



UMGUNGUNDOLOVU DISTRICT MUNICIPALITY CONSOLIDATED
(Registration number DC 22)
Annual Financial Statements
for the year ended 30 June 2019

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

General Information

Mayoral committee

Executive Mayor

TE Maphumulo (ANC)
TR Zungu (ANC) - Deputy Mayor
MS Bond (DA)
GM Ngubo (ANC)
DS Mkhize (ANC)
BA Mchunu (ANC)
BC Nhlabathi (DA)
BE Zuma (IFP)
M Dladla (ANC)
D Phungula (ANC)

Councillors

ME Dladla (ANC) - Speaker
DA Ndlela (ANC) - WHIP
NV Duze (ANC)
AS Dlamini (ANC)
SW Dlamini (ANC)
SC Gwala (ANC)
TA Hlatshwayo (DA)
JE Holmes (DA)
R Jugmohan (DA)
B Khumalo (ANC)
SJ Luthuli (ANC)
NC Mabhida (ANC)
LL Madlala (ANC)
BK Mkhize (IFP)
K Mkhize (ANC)
M Mthethwa (ANC)
MJ Mkhize (ANC)
S Mkhize (ANC)
N Phoswa (ANC)
S Gabela (ANC)
NZ Ndlovu (ANC)
KCS Nene (ANC)
MD Njokwe (ANC)
LC Ngcobo (ANC)
GH Ngcobo (ANC)
B Ngcongo (ANC)
SD Nkuna (ANC)
MV Ntshangase (ANC)
RB Strachan (DA)
BC Sokhela (IFP)
R Soobiah (ANC)
E Xaba (DA)
HM Zondi (ANC)
N Zondo (ANC)
MK Dlamini (ANC)

Auditors

Auditor General of South Africa
Registered Auditors

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	Local Authority District Municipality
Grading of local authority	Grade 5
Accounting Officer	Dr Raymond Ngcobo
Registered office	242 Langalibalele Street Pietermaritzburg 3201
Postal address	P O Box 3235 Pietermaritzburg 3200
Bankers	First National Bank

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

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

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

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

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

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the economic entity's annual financial statements. The annual financial statements have been examined by the Auditor General of South Africa and their report is presented to the Speaker and Council upon completion of the audit.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31st August 2019 and were signed on its behalf by:

Dr Raymond Ngcobo
Accounting Officer

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

	Note(s)	Economic entity		Controlling entity	
		2019	2018	2019	2018
		R	Restated*	R	Restated*
Assets					
Current Assets					
Cash and cash equivalents	3	48 129 260	49 870 248	46 261 559	49 610 138
Consumer debtors	4	166 762 325	129 134 504	166 762 325	129 134 504
Receivables from exchange transactions	5&53	14 576 217	6 604 288	14 576 217	6 604 288
Receivables from non-exchange transactions	6&53	4 704 681	1 113 044	2 006 345	1 113 044
Inventories	7	2 491 085	2 063 978	2 460 845	2 063 978
		236 663 568	188 786 062	232 067 291	188 525 952
Non-Current Assets					
Property, plant and equipment	8	1 955 955 664	1 793 927 329	1 955 506 554	1 793 578 125
Intangible assets	9	1 934 838	2 188 421	1 328 714	1 596 833
Heritage assets	10	4 000	4 000	4 000	4 000
		1 957 894 502	1 796 119 750	1 956 839 268	1 795 178 958
Total Assets		2 194 558 070	1 984 905 812	2 188 906 559	1 983 704 910
Liabilities					
Current Liabilities					
Unspent conditional grants and receipts	11	25 725 935	30 403 027	23 085 118	30 403 027
Payables from exchange transactions	12	134 573 441	111 873 067	134 078 400	110 774 080
Consumer deposits	13	5 501 674	5 076 940	5 501 674	5 076 940
Other Financial Liabilities	14	9 670 186	9 072 450	9 670 186	9 072 450
VAT payable	15	37 903 449	23 415 297	37 903 449	23 415 297
Provisions	16	16 812 192	12 972 729	16 781 630	12 972 729
		230 186 877	192 813 510	227 020 457	191 714 523
Non-Current Liabilities					
Other Financial Liabilities	14	207 632 965	213 295 553	207 632 965	213 295 553
Provisions	16	33 284 647	31 130 001	33 284 647	31 130 001
		240 917 612	244 425 554	240 917 612	244 425 554
Total Liabilities		471 104 489	437 239 064	467 938 069	436 140 077
Net Assets		1 723 453 581	1 547 666 748	1 720 968 490	1 547 564 833
Reserves					
Revaluation reserve	54	24 628 860	24 628 860	24 628 860	24 628 860
Accumulated surplus		1 697 879 236	1 523 037 888	1 696 339 628	1 522 935 973
Total Net Assets		1 722 508 096	1 547 666 748	1 720 968 488	1 547 564 833

