71,289,629	0.00	71,289,629	87,979,450	16,689,821	23%	vandalism on sites that are presently not guarded. Furthermore, the 2016/17 budget was prepared under severely constrained financial status resulting in certain expenditure items having no sufficient budget provision as they would ordinarily have.
Finance Charges	8,124,832	12,310,314.77	-1,566,861.80	10,743,453	9,976,764	-766,689	-7%	Accept the variance as immaterial
Bulk Purchases	74,317,843	74,317,843.00	0.00	74,317,843	75,803,000	1,485,157	2%	Accept the variance as immaterial
Other materials	41,074,025	51,030,902.77	1,550,370.51	52,581,273	63,000,374	10,419,100	20%	Variance attributable to austerly measures due to constraint during the budget process.
Contracted Services	34,545,060	39,321,591.65	-1,853,769.35	37,467,822	42,986,216	5,518,394	15%	Variance attributable to various items, additional guards were required to various schemes to avoid vandalism of infrastructure.

Description	Original Budget	Budget Adjustments (i.e. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Final Budget	Actual Income/ Expenditure	Variance	% Variance	Explanation of variances +/-10%
Grant Expenses	15,000,000	10,526,315.79	0.00	10,526,316	10,516,759	-9,557	0%	Accept the variance as immaterial
Other Expenditures	90,204,720	91,860,168.21	373,391.82	92,233,560	88,364,313	-3,869,247	-4%	Variance within range.
Total Expenditure	561,812,752	575,575,629.73	-1,235,963.23	574,339,666	599,856,849	25,517,183		
Surplus/(Deficit)	9,437,205	-17,711,09	-111,918.47	-1,805,412	-67,881,604	-66,076,192		
Transfers Recognised - Capital	234,234,000	253,249,980.08	-	253,249,980	273,238,048	19,988,068	8%	Variance within range.
Contributions Recognised - Capital & Contributed Assets	128,094,000	98,094,000.00	-	98,094,000	125,092,515	26,998,515	28%	As per explanation on public contributions & donations.
Surplus/(Deficit) After Capital Transfers & Contributions	371,765,205	351,326,268.99	-111,918.47	349,538,568	330,448,959	-19,089,609		
Profit/(Loss)	371,765,205	351,326,268.99	-111,918.47	349,538,568	330,448,959	-19,089,609		
Capital Expenditure & Funds Sources								
Transfers Recognised - Capital	209,954,387	222,149,103.66	-	222,149,104	239,682,498	17,533,395	8%	Accept variance as immaterial This expenditure relates to the implementation of Lower Thukela Bulk Water Supply Scheme (LTBWSS) which is funded through the RBIG from the Department of Water and Sanitation. The initial allocation for the 2016/17 financial year was R156mil and was later cut back to R140mil. The cut back was factored in the adjustment budget, however at the time the cut back was implemented commitments in terms of expenditure were already made (on the basis of R156mil) and thereby making it not easy to cut down
Public Contributions & Donations	112,509,990	86,047,368.15	-	86,047,368	109,730,276	23,682,908	28%	The under-spending is attributable to implementation of the austerity measures. The smart meters project was put on hold until further notice.
Internally Generated Funds	25,435,000	18,127,889.00	-	18,127,889	12,956,850	-5,171,039	-29%	
Total Sources Of Capital Funds	347,899,377	326,324,360.81	-	326,324,361	362,369,624	36,045,263		

1 BASIS OF PREPARATION

1.1 STATEMENT OF COMPLIANCE

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

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

1.2 BASIS OF MEASUREMENT

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

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

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

1.4 OFFSETTING

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

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

1.5 GOING CONCERN ASSUMPTION

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

1.6 USE OF ESTIMATES AND JUDGEMENTS

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

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

Post-Retirement Benefits and Multi-Employer Retirement Benefit Plans

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

The Municipality determines the appropriate discount rate at the end of each year using the actuarial valuation. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Municipality considers the interest rates that best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumption for pension obligation are based on current market conditions. Additional information is disclosed in notes. The Municipality contributes to Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds. The Municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of financial statement are compiled for each fund not per employer. Further details of this plan is included in the notes to the Financial Statements.

Provision for impairment of trade receivables

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

Non-cash generating and cash generating Impairment testing

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

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

Provision

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

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

A provision is recognised when:

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

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

A reliable estimate can be made of the obligation.

1.7 COMPARATIVE INFORMATION

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

ILEMBE DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
As at 30 June 2017

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

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

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

1.9 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

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

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

Interpretations of the standard of GRAP Approved and effective

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

Interpretations of the standard of GRAP Approved and not yet effective

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

1.10 PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 PROPERTY, PLANT AND EQUIPMENT

2.1.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2.1.3 DEPRECIATION AND IMPAIRMENT

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

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

Heritage assets and land are not depreciated.

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

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

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

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

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

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

2.1.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.1.5 LEASED ASSETS

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

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

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

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

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

Computer software and websites 2 - 5 Years

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

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

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 HERITAGE ASSETS

4.1 INITIAL RECOGNITION AND MEASUREMENT

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

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

Heritage assets are recognised as an asset when:

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

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

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

4.3 DEPRECIATION & IMPAIRMENT

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

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

4.3.1 External sources of information

- (a) During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- (b) The absence of an active market for a revalued heritage asset.

4.3.2 Internal sources of information

- (a) Evidence is available of physical damage or deterioration of a heritage asset.
- (b) A decision to halt the construction of the heritage asset before it is complete or in a usable form.

4.4 DERECOGNITION

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

5 INVENTORIES

5.1 INITIAL RECOGNITION

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

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

5.2 SUBSEQUENT MEASUREMENT

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

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

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

5.3 WATER INVENTORY

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

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

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

6 INVESTMENTS IN CONTROLLED ENTITIES

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

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

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

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

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

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

7.2 INITIAL MEASUREMENT

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

7.3 SUBSEQUENT MEASUREMENT

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

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

7.3.1 FINANCIAL INSTRUMENTS AT FAIR VALUE

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

7.3.2 FINANCIAL INSTRUMENTS AT AMORTISED COST

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

7.3.3 FINANCIAL INSTRUMENTS AT COST

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Financial instruments at cost are subsequently measured at cost if the fair value cannot be reliably determined. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

7.4 RECLASSIFICATIONS

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

7.5 GAINS AND LOSSES

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

7.6 IMPAIRMENT AND UNCOLLECTABILITY OF FINANCIAL ASSETS

Financial assets are subject to annual impairment review as follows:

7.6.1 FINANCIAL ASSETS AT AMORTISED COST

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

7.6.2 FINANCIAL ASSETS AT COST

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

7.7 DERECOGNITION

7.7.1 FINANCIAL ASSETS

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

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

7.7.2 FINANCIAL LIABILITIES

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

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

8 FOREIGN CURRENCY TRANSACTION

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

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

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

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

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

9 UNAUTHORISED EXPENDITURE

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

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

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

9.1 IDENTIFICATION AND INTERNAL REPORTING

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

9.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

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

9.3 EXTERNAL REPORTING

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

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

10 IRREGULAR EXPENDITURE

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

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

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 17D;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

10.1 IDENTIFICATION AND INTERNAL REPORTING

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

10.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

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

10.3 EXTERNAL REPORTING

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

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

11 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

11.1 IDENTIFICATION AND INTERNAL REPORTING

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

11.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

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

11.3 EXTERNAL REPORTING

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

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

12 PROVISIONS

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

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

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

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

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

13 LEASES

13.1 MUNICIPALITY AS LESSEE

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

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

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

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13.2 MUNICIPALITY AS LESSOR

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

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

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REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

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

Interest revenue is recognised on a time proportion basis.

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

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

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

14.2 REVENUE FROM NON - EXCHANGE TRANSACTIONS

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

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

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

10 PROPERTY, PLANT AND EQUIPMENT

10.1 Reconciliation of Carrying Value

	Land R	Buildings R	Infrastructure Water R Sewer R	Assets Under Construction R	Other Assets R	Finance lease assets R	Total R
As at 1 July 2016	3,242,908	10,362,698	1,187,469,329	738,483,421	4,534,773	15,037,005	1,959,139,919
Cost/Revaluation	3,242,908	18,438,825	1,553,883,172	738,483,421	15,178,258	40,502,521	2,389,739,105
Correction of prior year error (note 31)	-	-	-3,035,724	-	-	-	(3,035,724)
Accumulated depreciation and impairment losses	-	(8,076,136)	(362,778,117)	-	(10,643,485)	(25,465,516)	(406,963,251)
Acquisitions	-	-	-	-	7,147,328	365,140	7,512,468
Capital under Construction	-	(781,910)	(62,912,488)	354,349,580	198,049	-	354,546,229
Depreciation	-	-	-	-	(1,730,613)	(14,067,391)	#####
Carrying value of disposals	-	-	(2,681)	-	(216,496)	-	(219,176)
Cost/Revaluation	-	-	(60,329)	-	(2,719,145)	-	(2,779,474)
Accumulated depreciation and impairment losses	-	-	57,648	-	2,502,649	-	2,560,298
Impairment loss/Reversal of impairment loss	-	-	(6,685,885)	-	-	-	(6,685,885)
Transfers	-	-	153,702,041	(153,900,690)	-	-	(198,649)
Other movements (change in accounting estimates)	-	-	-	-	-	-	-
As at 30 June 2017	3,242,908	9,580,779	1,271,570,317	938,942,311	8,933,641	1,334,764	2,234,604,509
Cost/Revaluation	3,242,908	18,438,825	1,707,524,884	938,942,311	19,895,091	40,867,661	2,728,821,679
Accumulated depreciation and impairment losses	-	(8,858,045)	(435,954,566)	-	(9,871,449)	(39,532,907)	(494,216,968)

Assets Under Construction is made of the following:

Bulcof/Kwasabani	69,866,255
Building Alterations	1,112,939
Dietfontein Water Borne Sewer	1,566,309
EPWP	5,424,503
Groenville Rural Housing	89,814,256
Intelligent Meters	70,371,494
Inyoni Housing Bulk Sewer Supply	4,758,769
Inyoni Housing Bulk Water Supply	31,056,559
Macambini Water Supply	79,712,859
Mandeni WC & Demand MNGT	4,347,913
MWIG	179,405,399
Nat Disaster Man Cont: Drought	6,511,467
Ndudhla Water Supply	31,649,409
Nkwedwe Town Development	20,721,504
Ntsofokwaduza Bulk Water Supply	115,200,220
Ozwalini/Phambela Water	5,138,496
Regional Bulk Offtakes	211,400,934
Southern Regional Bulk Water Sewer	924,391
Sundumbi Waste water Upgrade	1,738,720
Telemetry System	1,894,764
Wesivane Extension	6,244,397
	936,942,314

Capital Projects - Cancelled/Delays in Construction

Name of the Project
There were no delayed or cancelled Capital Projects

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for year ended 30 June 2015

10.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure Water & Sewer	Assets Under Construction	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
As at 1 July 2015	3,242,908	11,144,599	1,096,340,745	386,171,792	6,080,419	28,070,501	1,533,050,961
Cost/Revaluation	3,242,908	18,438,825	1,408,100,012	386,171,792	18,165,684	41,779,105	1,877,904,321
Correction of prior year error (note 31) - Cost	-	-	-	-	2,305,736	579,403	2,885,229
Correction of prior year error (note 31) - Accumulated depreciation and impairment losses	-	(426,915)	(39,477,691)	-	(2,260,542)	(157,933)	(42,328,981)
Accumulated depreciation and impairment losses	-	(6,867,411)	(272,287,576)	-	(12,124,458)	(14,130,160)	(305,409,604)
Acquisitions	-	-	-	-	795,521	1,513,621	2,309,142
Capital under Construction	-	-	-	497,238,166	343,002	-	497,581,168
Depreciation	-	(781,910)	(47,698,071)	-	(1,744,838)	(13,521,482)	(63,746,402)
Carrying value of disposals	-	-	(68,975)	-	(932,781)	(1,025,634)	(2,027,391)
Cost/Revaluation	-	-	(766,375)	-	(4,165,143)	(3,211,700)	(8,143,218)
Accumulated depreciation and impairment losses	-	-	727,400	-	3,232,361	2,186,128	6,145,887
Impairment loss/Reversal of impairment loss	-	-	(4,042,179)	-	(6,450)	-	(4,048,629)
Transfers	-	-	146,573,535	(146,916,537)	-	-	(343,002)
*Other movements - Change in accounting estimates	-	-	-	-	-	-	-
As at 30 June 2016	3,242,908	10,362,688	1,191,105,053	738,493,421	4,534,773	15,037,005	1,962,775,643
Cost/Revaluation	3,242,908	18,438,825	1,553,893,172	738,493,421	15,178,268	40,502,521	2,369,739,105
Accumulated depreciation and impairment losses	-	(8,076,136)	(362,778,117)	-	(10,643,485)	(25,465,510)	(406,963,254)

Refer to Appendix B for more detail on property, plant and equipment

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

	2017 R	2016 R
Water and Sewerage: Ageing		
Current (0 – 30 days)	10,839,809	13,843,597
31 - 60 Days	7,933,309	9,046,940
61 - 90 Days	7,296,186	10,819,864
91 - 120 Days	6,820,599	6,146,237
121 - 365 Days	6,919,511	9,001,545
+ 365 Days	189,370,883	162,754,560
Total	229,180,297	211,612,744

Reconciliation of the doubtful debt provision

Balance at beginning of the year	132,337,373	88,862,177
Contributions to provision	40,241,279	97,678,134
Bad debts recovered/ Consumer Accounts Adjustments	(1,242,920)	39,279,078
Doubtful debts written off against provision	(26,476,668)	(9,806,065)
Waiver of Debt (Mandeni) applied against the provision		(83,675,951)
Balance at end of year	144,859,064	132,337,373

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Petty cash and cash on hand	44,000	44,000
Bank statement balance	5,722,622	35,872,287
	5,766,622	35,916,287

The Municipality has the following bank accounts: -

Water Bank Account

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

Cash book balance at beginning of year	(167,655)	1,428,369
Cash book balance at end of year	24,088	(167,655)
Bank statement balance at beginning of year	665,025	1,863,088
Bank statement balance at end of year	856,768	665,025

Salaries Bank Account

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

Cash book balance at beginning of year	46,022	109,274
Cash book balance at end of year	(1,847,676)	46,022
Bank statement balance at beginning of year	46,022	109,404
Bank statement balance at end of year	32,506	46,022

Main Bank Account

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

Cash book balance at beginning of year	(861,487)	7,509,528
Cash book balance at end of year	1,506,472	(861,487)
Bank statement balance at beginning of year	10,082	7,854,676
Bank statement balance at end of year	1,523,674	10,082

Revenue Bank Account

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

Cash book balance at beginning of year	2,459,601	1,677,072
Cash book balance at end of year	1,243,347	2,459,601
Bank statement balance at beginning of year	912,060	1,747,075
Bank statement balance at end of year	414,843	912,060

Projects Bank Account

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

Cash book balance at beginning of year	212,664	1,507,621
Cash book balance at end of year	91	212,664
Bank statement balance at beginning of year	34,002,174	1,507,621
Bank statement balance at end of year	51	34,002,174
Inter Bank Transfers	881,679	-

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

	2017 R	2016 R
<u>Investment Current Account</u>		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9114541258 : Call Account</i>		
Bank statement balance at the beginning of the year	1 180	111 679
Bank statement balance at the end of the year	1 134	1 180
<u>Investment Current Account</u>		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9183363524 : Call account</i>		
Bank statement balance at the beginning of the year	-	21 302
Bank statement balance at the end of the year	-	-
<u>Investment Current Account</u>		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9095950633 : Call Account</i>		
Bank statement balance at the beginning of the year	26	17 502
Bank statement balance at the end of the year	-	26
<u>Investment Current Account</u>		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9216956711 - Call Account</i>		
Bank statement balance at the beginning of the year	-	11 815
Bank statement balance at the end of the year	-	-
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 61085067093 : Call Account</i>		
Bank statement balance at the beginning of the year	19	10 289 249
Bank statement balance at the end of the year	-	19
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 74104346206 : Call Account</i>		
Bank statement balance at the beginning of the year	-	455 540
Bank statement balance at the end of the year	-	-
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 74453548694 : Call Account</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	-	-
<u>Investment Current Account</u>		
<i>First National Bank</i>		
<i>Account Number 62313562309 : Call Account</i>		
Bank statement balance at the beginning of the year	-	7 626 776
Bank statement balance at the end of the year	2 011 967	-

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

	2017 R	2016 R
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 62129309937 : Call Account</i>		
Bank statement balance at the beginning of the year	-	1 222
Bank statement balance at the end of the year	-	-
<u>Investment Current Account</u>		
<i>Standard Bank Account - Durban Branch</i>		
<i>Account Number 293302 : Call Account</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	-	-
<u>Investment Current Account</u>		
<i>Investec Bank Account - Durban Branch</i>		
<i>Account Number 50003100564 : Call Account</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	-	-
<u>Investment Current Account</u>		
<i>Rand Merchant Bank Account</i>		
<i>Account Number XS021900669 : Call Account</i>		
Bank statement balance at the beginning of the year	235 700	222 149
Bank statement balance at the end of the year	-	235 700
<u>Petty cash and cash on hand</u>	44,000	44,000
<u>Total investments</u>	2,013,102	236,924
<u>Bank Statement Balance</u>	2,827,841	35,635,363
Cash book balance at beginning of year	1,733,146	12,231,863
Cashbook balance at year end	1,852,001	1,733,146