* See Note 46

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

	Note(s)	Economic entity		Controlling entity	
		2019	2018	2019	2018
		R	Restated*	R	Restated*
Revenue					
Revenue from exchange transactions					
Service charges	17	253 281 877	177 003 086	253 281 877	177 003 086
Rental of facilities and equipment	18	256 517	246 483	256 517	246 483
Other income - Donations		30 240	-	-	-
Other income	19	7 136 436	1 646 260	7 136 436	1 646 260
Interest received - investment	20	8 096 516	10 106 156	8 089 955	10 074 241
Total revenue from exchange transactions		268 801 586	189 001 985	268 764 785	188 970 070
Revenue from non-exchange transactions					
Taxation revenue					
Interest from Outstanding Debtors	21	38 999 627	30 070 625	38 999 627	30 070 625
Transfer revenue					
Government grants & subsidies	22	704 724 331	542 768 994	704 323 008	541 568 993
Fines, Penalties and Forfeits	23	-	4 959 781	-	4 959 781
Total revenue from non-exchange transactions		743 723 958	577 799 400	743 322 635	576 599 399
Total revenue	52	1 012 525 544	766 801 385	1 012 087 420	765 569 469
Expenditure					
Employee related costs	24	(243 381 709)	(211 912 414)	(242 235 172)	(211 278 133)
Remuneration of councillors	25	(12 476 807)	(12 135 604)	(11 627 511)	(10 967 042)
Impairment of Assets	55	(118 692)	(18 839 208)	(118 692)	(18 839 208)
Depreciation and amortisation	26	(46 992 024)	(41 047 049)	(46 523 154)	(40 947 451)
Finance costs	27	(11 502 705)	(35 320 936)	(11 502 271)	(35 320 936)
Lease rentals on operating lease	28	(137 713)	(113 277)	-	-
Debt Impairment	56	(111 143 972)	(139 701 691)	(111 143 972)	(139 701 691)
Bulk purchases	29	(161 412 143)	(132 358 233)	(161 412 143)	(132 358 233)
Contracted services	30	(200 876 584)	(179 202 050)	(200 876 584)	(179 202 050)
Transfers and Subsidies	31	-	-	(6 415 719)	(3 508 636)
General Expenses	32	(48 170 037)	(68 713 815)	(46 446 461)	(66 090 897)
Total expenditure		(836 212 386)	(839 344 277)	(838 301 679)	(838 214 277)
Operating surplus (deficit)	51	176 313 158	(72 542 892)	173 785 741	(72 644 808)
Actuarial gains / (losses)	33	(1 471 810)	3 970 871	(1 471 810)	3 970 871
Surplus (deficit) for the year		174 841 348	(68 572 021)	172 313 931	(68 673 937)