4 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Department of Water & Sanitation (WSIG)	-	
Ndwedwe Local Municipality (Town Development)	-	6,813,833
Department of Water & Sanitation (Emergency Drought Relief)	-	1,849,693
Department of Cooperative Governance & Traditional Affairs (MIG)	-	60,856,818
Department of Water & Sanitation (WSIG)	-	20,762,391
Department of Water Affairs (RBIG/LTBWSS)	27,423,456	56,722,601
Total Other Debtors	27,423,456	147,005,337

5 OTHER NON-CURRENT FINANCIAL ASSETS

Investments in municipal entity - Enterprise Ilembe Development Agency	100	100
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ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

	2017 R	2016 R
6 INVENTORIES		
Opening balance of inventories:	10,609,260	14,941,091
Consumable stores - at Net Replacement Cost	10,148,268	14,523,286
Water	460,993	417,804
Movements:	2,410,797	(4,331,830)
Consumable stores	1,961,209	(4,375,019)
Water	449,588	43,188
Closing balance of inventories:	13,020,058	10,609,260
Consumable stores	12,109,477	10,148,268
Water	910,581	460,993

7 NON-CURRENT RECEIVABLES

Staff Debtors	257,126	271,808
Less: Provision for bad debts	(236,494)	(236,494)
Total	20,632	35,314

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

8 INVESTMENTS

<u>Financial Instruments</u>		
ABSA zero coupon investment	25,809,873	24,419,710

This investment has been ceded as security against the long term loan from ABSA disclosed in Note 15

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

TRADE AND OTHER RECEIVABLES FROM 2 EXCHANGE TRANSACTIONS	Gross Balances R	Provision for Bad debts	Net Balance
Trade receivables			
As at 30 June 2017			
Service debtors			
Water and Sewerage	229,180,297	144,325,200	84,855,096
Direct Payments	(875,772)	-	(875,772)
Total	228,304,525	144,325,200	83,979,325
Other Receivables			
Umngeni water debtor	67,122	-	67,122
Accrued interest	291	-	291
Ilembe Enterprise	-	-	-
Outstanding deposits	868,962	-	868,962
Sundry Debtors	4,151,851	-	4,151,851
Other debtors	6,446,558	-	6,446,558
RD Cheques	-	-	-
Sundry Debtors - F/W Expenditure	538,879	533,864	5,015
Acknowledgement of debt	209,513	-	209,513
Vat receivable	1,098,535	-	1,098,535
Total other Receivables	13,381,710	533,864	12,847,846
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
Total Trade and other receivables	241,686,235	144,859,064	96,827,171

as at June 2016
Service debtors

Water and Sewerage	211,612,744	132,316,623	79,296,120
Direct Deposits	(1,368,375)	-	(1,368,375)
Total	210,244,368	132,316,623	77,927,745
Other receivables			
Umngeni water debtor	2,506,818	-	2,506,818
Accrued interest	85,572	-	85,572
Ilembe Enterprise	-	-	-
Outstanding deposits	2,248,647	-	2,248,647
Sundry Debtors	1,955,300	-	1,955,300
Other debtors	5,166,323	-	5,166,323
RD Cheques	-	-	-
Sundry Debtors - F/W Expenditure	25,765	20,750	5,015
Acknowledgement of debt	525,423	-	525,423
Vat receivable	16,026,392	-	16,026,392
Other receivables	28,540,239	20,750	28,519,489
Total Trade and other receivables	238,784,608	132,337,373	106,447,234

Summary of Debtors by Customer Classification

	Residential R	Industrial/Comme rcial R	National and Provincial Government R
As at 30 June 2017			
Current (0 – 30 days)	6,657,275	1,809,961	2,372,573
31 - 60 Days	6,485,981	520,036	927,292
61 - 90 Days	6,253,168	269,574	773,444
91 - 120 Days	6,087,848	211,925	520,826
121 - 365 Days	6,185,592	190,011	543,909
+ 365 Days	190,180,557	3,078,484	17,969,308
Sub-total	221,850,420	6,079,990	23,107,352
Less: Provision for doubtful debts	(144,325,200)	-	-
Total debtors by customer classification	77,525,220	6,079,990	23,107,352
at 30 June 2016			
Current (0 – 30 days)	9,493,628	1,381,173	2,968,797
31 - 60 Days	6,042,035	638,174	2,366,731
61 - 90 Days	6,675,022	2,276,992	1,867,850
91 - 120 Days	6,326,705	131,538	-312,006
121 - 365 Days	7,093,896	254,314	1,653,334
+ 365 Days	146,064,061	1,464,878	15,225,621
Sub-total	181,695,347	6,147,070	23,770,327
Less: Provision for doubtful debts	(132,316,623)	-	-
Total debtors by customer classification	49,378,724	6,147,070	23,770,327

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017**

11 HERITAGE ASSETS

Moveable Objects Total

11.1 Reconciliation of carrying value

R

As at 1 July 2016	205,578	205,578
Cost	205,578	205,578
Accumulated impairment losses	-	-

As at 30 June 2017	205,578	205,578
Cost	205,578	205,578
Accumulated impairment losses	-	-

11.2 Reconciliation of carrying value

Moveable Objects Total
R R

as at July 2015	205,578	205,578
Cost	205,578	205,578
Accumulated impairment losses	-	-

as at June 2016	205,578	205,578
Cost	205,578	205,578
Accumulated impairment losses	-	-

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

12 INTANGIBLE ASSETS

12 Reconciliation of carrying value	Licenses	Computer Software	Total
		R	R
As at 1 July 2016	3,395,914	2,167,932	5,563,846
Cost	4,852,360	7,820,079	12,672,439
Prior year error (Cost)	161,000	-	161,000
Prior year error (Amortization)	31,267	-	31,267
Accumulated amortisation and impairment losses	(1,648,712)	(5,652,148)	(7,300,860)
Acquisitions	1,884,400	-	1,884,400
Other Movements	-	-	-
Amortisation	(1,801,162)	-	(1,801,162)
As at 30 June 2017	3,157,152	2,167,932	5,325,083
Cost	6,575,760	7,820,079	14,395,839
Accumulated amortisation and impairment losses	(3,418,608)	(5,652,148)	(9,070,755)

12 Reconciliation of carrying value

	Licenses	Computer Software	Total
	R	R	R
As at 1 July 2015	2,665,864	2,167,932	4,833,798
Cost	2,485,590	7,820,079	10,305,669
Prior year error (note 31)	254,772	-	254,772
Accumulated amortisation and impairment losses	(74,497)	(5,652,148)	(5,726,645)
Acquisitions	2,433,870	-	2,433,870
Other Movements	-	-	-
Amortisation	(1,885,086)	-	(1,885,086)
Carrying value of disposals	(11,001)	-	(11,001)
Cost	(67,100)	-	(67,100)
Accumulated amortisation	56,099	-	56,099
Other movements	-	-	-
As at 30 June 2016	3,203,648	2,167,932	5,371,579
Cost	4,852,360	7,820,079	12,672,439
Accumulated amortisation and impairment losses	(1,648,712)	(5,652,148)	(7,300,860)

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

	IDM 2017 R	IDM 2016 R
13 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	121,983,728	64,812,230
Consumer debtors with credit balances	8,307,754	7,236,456
Staff leave accrual	11,681,239	11,150,386
Outstanding Payments	1,894,790	34,826,489
RD Cheques	42,150	42,300
Other creditors	79,492,892	217,291,187
13th Cheque	5,509,732	4,428,484
Consumer water deposits	5,387,773	5,185,167
Total creditors	234,300,057	344,972,698

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

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

14 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Unspent Conditional Grants and Receipts		
Provincial Township Establishment	962,942	1,166,610
Water Services Operating Grant	-	2,915,980
Rural Transport Service Grant	-	104,891
Grants - Other	-	300,000
Total Unspent Conditional Grants and Receipts	962,942	4,487,483
Non-current unspent conditional grants and receipts		
Current portion of unspent conditional grants and receipts	962,942	4,487,482

See Note 21 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

15 BORROWINGS		
Development Bank of South Africa	53,281,994	54,611,487
ABSA	31,566,863	30,000,000
	84,848,857	84,611,487
Less : Current portion transferred to current liabilities		
Development Bank of South Africa	5,475,551	6,136,403
ABSA	3,908,688	2,937,685
	1,566,863	3,198,719
Non current portion of borrowings	79,373,305	78,475,084

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

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

Refer to Appendix A for more detail on borrowings.

As at 30 June 2017	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	809,538	112,067	697,471
Within two to five years	13,426,848	-	13,426,848
	14,236,386	112,067	14,124,319
Less: Amount due for settlement within 12 months (current portion)			697,471
			13,426,848

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

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

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

as at 30 June 2016	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	17,579,475	2,115,699	15,463,776
Within two to five years	8,277,303	297,157	7,980,147
	25,856,778	2,412,855	23,443,923
Less: Amount due for settlement within 12 months (current portion)			15,463,776
			7,980,147

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

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	IDM 2017 R	IDM 2016 R
17 SERVICE CHARGES		
Sale of water	90,737,351	95,899,055
Sewerage and sanitation charges	66,446,025	59,104,375
Revenue Forgone	<u>(20,545,914)</u>	<u>(9,855,513)</u>
Total Service Charges	<u>136,637,461</u>	<u>145,147,918</u>
Sale of water is broken down into prepaid sales and conventional meters water sales.		
17.1 Sale of Water		
Prepaid water sales	25,327,943	25,250,754
Conventional meters water sales	<u>65,409,408</u>	<u>70,648,301</u>
	90,737,351	95,899,055
Revenue Forgone	<u>(512,567)</u>	<u>(294,564)</u>
Total Water Sales	<u>90,224,784</u>	<u>95,604,492</u>
18 RENTAL OF FACILITIES AND EQUIPMENT		
iLembe Auditorium	13,244	14,221
Rental of facilities	-	-
Total rentals	<u>13,244</u>	<u>14,221</u>
19 INTEREST EARNED - BANK BALANCES		
Bank	2,854,791	3,614,065
20 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Interest on debtors	18,997,572	18,195,506
21 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	373,891,000	338,089,801
Municipal Infrastructure Grant	186,984,000	238,540,934
Other Government Grants and Subsidies	<u>201,656,580</u>	<u>326,300,121</u>
Total Government Grant and Subsidies	<u>762,531,580</u>	<u>902,930,856</u>
21.1 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	373,891,000	338,089,801
Conditions met - transferred to revenue	<u>(373,891,000)</u>	<u>(338,089,801)</u>
	-	-
21.2 Municipal Infrastructure Grant		
Balance unspent at beginning of year	(60,856,819)	-
Current year receipts	186,984,000	189,590,000
Conditions met - transferred to revenue	<u>(178,668,538)</u>	<u>(238,540,934)</u>
Adjustments and Transfers	28,883,356	(11,905,885)
Conditions met - balance remain in transfer payments debtors (see note 4)	<u>-23,658,000</u>	<u>(60,856,819)</u>
Adjustments and transfers relate to amounts owed by COGTA, for which a debtor has been created (see note 4)		
21.3 Other Grants		
Balance unspent at beginning of year	300,000	864,846
Current year receipts	-	905,637
Conditions met - transferred to revenue	<u>(300,000)</u>	<u>(1,470,483)</u>
Adjustments and Transfers		
Conditions still to be met - remain liabilities (see note 14)	<u>(0)</u>	<u>300,000</u>
21.4 WATER SERVICE OPERATING GRANT		
Balance unspent at beginning of year	2,915,980	-
Current year receipts	-	4,000,000
Conditions met - transferred to revenue	<u>(2,895,494)</u>	<u>(1,084,020)</u>
Adjustments and Transfers		
Conditions still to be met - remain liabilities (see note 14)	<u>20,486</u>	<u>2,915,980</u>

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

	IDM 2017 R	IDM 2016 R
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21.5 REGIONAL BULK INFRASTRUCTURE GRANT - LTBWSS

Balance unspent at beginning of year	(56,722,601)	
Current year receipts	127,452,160	100,977,074
Conditions met - transferred to revenue	(98,970,998)	(141,076,826)
Adjustments and Transfers	57,049,678	(16,623,850)
Conditions met - balance remain in transfer payments debtors (see note 4)	<u>85,530,840.31</u>	<u>(56,722,601)</u>

Adjustments and transfers relate to amounts owed by the Department of Water Affairs, for which a debtor has been created (see note 4), amounts received pertaining to debtors for the previous financial year.

21.6 RURAL TRANSPORT SERVICE

Balance unspent at beginning of year	104,891	-
Current year receipts	2,174,000	2,116,000
Conditions met - transferred to revenue	(2,049,594)	(2,003,058)
Adjustments and Transfers		(6,050)
Conditions still to be met - remain liabilities (see note 14)	<u>229,298</u>	<u>104,891</u>

21.7. SHARED SERVICES GRANT (DPSS)

Balance unspent at beginning of year	-	-
Current year receipts	-	250,000
Conditions met - transferred to revenue	-	(250,000)
Adjustments and Transfers		
Conditions met	<u>-</u>	<u>-</u>

21.8 MUNICIPAL WATER INFRASTRUCTURE GRANT

Balance unspent at beginning of year	(20,762,391)	-
Current year receipts	62,500,000	125,366,820
Conditions met - transferred to revenue	(81,305,824)	(146,129,211)
Adjustments and Transfers	33,413,216	
Conditions met - balance remain in transfer payments debtors (see note 4)	<u>(6,155,000)</u>	<u>(20,762,391)</u>

Adjustments and transfers relate to debtors owed by Department of water and sanitation (see note 4)

21.9 PROVINCIAL TOWNSHIP ESTABLISHMENT

Balance unspent at beginning of year	1,166,610	1,166,610
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	(203,668)	-
Conditions still to be met - remain liabilities (see note 14)	<u>962,942</u>	<u>1,166,610</u>

21.10 KWADUKUZA MUNICIPAL INFRASTRUCTURE GRANT

Balance unspent at beginning of year	-	-
Current year receipts	-	6,100,223
Conditions met - transferred to revenue	-	(5,417,819)
Adjustments and Transfers	-	(682,404)
Conditions met	<u>-</u>	<u>-</u>

Adjustments and transfers relate to amount declared as vat output

21.11 FINANCIAL MANAGEMENT GRANT

Balance unspent at beginning of year	-	-
Current year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(968,477)	(1,148,086)
Adjustments and Transfers	-	(101,914)
Conditions met	<u>281,522.81</u>	<u>-</u>

Adjustment for non vatable items

21.12 EXPANDED PUBLIC WORKS PROGRAMME

Balance unspent at beginning of year	0	2,267,171
Current year receipts	1,850,000	1,536,000
Conditions met - transferred to revenue	(1,782,296)	(537,370)
Adjustments and Transfers	-	(3,265,801)
Conditions met	<u>67,704.40</u>	<u>0</u>

An amount of R 3,2m reverted to the National Revenue Fund after the application for a roll over as per section 20(1) of the Division was declined.

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	IDM 2017 R	IDM 2016 R
21.13 MUNICIPAL SYSTEMS IMPROVEMENT GRANT		
Balance unspent at beginning of year	-	-
Current year receipts	-	940,000
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	-	-
Conditions still to be met - remain liabilities (see note 14)	<u>-</u>	<u>940,000</u>

21.14 NDWEDWE TOWN DEVELOPMENT		
Balance unspent at beginning of year	(6,813,833)	-
Current year receipts	10,816,737	9,668,990
Conditions met - transferred to revenue	(2,979,835)	(14,458,617)
Adjustments and Transfers	(279,165)	(2,024,206)
Conditions met - balance remain in transfer payments debtors (see note 4)	<u>743,903</u>	<u>(6,813,833)</u>

Amount owed by Ndwedwe Local Municipality

Adjustments and transfers relate to amounts realized as savings and transferred to other income

21.15 DROUGHT RELIEF GRANT - NATIONAL DISASTER MANAGEMENT GRANT (COGTA/NDMC)		
Balance unspent at beginning of year	0	5,468,894
Current year receipts	-	-
Conditions met - transferred to revenue	-	(5,468,894)
Adjustments and Transfers	-	-
Conditions met	<u>0</u>	<u>0</u>

21.16 DROUGHT RELIEF GRANT - NATIONAL DISASTER MANAGEMENT GRANT (DWS)		
Balance unspent at beginning of year	(1,849,693)	-
Current year receipts	-	4,054,504
Conditions met - transferred to revenue	-	(5,205,200)
Adjustments and Transfers	65,860	(698,998)
Conditions met - balance remain in transfer payments debtors (see note 4)	<u>(1,783,833)</u>	<u>(1,849,693)</u>

Adjustments and transfers relate to amounts owed by the Department of Water and Sanitation, for which a debtor has been created.