* See Note 46

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Economic entity			
Balance at 01 July 2017	34 569 203	1 576 950 069	1 611 519 272
Changes in net assets			
Correction of error - misallocatipn	(9 970 326)	14 659 841	4 689 515
Net income (losses) recognised directly in net assets	(9 970 326)	14 659 841	4 689 515
Surplus for the year	-	(68 572 022)	(68 572 022)
Total recognised income and expenses for the year	(9 970 326)	(53 912 181)	(63 882 507)
Other adjustment	29 983	-	29 983
Total changes	(9 940 343)	(53 912 181)	(63 852 524)
Restated* Balance at 01 July 2018	24 628 860	1 523 037 888	1 547 666 748
Changes in net assets			
Surplus for the year	-	174 841 348	174 841 348
Total changes	-	174 841 348	174 841 348
Balance at 30 June 2019	24 628 860	1 697 879 236	1 722 508 096
Note(s)	54		
Controlling entity			
Balance at 01 July 2017	34 569 203	1 576 950 069	1 611 519 272
Changes in net assets			
Correction of error - misallocation	(9 970 326)	14 659 841	4 689 515
Net income (losses) recognised directly in net assets	(9 970 326)	14 659 841	4 689 515
Surplus for the year	-	(68 673 937)	(68 673 937)
Total recognised income and expenses for the year	(9 970 326)	(54 014 096)	(63 984 422)
Other adjustments	29 983	-	29 983
Total changes	(9 940 343)	(54 014 096)	(63 954 439)
Opening balance as previously reported	24 628 860	1 522 935 975	1 547 564 835
Adjustments			
Prior year adjustments	-	1 089 722	1 089 722
Restated* Balance at 01 July 2018 as restated*	24 628 860	1 524 025 697	1 548 654 557
Changes in net assets			
Surplus for the year	-	172 313 931	172 313 931
Total changes	-	172 313 931	172 313 931
Balance at 30 June 2019	24 628 860	1 696 339 628	1 720 968 488
Note(s)	54		

* See Note 46

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

	Note(s)	Economic entity		Controlling entity	
		2019 R	2018 Restated* R	2019 R	2018 Restated* R
Cash flows from operating activities					
Receipts					
Sale of goods and services		133 410 421	105 849 175	133 410 421	105 849 175
Grants		711 127 686	545 215 223	704 568 162	540 650 828
Interest income - Investment		8 138 656	10 106 156	8 089 955	10 074 241
Interest Income - Debtors		2 854 732	1 592 811	2 854 732	1 592 811
		<u>855 531 495</u>	<u>662 763 365</u>	<u>848 923 270</u>	<u>658 167 055</u>
Payments					
Employee costs		(243 394 423)	(212 915 907)	(242 235 172)	(211 278 133)
Suppliers		(386 133 895)	(103 840 600)	(385 167 398)	(102 489 465)
Finance costs		(11 502 705)	(35 320 936)	(11 502 271)	(35 320 936)
Other payments		(2 291 141)	(306 900)	-	-
		<u>(643 322 164)</u>	<u>(352 384 343)</u>	<u>(638 904 841)</u>	<u>(349 088 534)</u>
Net cash flows from operating activities	35	<u>212 209 331</u>	<u>310 379 022</u>	<u>210 018 429</u>	<u>309 078 521</u>
Cash flows from investing activities					
Purchase of property, plant and equipment	8	(206 894 452)	(343 211 452)	(206 655 628)	(342 816 431)
Purchase of other intangible assets	9	(1 991 015)	(2 706 544)	(1 646 528)	(2 061 174)
Net cash flows from investing activities		<u>(208 885 467)</u>	<u>(345 917 996)</u>	<u>(208 302 156)</u>	<u>(344 877 605)</u>
Cash flows from financing activities					
Repayment of other financial liabilities		(5 064 852)	(8 634 097)	(5 064 852)	(8 634 097)
Net cash flows from financing activities		<u>(5 064 852)</u>	<u>(8 634 097)</u>	<u>(5 064 852)</u>	<u>(8 634 097)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(1 740 988)</u>	<u>(44 173 071)</u>	<u>(3 348 579)</u>	<u>(44 433 181)</u>
Cash and cash equivalents at the beginning of the year		49 870 248	94 043 319	49 610 138	94 043 319
Cash and cash equivalents at the end of the year	3	<u>48 129 260</u>	<u>49 870 248</u>	<u>46 261 559</u>	<u>49 610 138</u>

* See Note 46

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	306 911 000	(93 143 000)	213 768 000	253 281 877	39 513 877	
Rental of facilities and equipment	150 000	36 000	186 000	256 517	70 517	
Other income - (rollup)	-	-	-	7 166 676	7 166 676	
Interest received - investment	2 555 000	(1 900 000)	655 000	8 096 516	7 441 516	
Total revenue from exchange transactions	309 616 000	(95 007 000)	214 609 000	268 801 586	54 192 586	
Revenue from non-exchange transactions						
Taxation revenue						
Interest, Dividends and Rent on Land	10 000 000	23 090 000	33 090 000	38 999 627	5 909 627	
Transfer revenue						
Government grants & subsidies	497 029 000	22 549 608	519 578 608	704 724 331	185 145 723	
Total revenue from non-exchange transactions	507 029 000	45 639 608	552 668 608	743 723 958	191 055 350	
Total revenue	816 645 000	(49 367 392)	767 277 608	1 012 525 544	245 247 936	
Expenditure						
Personnel	(251 580 536)	(19 508 000)	(271 088 536)	(243 381 709)	27 706 827	
Remuneration of councillors	(13 324 465)	212 570	(13 111 895)	(12 476 807)	635 088	
Depreciation and amortisation	(51 056 352)	16 000 000	(35 056 352)	(46 992 024)	(11 935 672)	
Finance costs	(22 609 000)	(4 937 000)	(27 546 000)	(11 502 705)	16 043 295	
Lease rentals on operating lease	-	-	-	(137 713)	(137 713)	
Debt Impairment	(97 543 757)	40 351 835	(57 191 922)	(111 143 972)	(53 952 050)	
Bulk purchases	(139 150 000)	-	(139 150 000)	(161 412 143)	(22 262 143)	
Contracted Services	(161 298 944)	(41 411 588)	(202 710 532)	(200 876 584)	1 833 948	
General Expenses	(74 037 295)	23 121 382	(50 915 913)	(48 170 038)	2 745 875	
Total expenditure	(810 600 349)	13 829 199	(796 771 150)	(836 093 695)	(39 322 545)	
Operating surplus	6 044 651	(35 538 193)	(29 493 542)	176 431 849	205 925 391	
Loss on disposal of assets and liabilities	-	-	-	(118 692)	(118 692)	
Actuarial gains/losses	-	-	-	(1 471 810)	(1 471 810)	
	-	-	-	(1 590 502)	(1 590 502)	
Surplus before taxation	6 044 651	(35 538 193)	(29 493 542)	174 841 347	204 334 889	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	6 044 651	(35 538 193)	(29 493 542)	174 841 347	204 334 889	

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	43 434 471	-	43 434 471	2 491 085	(40 943 386)	
Receivables from exchange transactions	-	-	-	14 576 217	14 576 217	
Receivables from non-exchange transactions	-	-	-	4 704 681	4 704 681	
Consumer debtors	-	-	-	166 762 325	166 762 325	
Cash and cash equivalents	510 338	-	510 338	48 129 260	47 618 922	
	43 944 809	-	43 944 809	236 663 568	192 718 759	
Non-Current Assets						
Property, plant and equipment	220 323 000	-	220 323 000	1 955 955 664	1 735 632 664	
Intangible assets	6 735 000	-	6 735 000	1 934 838	(4 800 162)	
Heritage assets	-	-	-	4 000	4 000	
	227 058 000	-	227 058 000	1 957 894 502	1 730 836 502	
Total Assets	271 002 809	-	271 002 809	2 194 558 070	1 923 555 261	
Liabilities						
Current Liabilities						
Other Financial Liabilities	-	-	-	9 670 186	9 670 186	
Payables from exchange transactions	-	-	-	134 573 441	134 573 441	
VAT payable	-	-	-	37 903 449	37 903 449	
Consumer deposits	-	-	-	5 501 674	5 501 674	
Unspent conditional grants and receipts	-	-	-	25 725 935	25 725 935	
Provisions	21 400 000	-	21 400 000	16 812 192	(4 587 808)	
	21 400 000	-	21 400 000	230 186 877	208 786 877	
Non-Current Liabilities						
Other Financial Liabilities	-	-	-	207 632 965	207 632 965	
Finance lease obligation	22 251 536	-	22 251 536	-	(22 251 536)	
Provisions	-	-	-	33 284 647	33 284 647	
	22 251 536	-	22 251 536	240 917 612	218 666 076	
Total Liabilities	43 651 536	-	43 651 536	471 104 489	427 452 953	
Net Assets	227 351 273	-	227 351 273	1 723 453 581	1 496 102 308	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	24 628 860	24 628 860	
Accumulated surplus	227 351 273	-	227 351 273	1 698 824 720	1 471 473 447	
Undefined Difference	-	-	-	1	1	

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Total Net Assets	227 351 273	-	227 351 273	1 723 453 580	1 496 102 307	