ILEMBE DISTRICT MUNICIPALITY
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	IDM 2017 R	IDM 2016 R
22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
22.1 Other Income		
Tender Documents	123,653	262,888
Telephone recovered	-	123,815
Clearance certificates	1,084,305	978,849
Private developers	1,805,382	3,421,038
Siza Water Concession	2,027,687	1,531,387
Insurance proceeds	-	-
Shared Service	2,314,913	2,256,670
Enterprise Ilembe	677,983	1,166,764
LG Seta Income	191,465	464,609
New connections	-	1,312
Vat Refunds	-	-
Other income	1,045,773	247,750
	<u>9,271,161</u>	<u>10,455,083</u>

23 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	117,319,341	112,748,990
Employee related costs - Contributions for UIF, pensions and medical aids	24,673,824	22,796,879
Travel, motor car, accommodation, subsistence and other allowances	7,067,922	4,681,415
Housing benefits and allowances	1,440,063	1,323,389
Overtime payments	5,844,959	6,490,264
Performance and other bonuses	9,901,004	8,495,067
Long-service awards	1,569,706	1,272,520
Other employee related costs	4,951,231	4,507,337
Employee Related Costs	<u>172,968,049</u>	<u>162,315,862</u>

There were no advances to employees.

Remuneration of the Municipal Manager

Annual Remuneration	1,102,424	1,036,486
Travel, motor car, accommodation, subsistence	143,054	134,957
Contributions to UIF, Medical and Pension Funds and other allowances	1,785	1,785
13th Cheque Provision	55,595	62,480
Performance Bonus	37,955	-
Total	<u>1,380,812</u>	<u>1,235,708</u>

The Municipal Manager position was filled in June 2015

Remuneration of the Chief Financial Officer

Annual Remuneration	421,010	953,230
Travel, motor car, accommodation, subsistence	92,417	209,246
Contributions to UIF, Medical and Pension Funds and other allowances	892	1,785
Performance Bonus	11,625	-
Total	<u>525,944</u>	<u>1,164,261</u>

Remuneration of Individual Executive Directors

	Technical Services R	Corporate Services R	Corporate Governance R
As at 30 June 2017			
Annual Remuneration	1,205,888	815,169	1,164,527
Travel, motor car, accommodation, subsistence and other allowances	-	269,879	-
Contributions to UIF, Medical and Pension Funds	1,785	81,264	1,785
Performance Bonus	11,376	21,972	76,903
Total	<u>1,219,049</u>	<u>1,188,284</u>	<u>1,243,215</u>
June 2016			
Annual Remuneration	1,137,630	769,027	1,098,611
Travel, motor car, accommodation, subsistence and other allowances	-	254,603	-
Contributions to UIF, Medical and Pension Funds	1,785	76,765	1,785
Total	<u>1,139,415</u>	<u>1,100,395</u>	<u>1,100,395</u>

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

	IDM 2017 R	IDM 2016 R
24 REMUNERATION OF COUNCILLORS		
Mayor	907,200	854,676
Deputy Mayor	736,597	758,397
Speaker	702,624	457,790
Executive Committee Members	1,185,653	1,830,606
Councillors' Allowances	4,339,016	5,508,684
Councillors' pension and medical aid contributions	149,555	303,744
Total Councillors' Remuneration	8,020,646	9,713,898

In-kind Benefits

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

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

25 DEPRECIATION, IMPAIRMENT AND AMORTISATION EXPENSE

Depreciation	79,492,402	63,746,402
Impairment of Assets	6,685,885	4,048,629
Intangible assets Amortisation	1,801,162	1,885,086
Total Depreciation, Impairment and Amortisation	87,979,450	69,680,117

The impairment recognized mainly relates to impairment of infrastructure assets due to the impact of drought.

26 FINANCE COSTS

Borrowings	2,034,451	6,019,226
Leases	7,942,313	2,428,583
Total Finance Costs	9,976,764	8,447,809

27 BULK PURCHASES

Water	75,803,000	62,752,475
Total Bulk Purchases	75,803,000	62,752,475

28 CONTRACTED SERVICES

Contracted services for:		
Plant Hire	17,859,331	30,926,924
Security	19,607,729	20,555,719
Salga games	1,420,013	5,856,628
Rental of Smart Boxes	220,406	183,320
Meter reading contractors	-	27,600
Fax & Copier rentals	1,999,449	2,965,586
Lease of Vehicles - Maintenance	7,852,998	6,845,293
Rental of Buildings	61,705	15,720
Vehicle Hire	474,496	719,727
Insurance	1,390,283	1,743,687
	42,986,216	69,840,205

29 GRANT EXPENSES

Grant Expenditure	10,516,759	28,879,681
	10,516,759	28,879,681
Financial Management Grant Expenditure	1,356,162	1,251,519
Rams Grant Operating Expenditure	-	1,921,807
Rural Road Asset Man System Expenditure	1,797,889	
Development Planning & Shared Services Expenditure	-	139,324
Maphumulo HH Sanitation	2,381,413	8,672,816
Mandeni Ward 16 HH Sanitation	2,481,134	7,989,479
Ndwedwe HH Sanitation	2,500,160	8,904,737

29.1 Financial Management Grant Expenditure	1,356,162	1,251,519
Funds were spent as follows:		
Salaries & Allowances for interns in the Financial Management Internship	716,125	
Training	640,037	

29.2 Rural Roads Assets Systems Management Grant (RRAMS) Expenditure	1,797,889	1,921,807
This grant assists rural district municipalities to set up their road asset management systems, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa		
The actual expenditure is in relation to:		
Project Management fees		
Appointment of graduates		
Related materials required		

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

	IDM 2017 R	IDM 2016 R
29.3 Municipal Infrastructure Grant - Operational Expenditure	7,362,708	25,567,032
Operational MIG is utilised in the construction of VIP toilets whereby the municipality has no ownership. The following are Local Municipalities involved:		
Maphumulo HH Sanitation	2,381,413	
Mandeni Ward 16 HH Sanitation	2,481,134	
Ndwedwe HH Sanitation	2,500,160	
Funds were spent on project management fees, labour and procurement of materials.		

30 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	1,038,223	1,422,403
Audit fees	2,216,276	2,524,000
Bank charges	232,152	218,140
Cleaning	892,343	948,649
Conferences and delegations	-	25,184
Entertainment	237,952	1,067,703
Fuel and oil	13,601,498	10,802,318
Insurance	-	-
Legal expenses	224,875	322,668
LG Seta Expenditure	-	126,654
Licence fees - vehicles	59,060	49,643
Membership fees	2,016,292	1,924,850
Postage	1,767,684	1,779,640
Printing and stationery	62,478	1,025,834
Professional fees	2,604,539	1,187,675
Disaster Management	652,085	1,638,260
IDP & Planning	48,786	24,960
Property rates	371,008	617,991
Commission: Agency	1,556,621	1,089,122
Special Projects - Youth, Gender, HIV	373,149	538,132
Sports Development	224,336	577,901
Telephone cost	1,594,911	3,081,667
Training	1,813,400	1,936,713
Travel and subsistence	101,513	2,243,555
Uniforms & overalls	2,384,654	1,603,082
Water and Sanitation - Siza Water Concession area	2,159,183	1,993,118
Electricity & Water	25,069,400	22,370,328
Local Economic Development Projects	21,488,383	19,573,096
Shared Services	2,800,532	1,384,063
Public Participation	516,161	536,272
Siza Water concession contract monitoring fee	752,700	2,332,369
Other	1,504,120	4,487,533
	<u>88,364,313</u>	<u>89,453,543</u>

31 CORRECTION OF PRIOR YEAR ERRORS AND CHANGE IN ACCOUNTING POLICY

Property, plant and equipment

Change in the remaining useful life of assets that does not meet the requirements of a change in estimate in the year of error

1,144,854 254,772

depreciation

-3,635,724

Trade and other Receivables from exchange transactions

VAT not claimed when payment was made

86,443

Prior year transactions relating to sundry debtors

(25,550)

Consumer Debtors adjustment as a result of clearing unallocated deposits

(687,256)

Other debtors mainly relates to enterprise iilembe balances alignment with IDM and staff recoveries

-

(3,769,483)

Trade and other receivables from non exchange transactions

Restatement of grant debtors that were overstated in 2016

(108,504,244)

Reversal DWS INV516 - cost not accepted as part of Drought Intervention, restatement of debtor balance

-

(1,048,038)

Stock Adjustments - Reversal of NRW for the prior year

-

396,873

Non Current Finance Lease Liability

Correction of expenditure previously recognised as a lease liability, reversal of operational lease liability

-

306,208

Trade and other Payables

Expenditure provided for in the prior financial years which has not be paid to date due to various reasons

563,196

391,988

Reversal of prior year accruals

16,138,446

Moines deposited to the main bank account in prior year which have not been allocated to date

2,177,011

Correction of prior year trade creditors.