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	306 911 011	(93 142 723)	213 768 288	133 410 421	(80 357 867)	
Grants	702 088 000	19 814 395	721 902 395	709 132 557	(12 769 838)	
Interest income	10 000 000	23 090 452	33 090 452	8 089 955	(25 000 497)	
Interest Income - Debtors	-	-	-	2 854 732	2 854 732	
Other cash item	2 500 000	(1 900 000)	600 000	-	(600 000)	
	1 021 499 011	(52 137 876)	969 361 135	853 487 665	(115 873 470)	

Payments

Employee costs	(295 283 116)	21 771 043	(273 512 073)	(242 848 626)	30 663 447	
Suppliers	(399 225 314)	4 573 321	(394 651 993)	(386 842 594)	7 809 399	
Finance costs	(22 609 000)	(3 442 977)	(26 051 977)	(11 502 271)	14 549 706	
	(717 117 430)	22 901 387	(694 216 043)	(641 193 491)	53 022 552	

Net cash flows from operating activities **304 381 581** **(29 236 489)** **275 145 092** **212 294 174** **(62 850 918)**

Purchase of property, plant and equipment	(207 528 000)	22 903 000	(184 625 000)	(206 655 628)	(22 030 628)	
Purchase of other intangible assets	-	-	-	(1 646 528)	(1 646 528)	

Net cash flows from investing activities **(207 528 000)** **22 903 000** **(184 625 000)** **(208 302 156)** **(23 677 156)**

Cash flows from financing activities

Repayment of other financial liabilities	(8 580 491)	(1 745 785)	(10 326 276)	(5 064 852)	5 261 424	
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Net increase/(decrease) in cash and cash equivalents 88 273 090 (8 079 274) **80 193 816** (1 072 834) **(81 266 650)**

Cash and cash equivalents at the beginning of the year	582 000	41 957 000	42 539 000	49 610 138	7 071 138	
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Cash and cash equivalents at the end of the year **88 855 090** **33 877 726** **122 732 816** **48 537 304** **(74 195 512)**

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	306 911 000	(93 143 000)	213 768 000	253 281 877	39 513 877	Note 59/AppE1
Rental of facilities and equipment	150 000	36 000	186 000	256 517	70 517	Note 59/AppE1
Recoveries	15 250 000	(15 250 000)	-	-	-	
Other income -	-	-	-	7 136 436	7 136 436	Note 59/AppE1
Interest received - investment	2 500 000	(1 900 000)	600 000	8 089 955	7 489 955	Note 59/AppE1
Total revenue from exchange transactions	324 811 000	(110 257 000)	214 554 000	268 764 785	54 210 785	
Revenue from non-exchange transactions						
Taxation revenue						
Interest, Dividends and Rent on Land	10 000 000	23 090 000	33 090 000	38 999 627	5 909 627	Note 59/AppE1
Transfer revenue						
Government grants & subsidies	489 729 000	22 549 608	512 278 608	704 323 008	192 044 400	Note 59/AppE1
Total revenue from non-exchange transactions	499 729 000	45 639 608	545 368 608	743 322 635	197 954 027	
Total revenue	824 540 000	(64 617 392)	759 922 608	1 012 087 420	252 164 812	
Expenditure						
Personnel	(250 245 740)	(19 000 000)	(269 245 740)	(242 235 172)	27 010 568	Note 59/AppE1
Remuneration of councillors	(12 479 000)	212 570	(12 266 430)	(11 627 511)	638 919	Note 59/AppE1
Depreciation and amortisation	(51 000 000)	16 000 000	(35 000 000)	(46 523 154)	(11 523 154)	
Finance costs	(22 609 000)	(4 937 000)	(27 546 000)	(11 502 271)	16 043 729	Note 59/AppE1
Debt Impairment	(97 543 757)	40 351 835	(57 191 922)	(111 143 972)	(53 952 050)	Note 59/AppE1
Bulk purchases	(139 150 000)	-	(139 150 000)	(161 412 143)	(22 262 143)	Note 59/AppE1
Contracted Services	(160 800 000)	(41 071 588)	(201 871 588)	(200 876 584)	995 004	Note 59/AppE1
Transfers and Subsidies	-	(6 300 000)	(6 300 000)	(6 415 719)	(115 719)	Note 59/AppE1
General Expenses	(69 827 295)	22 663 382	(47 163 913)	(46 446 461)	717 452	Note 59/AppE1
Total expenditure	(803 654 792)	7 919 199	(795 735 593)	(838 182 987)	(42 447 394)	
Operating surplus	20 885 208	(56 698 193)	(35 812 985)	173 904 433	209 717 418	
Loss on disposal of assets and liabilities	-	-	-	(118 692)	(118 692)	Note 59/AppE1
Actuarial gains/losses	-	-	-	(1 471 810)	(1 471 810)	Note 59/AppE1
	-	-	-	(1 590 502)	(1 590 502)	
Surplus before taxation	20 885 208	(56 698 193)	(35 812 985)	172 313 931	208 126 916	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	20 885 208	(56 698 193)	(35 812 985)	172 313 931	208 126 916	