5,161,920

Re-instatement of DBSA loan balances at year end

(3,711,063)

Other

-

46,492

(91,291,967) (3,318,943)

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

	IDM 2017 R	IDM 2016 R
32 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	330,506,893	419,779,531
Adjustment for:-		
Depreciation and amortisation	87,979,450	69,680,117
Transfers to / from accumulated surplus/(deficit)	(79)	-
Forex gain/(loss)	(78,248)	1,127,527
Loss on disposal of PPE	20,314	422,371
Contribution to provisions - non-current	40,241,279	97,678,134
Contribution to provisions - current	1,295,916	1,507,006
Finance costs	9,976,764	8,447,809
Prior Year Adjustments	(91,291,957)	(3,318,943)
Investment Income	(2,854,791)	(4,768,538)
Bad debts written off	(26,476,668)	(9,806,065)
Operating surplus before working capital changes:	349,318,863	580,748,950
Increase/ (decrease) in inventories	(2,410,797)	4,331,830
Increase/(decrease) in trade receivables	9,620,063	30,088,680
(Increase)/decrease in other receivables	119,581,881	(72,819,331)
Increase in conditional grants and receipts	(3,524,540)	(5,280,040)
(Decrease) Increase in trade payables	(110,672,641)	78,085,725
Other assets (Bad debts recovered)	-	-
Other liability	-	-
Cash generated by/(utilised in) operations	361,912,829	615,155,814

33 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

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

Bank balances and cash	5,766,622	35,916,287
Net cash and cash equivalents (net of bank overdrafts)	5,766,622	35,916,287

**UNAUTHORISED, IRREGULAR,
FRUITLESS AND WASTEFUL**

34 EXPENDITURE

34.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Unauthorised expenditure current year	40,409,739	62,514,568
Certified as irrecoverable and written off by council in terms of MFMA section 32	-	(62,514,568)
	40,409,739	-

Incident

Purchase of municipal vehicles to be utilized as tools of trade by the Mayor and Deputy Mayor.

The vehicle was acquired through an outright purchase and there was no provision in the budget for the outright purchase. The municipality had initially planned to acquire this vehicle through leasing option with its contracted leasing financial institution which later proved not to be economically viable.

This expenditure relates to the implementation of Lower Thukela Bulk Water Supply Scheme (LTBWSS) which is funded through the RBIG from the Department of Water and Sanitation. The initial allocation for the financial year was R156mil and was later cut back to R140mil. The cut back was factored in the adjustment budget, however at the time the cut back was implemented commitments in terms of expenditure were already made (on the basis of R156mil) and thereby making it not easy to cut down on certain projects within the LTWSS.

This relates to over expenditure on depreciation & asset impairment. The condition assessment as well as the physical verification conducted on municipal infrastructural assets revealed that the current status of certain assets is worse than it had been anticipated during the budget process. This is mainly attributable to the ageing of infrastructure as well as human acts of vandalism on sites that are presently not

Action taken

Council has considered and noted items of unauthorised expenditure and has referred them to MPAC for further scrutiny. Any further action will be taken upon MPAC's recommendation to Council

34.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Fruitless and wasteful expenditure current year	513,114	236,222
Certified as irrecoverable and written off by Council in terms of MFMA section 32/Recovered from responsible officials	-	(236,222)
	513,114	-

Incident

Interest payment arising out of a dispute with Sappi over an old debt entailing arrear accounts that had not been billed by Sappi between February 2012 and May 2014.

Interest levied by SEMBCORP siza water on late payment of invoices in respect of free basic services. the delay in payment of these invoices was due to a long standing dispute on the method of billing for free basic services.

Interest levied by KwaDukuza Local Municipality on late payment of electricity

Action taken

The municipality is in the process of implementing measures that are aimed at turning around the current status of municipal finances. The primary objective is to ensure financial sustainability and healthy liquidity of the municipality.

Council has considered and noted items of fruitless and wasteful expenditure and has referred them to MPAC for further scrutiny. Any further action will be taken upon MPAC's recommendation to Council.

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

	IDM 2017 R	IDM 2016 R
34.3 Irregular expenditure		
Reconciliation of irregular expenditure		
Irregular expenditure current year	8,523,373	1,162,385
Certified by council as irrecoverable and written off in terms of MFMA section 32	-	(1,162,385)
Irregular expenditure awaiting consideration	<u>8,523,373</u>	<u>-</u>
Incident		
This service provider was contracted by the Municipality between 2010 and 2011 to carry out debt collection for the municipality. At the time of appointment, the requisite bidding processes were not fully complied with, resulting in the appointment rendered irregular.		
Action taken		
Council has considered and noted items of fruitless and wasteful expenditure and has referred them to MPAC for further scrutiny. Any further action will be taken upon MPAC's recommendation to Council.		
34.4 Deviations		
Deviations were approved in terms of regulation 36 of the Supply Chain Management Policy:		
Total value	<u>12,579,551</u>	<u>9,748,552</u>
	12,579,551	9,748,552
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL		
35 FINANCE MANAGEMENT ACT		
35.1 Contributions to organised local government		
Opening balance	370,111	485,283
Council subscriptions	1,945,687	1,714,103
Amount paid - current	(1,949,600)	(1,829,276)
Balance unpaid (included in payables)	<u>366,198</u>	<u>370,111</u>
35.2 Audit fees		
Current year audit fee	2,216,276	2,524,000
Amount paid - current year	(2,216,276)	(2,524,000)
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
35.3 VAT		
VAT input receivables and VAT output payables are shown in note 13. All VAT returns have been submitted by the due date throughout the year.		
35.4 PAYE and UIF		
Opening balance	2,225,007	1,826,613
Current year payroll deductions	26,765,009	25,349,950
Amount paid - current year	(22,225,719)	(23,124,943)
Amount paid - previous years	(2,225,007)	(1,826,613)
Balance unpaid (included in payables)	<u>4,539,289</u>	<u>2,225,007</u>
The balance represents PAYE and UIF deducted in May 2017 and June 2017 payroll. These amounts are paid in the following month which is July 2017.		
35.5 Pension and Medical Aid Deductions		
Opening balance	3,147,774	2,794,089
Current year payroll deductions and Council Contributions	42,458,128.73	36,346,979
Amount paid - current year	(38,785,846)	(33,199,206)
Amount paid - previous years	(3,147,774)	(2,794,089)
Balance unpaid (included in payables)	<u>3,672,283</u>	<u>3,147,774</u>
The balance represents Pension & Medical aid deducted in May 2017 and June 2017 payroll. These amounts were paid in July 2017 except medical aid and RA which were paid in the month of deduction which is June 2017.		
35.6 Councillor's arrear consumer accounts		
Councillor NG Mithethwa	-	663
Councillor R. Singh	19,030	-
Councillor MD Mpofo	2,027	-
Total Councillor Arrear Consumer Accounts	<u>-</u>	<u>663</u>

**I LEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017**

		IDM 2017 R	IDM 2016 R
35.6	Material losses		
35.6.1	Asset impairment (losses)/ Reversal	(6,685,885)	(4,048,629)
	The current year impairment is a result of ageing infrastructure due to the impact of drought		
35.6.2	Debt impairment (losses)	(26,476,668)	(9,806,065)
	Although the revenue collection has slightly improved compared to the prior year, council has incurred material debt impairment losses written off against the provision for bad debts. This is mainly as a result of restricted inactive accounts that are accumulating interest with no corresponding payments, pensioner accounts and deceased consumer accounts that are accumulating interest. This write-off has resulted in a decrease in consumer debtors and provision for bad debts.		
35.6.3	Waiver of right relating to Financial Asset	-	(83,675,951)
	An amount of R 83 675 951 is distinguished from a write off of debt but is as per the waiver of the contractual right to collect debt by iLembe District Municipality from the Mandeni Community due to violent protests that erupted just before the local government election.		
	In terms of paragraph 68 (a) of GRAP 104, an entity shall derecognise a financial asset only when: (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived; Paragraph 69 of the same GRAP standard states that an entity may waive the right to receive contractual receipts under the terms of an existing arrangement.		

35.7	Distribution Losses	Percentage distribution	
	Units lost (kilolitres)		
	Illegal connections and other	54%	5,913,722
	Main leaks	33%	3,592,437
	Reservoir overflows	0%	25,660
	Service connection leaks	14%	1,513,956
	Units lost (kilolitres)	100%	11,045,775
			<u>7,782,114</u>
	Units lost (sales price per kilolitre - rands)		97,438,986
			75,071,415
	Units lost (purchase price per kilolitre - rands)		39,631,730
			28,007,562
	Units lost (percentage)	52.28%	44.53%
	The distribution losses are mainly due to illegal connections, main leaks (ageing infrastructure), reservoir overflows and service connection leaks. A five year strategic master plan for the reduction of non revenue water has been adopted by the municipality to address this problem.		

35.9 Material Forex Losses

Total Forex Liability as at 30 June	-	1,962,805
Net Cumulative Forex Gain/ (Losses)	78,248	(422,371)
Percentage losses	0%	-22%

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

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

36 CAPITAL COMMITMENTS

36.1 Commitments in respect of capital expenditure

- Approved and contracted for infrastructure	242,515,409	308,742,033
Community	242,515,409	308,742,033
	-	-
Total	242,515,409	308,742,033
This expenditure will be financed from:		
- External Loans		
- Government Grants	242,515,409	308,742,033
- Council funded	-	-
	<u>242,515,409</u>	<u>308,742,033</u>

37 EMPLOYEE BENEFITS INFORMATION

37.1 Defined contribution plan

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

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017**

	IDM 2017 R	IDM 2016 R
37.2 Other Long-term benefit plan		
Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.		
The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.		
The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.		
The independent valuers carried out a statutory valuation as at 30 June 2017.		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	8.84%	8.83%
Inflation rate	5.64%	6.53%
Net effective discount rate	2.06%	1.21%
Benchmark inflation (equal to salary inflation)	6.64%	6.64%
Average retirement age	65	65
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate
Percentage of in-service members withdrawing before retirement:		
Age 20	40%	40%
Age 30	25%	25%
Age 40	12%	12%
Age 50	4%	4%
Age 55+	2%	2%
The amounts recognised in the Statement of Financial Position were determined as being the	8,258,766	7,977,161
EMPLOYEE BENEFITS (continued)		
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	7,977,161	7,271,627
Current service cost	745,220	822,374
Interest cost	659,601	556,104
Benefit payments	(1,014,311)	(801,472)
Actuarial (gains)/losses	(108,905)	128,528
Balance at end of year	8,258,766	7,977,161
The timing of the employee benefits is as follows:		
Current portion of employee benefits	494,651	1,014,311
Employee benefit obligation	7,764,215	7,668,384
	8,258,766	8,682,695
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	745,220	822,374
Interest cost	659,601	556,104
Actuarial (gains)/losses	(108,905)	128,528
	1,295,916	1,507,006
38 RELATED PARTIES		
Members of key management Controlled Municipal Entity		<i>Section 57 managers Ilembe District Municipality has a 100% holding in Ilembe Development Enterprise (Pty) Ltd. Refer to note 23 & 24</i>
Compensation to councillors and other key management		
Related party balances		
Amount owed to Ilembe Enterprise included in other payables	(526,467)	(1,268,537)
Related party transactions		
Transactions with Enterprise Ilembe Development Agency		
Grant funding from the parent for LED projects	21,488,383	19,573,096
Rental of offices	-	-
Shared costs recoveries included in other income (e.g. lease of vehicles, cellphones)	677,983	1,166,764

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

IDM	IDM
2017	2016
R	R

39 EVENTS AFTER THE REPORTING DATE

Matters pertaining to debt impairment, asset impairment, inventory adjustments and certified as irrecoverable unauthorized, irregular, fruitless and wasteful expenditure and reclassification of irregular expenditure as deviations in terms of circular 68, that existed as at 30 June 2017 was tabled at Council on the 29th August 2017.

Possible effect on the reported figures are as follows:

Statement of financial position		
Decrease in Consumer Debtors	(26,476,668)	(9,806,065)
(Decrease)/ Increase in carrying amount of property, plant & equipment as a result of impairment	(6,685,885)	(4,042,179)
Statement of financial performance		
Increase/(decrease) in total depreciation, impairment and amortisation	87,979,450	69,680,117
Increase in provision for doubtful debt	40,241,279	97,678,134
Disclosures		
Increase/(decrease) in Irregular expenditure	7,360,987	(1,162,385)
Increase/(Decrease) in fruitless and wasteful expenditure	276,891	105,927
Increase/(Decrease) in unauthorized expenditure	(22,104,829)	62,514,568
Increase in deviations	2,630,999	4,609,268

40 RISK MANAGEMENT

40.1 Maximum credit risk exposure

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

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Consumer debtors	229,180,297	211,612,744
Other debtors	27,423,456	147,005,337
	256,603,753	358,618,081
Ageing of consumers		
Current (0 – 30 days)	10,839,809	13,843,597
31 - 60 Days	7,933,309	9,046,940
61 - 90 Days	7,296,186	10,819,864
91 - 120 Days	6,820,599	6,146,237
121 - 365 Days	6,919,511	9,001,545
+ 365 Days	189,370,883	162,754,560
Total	229,180,297	211,612,744
Less: Provision for bad debts	(144,859,064)	(259,488,520)
Net consumer debtors	84,321,232	(47,875,777)
Cash and cash equivalents		
Cash and cash equivalents	5,766,622	35,916,287
Other investments	25,809,873	24,419,710
	31,576,495	60,335,997

These balances represent the maximum exposure to credit risk.

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2017

IDM 2017 R	IDM 2016 R
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40.2 Liquidity risk

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

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

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

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

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

	Within a year	Between 2 to 5 years	Total
2017			
Gross finance lease obligations	697,471	13,426,848	14,124,319
Borrowings	3,908,688	79,373,305	83,281,994
Trade and other payables	235,262,999	-	235,262,999
Other	494,551	7,764,215	8,258,766
	240,363,709	100,564,369	340,928,078
2016			
Gross finance lease obligations	15,463,776	7,980,147	23,443,923
Borrowings	5,864,775	77,958,904	83,823,679
Trade and other payables	349,460,180	-	349,460,180
Other	1,014,311	6,962,850	7,977,161
	371,803,042	92,901,901	464,704,943

40.3 Interest rate risk

The Municipality is not exposed to interest rate risk on its financial liabilities. All of the Municipality's interest bearing external loan liabilities are fixed interest loans.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The Municipality is exposed to fairvalue interest rate on its external loan liabilities , which are all fixed interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

Cash and cash equivalents	5,766,622	35,916,287
Other investments	25,809,673	24,419,710
Gross finance lease obligations	14,124,319	23,443,923
Borrowings	84,848,857	84,611,487
Consumer debtors	229,180,297	211,612,744

40.4 Foreign Currency Risk

Municipality has a three year contract for the deployment of Microsoft share point with Microsoft.

At year end		
Forex gains	89,384	355,514
Forex Losses	(11,137)	(777,884)
Foreign exchange Gain or (losses) were:	78,248	(422,371)
Foreign exchange liability was:	-	1,962,805
Sensitivity analysis:		

There was no forex liability as at 30 June 2017. Forex transactions resulted in a gain of R 78 248.

41 RECONCILIATION BETWEEN BUDGET AND CASH FLOW STATEMENT

	Key	Operating	Financing	Investing	Total
Amount as present in the budget statement		151,913,171	(13,759,916)	(157,082,776)	(18,929,521)
Actual amount as presented in the cash flow statement		354,790,856	(25,594,466)	(359,346,055)	(30,149,665)
Basis difference	Applicable	-39,907,056			(39,907,056)
Timing differences	Not applicable	-	-	-	
Entity differences	Not applicable	-	-	-	
Variance		-162,970,629	11,834,550	202,263,279	51,127,200
Variance percentage		-107.28%	-86.01%	-129%	-270%

ILEMBE DISTRICT MUNICIPALITY
APPENDIX A
UNAUDITED SCHEDULE OF EXTERNAL LOANS
as at 30 June 2017

	Loan number	Redeemable Date	Balance at 1 July 2016		Received during the period		Interest Paid during the period		Loans Raised During the period		Redeemed / written off during the period		Balance at 30 June 2017	
			R	R	R	R	R	R	R	R	R	R		
EXTERNAL LOANS														
LONG-TERM LOANS														
ABSA Bank @10.65% Development Bank of SA @10.80%		2025 2025-09-30	30,000,000 54,611,487	- -	- -	6,922,636 3,902,895	- -	- -	3,665,526 3,902,895	- -	- -	30,000,000 54,848,856		
Total long-term loans			84,611,487	-	-	6,922,636	-	-	3,902,895	3,665,526	-	84,848,856		
ANNUITY LOAN														
Development Bank of SA @16.50% Development Bank of SA @13.45%	13527 11578	2014	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -		
Total capital creditors			-	-	-	-	-	-	-	-	-	-		
TOTAL EXTERNAL LOANS			84,611,487	-	-	6,922,636	-	-	3,902,895	3,665,526	-	84,848,856		