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	43 434 471	-	43 434 471	2 460 845	(40 973 626)	
Receivables from exchange transactions	-	-	-	14 576 217	14 576 217	
Receivables from non-exchange transactions	-	-	-	2 006 345	2 006 345	
Consumer debtors	-	-	-	166 762 325	166 762 325	
Cash and cash equivalents	-	-	-	46 261 559	46 261 559	
	43 434 471	-	43 434 471	232 067 291	188 632 820	
Non-Current Assets						
Property, plant and equipment	219 918 000	-	219 918 000	1 955 506 554	1 735 588 554	
Intangible assets	6 155 000	-	6 155 000	1 328 714	(4 826 286)	
Heritage assets	-	-	-	4 000	4 000	
	226 073 000	-	226 073 000	1 956 839 268	1 730 766 268	
Total Assets	269 507 471	-	269 507 471	2 188 906 559	1 919 399 088	
Liabilities						
Current Liabilities						
Other Financial Liabilities	-	-	-	9 670 186	9 670 186	
Payables from exchange transactions	-	-	-	134 078 400	134 078 400	
VAT payable	-	-	-	37 903 449	37 903 449	
Consumer deposits	-	-	-	5 501 674	5 501 674	
Unspent conditional grants and receipts	-	-	-	23 085 118	23 085 118	
Provisions	21 400 000	-	21 400 000	16 781 630	(4 618 370)	
	21 400 000	-	21 400 000	227 020 457	205 620 457	
Non-Current Liabilities						
Other Financial Liabilities	-	-	-	207 632 965	207 632 965	
Finance lease obligation	22 251 536	-	22 251 536	-	(22 251 536)	
Provisions	-	-	-	33 284 647	33 284 647	
	22 251 536	-	22 251 536	240 917 612	218 666 076	
Total Liabilities	43 651 536	-	43 651 536	467 938 069	424 286 533	
Net Assets	225 855 935	-	225 855 935	1 720 968 490	1 495 112 555	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	24 628 860	24 628 860	
Accumulated surplus	225 855 935	-	225 855 935	1 696 339 630	1 470 483 695	
Total Net Assets	225 855 935	-	225 855 935	1 720 968 490	1 495 112 555	

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	306 911 011	(93 142 723)	213 768 288	133 410 421	(80 357 867)	
Grants & Subsidies	694 788 000	22 550 000	717 338 000	704 568 162	(12 769 838)	
Interest income - Investments	10 000 000	23 090 452	33 090 452	8 089 955	(25 000 497)	
Interest Income - Debtors	-	-	-	2 854 732	2 854 732	
Other receipts	2 500 000	(1 900 000)	600 000	-	(600 000)	
	1 014 199 011	(49 402 271)	964 796 740	848 923 270	(115 873 470)	
Payments						
Employee costs	(296 617 912)	22 100 000	(274 517 912)	(242 235 172)	32 282 740	
Suppliers	(399 786 518)	7 822 132	(391 964 386)	(385 167 398)	6 796 988	
Finance costs	(22 609 000)	(3 442 977)	(26 051 977)	(11 502 271)	14 549 706	
	(719 013 430)	26 479 155	(692 534 275)	(638 904 841)	53 629 434	
Net cash flows from operating activities	295 185 581	(22 923 116)	272 262 465	210 018 429	(62 244 036)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(207 528 000)	22 903 000	(184 625 000)	(206 655 628)	(22 030 628)	
Purchase of Intangible Assets	-	-	-	(1 646 528)	(1 646 528)	
Net cash flows from investing activities	(207 528 000)	22 903 000	(184 625 000)	(208 302 156)	(23 677 156)	
Cash flows from financing activities						
Repayment of other financial liabilities	(8 580 491)	(1 745 785)	(10 326 276)	(5 064 852)	5 261 424	
Net increase/(decrease) in cash and cash equivalents	79 077 090	(1 765 901)	77 311 189	(3 348 579)	(80 659 768)	
Cash and cash equivalents at the beginning of the year	582 000	41 957 000	42 539 000	49 610 138	7 071 138	
Cash and cash equivalents at the end of the year	79 659 090	40 191 099	119 850 189	46 261 559	(73 588 630)	

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

1.1 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.1 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	Fair value (30 years)
Plant and machinery	Straight line	10 to 20 years
Furniture and fixtures	Straight line	10 to 15 years
Motor vehicles	Straight line	10 to 15 years
IT equipment	Straight line	10 to 15 years
Computer software	Straight line	5 to 15 years
Infrastructure Water & Sanitation	Straight line	10 to 100 years
Fire Engines	Straight line	15 to 20 years
Mobile Offices	Straight line	15 to 20 years
Heavy machinery	Straight line	15 to 20 years

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

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

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

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.1 Property, plant and equipment (continued)

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

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

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

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

1.2 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.2 Intangible assets (continued)

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 5 years
Licenses	Straight line	3 - 5 years
Websites	Straight line	3 - 5 years

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

1.3 Heritage assets

Assets are resources controlled by an economic entity as a result of past events and from which future economic benefits or service potential are expected to flow to the economic entity.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an economic entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an economic entity is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Heritage assets (continued)

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

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

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

1.4 Financial instruments

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Inventories

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

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

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

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

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

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

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

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

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

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

1.6 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Impairment of cash-generating assets (continued)

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

[Specify judgements made]

Identification

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

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.7 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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Accounting Policies

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

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

Useful life is either:

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

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

Identification

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.8 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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Accounting Policies

1.8 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

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

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

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

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

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

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Accounting Policies

1.8 Provisions and contingencies (continued)

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

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

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

1.9 Revenue from exchange transactions

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

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

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

1.10 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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Accounting Policies

1.10 Revenue from non-exchange transactions (continued)

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

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

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.11 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.12 Borrowing costs

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

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

1.13 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.14 Use of Estimates

The preparation of the annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

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Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8 806	8 555	8 806	8 555
Bank balances	32 309 371	42 628 304	30 441 670	42 368 194
Short-term deposits	11 816 984	3 239 010	11 816 984	3 239 010
Investment Deposit	3 994 099	3 994 379	3 994 099	3 994 379
	48 129 260	49 870 248	46 261 559	49 610 138

Cash and cash equivalents held by the municipality that are not available for use by the municipality	3 750 000	3 750 000	3 750 000	3 750 000
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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FNB Bank : Salaries Account - 50940092196	92 219	239 602	1 649	92 219	239 633	1 680
FNB BANK - Projects Account - 62023616462	2 754 065	182 777	880 819	2 754 065	182 777	880 818
FNB BANK - NSTD Call Account - 62215748289	11 816 984	3 239 110	3 282 148	11 816 984	3 239 010	3 282 148
FNB BANK - Mandela Race Account - 62411577193	767 076	731 208	104 215	767 076	731 208	104 215
FNB BANK - Main Account - 50940026773	23 478 723	37 586 944	22 323 958	23 478 197	37 579 261	22 305 749
FNB BANK - UMDM MIG Account - 6240041985	-	83 581	79 553	-	83 581	79 553
Nedbank BANK - Fixed Deposit Account - 03/7165014047/0023	-	-	30 000 000	-	-	30 000 000
ABSA BANK - Mandela Race Account - 4004362410	851 650	137 526	-	851 650	137 526	-
FNB BANK - Public Sector Account - 622243484417	-	(169)	-	-	(169)	-
FNB BANK - Fixed Deposit Account - 71101199555	3 994 099	3 994 379	3 750 000	3 994 099	3 994 379	3 750 000
Standard BANK - Fixed Deposit Account - 358610095-004	-	-	30 000 000	-	-	30 000 000
FNB BANK - SANBI Account - 62597807125	2 498 463	3 414 371	3 628 548	2 498 463	3 414 371	3 628 548
UMEDA MAIN BANK - Cheque Account - 62711665177	1 867 701	260 110	-	1 867 701	260 110	-
Total	48 120 980	49 869 439	94 050 890	48 120 454	49 861 687	94 032 711