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

Cost / Revaluation	Accumulated Depreciation														
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Transfers	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in estimate	Reversal of Impairment loss	Impairment loss	Closing Balance	Carrying Value
R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	3,242,908.00	-	-	-	-	-	3,242,908	-	-	-	-	-	-	-	3,242,908
Buildings	18,438,926.00	-	-	-	-	-	18,438,926	-8,076,136	-761,910	-	-	-	-8,858,045	-	9,580,781
Infrastructure	142,306,088.95	-	-	-	313,984	-	142,583,883	-46,074,177	-5,812,938	35,221	-	-	-3,360	-	86,828,628
Sewerage Mains & Purification	1,411,577,073.04	-	-	-	153,288,057	-	1,564,861,001	-312,803,041	-57,069,548	22,427,80	-	987,120	-7,649,645	-380,199,312	1,184,741,689
Water Mains & Purification	738,493,420.66	-	-	-	-153,000,690	354,349,580	938,842,311	-582,778,117	-92,912,488	57,648	-	987,120	-7,653,005	-435,954,568	639,942,311
Under construction	2,282,376,592.65	-	-	-	-169,649	354,349,580	2,646,467,184	-370,854,253	-83,694,388	57,648	-	987,120	-7,653,005	-444,812,612	2,223,336,317
Total carried forward	2,314,058,326.05	-	-	-60,328.97	108,649	354,349,580	2,665,146,928	-370,854,253	-83,694,388	57,648	-	987,120	-7,653,005	-444,812,612	2,223,336,317

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

Total brought forward	Cost / Revaluation										Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in estimate	Reversal of Impairment loss	Impairment loss	Closing Balance	Carrying Value		
R	R	R	R	R	R	R	R	R	R	R	R	R	R	R		
Other Assets	3,830,244.44	25,656.66	-	-159,132.40	108,649	-	3,895,618	-2,674,242	-388,836	156,683	-	-	-2,906,395	986,221		
Office Equipment	2,388,918.48	135,682.36	-	-131,338.42	-	2,393,162	-1,826,301	-182,681	127,756	-	-	-	-1,881,226	511,836		
Machinery & Equipment	3,535,966.25	6,097,136.45	-	-1,011,161.89	-	8,621,891	-2,085,769	-592,596	802,695	-	-	-	-1,868,301	6,753,400		
Transport Assets	7,659,729.80	888,753.00	-	-1,417,512.34	-	7,160,970	-6,320,918	-576,541	1,415,276	-	-	-	-5,462,163	1,678,788		
Computer Equipment	17,444,789.98	7,147,328.47	-	-2,719,145.05	108,649	22,071,632	-12,910,230	-1,730,613	2,502,649	-	-	-	-12,138,194	9,933,435		
Finance Lease Assets	40,650,454.12	365,198.70	-	-	-	41,025,594	-25,623,449	-14,087,381	-	-	-	-	-30,690,840	1,334,754		
Other Assets	40,650,454.12	365,198.70	-	-	-	41,025,594	-25,623,449	-14,087,381	-	-	-	-	-30,690,840	1,334,754		
Total	2,372,165,579.75	7,512,468.17	-	-2,779,474.02	0.00	2,731,240,154	-409,387,032	-79,402,402	2,560,298	-	987,120	-7,653,005	-466,641,640	2,234,604,500		

**IILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2016**

	Opening Balance R	Additions R	Change in policy/prior year errors	Cost / Revaluation Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Accumulated Depreciation Change in policy/prior year errors	Impairment loss/Reversal of impairment loss R	Closing Balance R	Carrying Value R
Land	3,242,908.00	-	-	-	-	3,242,908	-	-	-	-	-	-	3,242,908
Buildings	18,438,825.00	-	-	-	-	18,438,825	-6,887,411	-781,910	-	-428,815	-	-8,076,136	10,362,688
Infrastructure	122,689,215.56	-	-	-66,094.41	-	122,623,121.15	-36,749,120	-5,655,390	92,373	-7,609,226	-52,814	-40,074,177	82,548,944
Water Main & Purification	1,285,438,798.74	-	-	-700,280.81	-	1,284,738,517.93	-235,538,447	-42,042,691	635,028	-31,868,465	-3,989,385	-312,583,041	1,089,773,130
Waste Water Main & Purification	398,171,791.55	-	-	-	-	398,171,791.55	-	-	-	-	-	-	398,171,791.55
Under construction	1,786,277,803.85	-	-	-786,375.22	-	1,785,491,428.63	-272,287,878	-47,898,871	727,400	-39,477,991	-4,042,179	-362,278,117	1,423,213,311
Total carried forward	1,817,959,536.85	-	-	-786,375.22	-	1,817,173,161.63	-279,154,997	-48,479,881	727,400	-39,904,506	-4,042,179	-370,854,253	1,446,318,908

**IILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2016**

	Opening Balance R	Additions R	Change in policy/prior year errors	Cost / Revaluation Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Accumulated Depreciation Change in policy/prior year errors	Impairment loss/Reversal of impairment loss R	Closing Balance R	Carrying Value R
Total brought forward	1,817,959,536.85	-	-	-786,375.22	-	1,817,173,161.63	-279,154,997	-48,479,881	727,400	-39,904,506	-4,042,179	-370,854,253	1,446,318,908
Other Assets	3,541,382.76	110,630.00	-	-32,332.32	-	3,619,010.44	-2,304,773	-390,352	31,448	-6,978	-3,587	-2,674,242	944,768.20
Office Equipment	2,182,888.51	80,100.00	-	-25,688.23	-	2,237,300.28	-1,594,457	-248,874	17,754	-	-624	-1,826,301	410,999.00
Machinery & Equipment	5,087,809.07	-	2,305,735.66	-3,857,638.48	-	3,535,906	-2,374,250	-485,048	2,850,083	-2,259,564	-	-1,447,137	2,088,769
Transport Assets	7,343,623.42	595,591.00	-	-249,483.82	-	7,689,731	-6,851,181	-700,564	233,067	-	-2,240	-6,320,818	1,368,914
Computer Equipment	18,185,883.78	785,521.00	2,305,735.96	-4,185,142.65	-	17,444,800	-12,124,991	-1,744,838	3,232,351	-2,206,542	-8,450	-12,810,230	4,634,571
Finance Lease Assets	41,778,100.08	1,513,620.52	579,493.28	-3,211,759.76	-	40,659,454	-14,190,160	-19,521,482	2,186,128	-157,933	-	-25,623,419	15,036,035
Other Assets	41,778,100.08	1,513,620.52	579,493.28	-3,211,759.76	-	40,659,454	-14,190,160	-19,521,482	2,186,128	-157,933	-	-25,623,419	15,036,035
Total	1,877,904,320.69	2,309,141.52	2,885,228.94	-8,173,277.83	-	1,872,060,414.32	-305,450,807	-83,740,402	6,145,887	-42,328,981	-4,048,828	-468,387,832	1,403,672,582

ILEMBE DISTRICT MUNICIPALITY
APPENDIX C
UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2017

	Accumulated Depreciation										
	Cost / Revaluation					Accumulated Depreciation					
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposal R	& Impairment Loss/Reversal R	Closing Balance R	Carrying value R
Executive & Council	11,225,636	6,985,889	-	(2,428,674)	15,782,851	(8,409,687)	(1,159,097)	2,218,210	-	(7,350,573)	8,432,278
Finance & Admin	27,900,897	161,439	-	(290,471)	27,771,865	(12,576,679)	(1,353,426)	284,439	-	(13,645,666)	14,126,199
Waste Management	142,306,099	-	-	(36,200)	142,269,899	(49,974,177)	(5,812,938)	35,221	(3,360)	(55,755,255)	86,514,644
Water	1,411,577,073	-	-	(24,129)	1,411,552,944	(312,803,941)	(57,099,549)	22,428	(10,318,249)	(380,199,312)	1,031,353,632
Under Construction	738,493,421	-	354,349,580	-	1,092,843,001	(25,623,449)	-	-	-	(39,690,840)	1,092,843,001
Other	40,660,454	365,140	-	-	41,025,594	(25,623,449)	(14,067,391)	-	-	(39,690,840)	1,334,754
Total	2,372,163,580	7,512,468	354,349,580	(2,779,474)	2,731,246,154	(409,387,932)	(79,492,402)	2,560,298	(10,321,610)	(496,641,646)	2,234,604,506

ILEMBE DISTRICT MUNICIPALITY

APPENDIX D

UNAUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

as at 30 June 2017

	2016		2017		2017
	Actual	2016	Actual	2017	2017
	Income	Surplus / (Deficit)	Income	Expenditure	Surplus / (Deficit)
	R	R	R	R	R
	182,324,660	43,172,124	44,999,714	57,490,098	(12,490,384)
	78,204,799	29,175,907	132,738,407	120,076,223	12,662,184
	31,706,713	10,584,854	5,552,759	24,470,773	(18,918,014)
	-	(3,167,530)	-	1,725,787	(1,725,787)
	154,691,730	108,760,398	167,199,610	28,254,031	138,945,579
	644,439,732	231,253,778	579,909,058	367,875,742	212,033,315
Total	1,091,367,635	419,779,529	930,399,547	599,892,654	330,506,892