4. Consumer debtors

Gross balances

Water	675 753 652	526 611 710	675 753 652	526 611 710
Other (specify)	-	370 150	-	370 150
	675 753 652	526 981 860	675 753 652	526 981 860

Less: Allowance for impairment

Water	(508 991 327)	(397 847 356)	(508 991 327)	(397 847 356)
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Net balance

Water	166 762 325	128 764 354	166 762 325	128 764 354
Other (specify)	-	370 150	-	370 150
	166 762 325	129 134 504	166 762 325	129 134 504

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
4. Consumer debtors (continued)				
Included in above is receivables from exchange transactions				
Water	166 762 325	129 134 504	166 762 325	129 134 504
Net balance	166 762 325	129 134 504	166 762 325	129 134 504
Water				
Current (0 -30 days)	26 263 752	39 274 076	26 263 752	39 274 076
31 - 60 days	18 275 312	13 338 930	18 275 312	13 338 930
61 - 90 days	15 577 042	11 152 348	15 577 042	11 152 348
91 - 120 days	14 691 865	13 409 646	14 691 865	13 409 646
121 - 365 days	15 255 839	9 767 808	15 255 839	9 767 808
> 365 days	76 698 515	41 821 546	76 698 515	41 821 546
	166 762 325	128 764 354	166 762 325	128 764 354
Other (specify)				
Current (0 -30 days)	-	370 150	-	370 150

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Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
4. Consumer debtors (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	14 899 717	24 759 143	14 899 717	24 759 143
31 - 60 days	13 593 667	10 142 811	13 593 667	10 142 811
61 - 90 days	12 393 253	8 409 552	12 393 253	8 409 552
91 - 120 days	11 670 895	11 443 589	11 670 895	11 443 589
121 - 365 days	11 848 809	8 647 090	11 848 809	8 647 090
> 365 days	515 678 544	399 791 928	515 678 544	399 791 928
	<u>580 084 885</u>	<u>463 194 113</u>	<u>580 084 885</u>	<u>463 194 113</u>
Less: Allowance for impairment	(508 991 327)	(397 847 356)	(508 991 327)	(397 847 356)
	71 093 558	65 346 757	71 093 558	65 346 757
Industrial/ commercial				
Current (0 -30 days)	9 000 322	10 043 561	9 000 322	10 043 561
31 - 60 days	3 335 604	2 622 906	3 335 604	2 622 906
61 - 90 days	2 329 576	2 439 031	2 329 576	2 439 031
91 - 120 days	2 057 513	1 559 211	2 057 513	1 559 211
121 - 365 days	2 553 424	903 411	2 553 424	903 411
> 365 days	51 415 769	21 950 284	51 415 769	21 950 284
	<u>70 692 208</u>	<u>39 518 404</u>	<u>70 692 208</u>	<u>39 518 404</u>
National and provincial government				
Current (0 -30 days)	2 804 831	4 471 371	2 804 831	4 471 371
31 - 60 days	1 346 042	573 213	1 346 042	573 213
61 - 90 days	854 213	303 765	854 213	303 765
91 - 120 days	963 457	406 846	963 457	406 846
121 - 365 days	853 606	217 308	853 606	217 308
> 365 days	16 239 195	7 807 230	16 239 195	7 807 230
	<u>23 061 344</u>	<u>13 779 733</u>	<u>23 061 344</u>	<u>13 779 733</u>
Total				
Current (0 -30 days)	26 263 752	39 274 076	26 263 752	39 274 076
31 - 60 days	18 275 312	13 338 930	18 275 312	13 338 930
61 - 90 days	15 577 042	11 152 348	15 577 042	11 152 348
91 - 120 days	14 691 865	13 409 646	14 691 865	13 409 646
121 - 365 days	15 255 839	9 767 808	15 255 839	9 767 808
> 365 days	585 689 842	440 039 052	585 689 842	440 039 052
	<u>675 753 652</u>	<u>526 981 860</u>	<u>675 753 652</u>	<u>526 981 860</u>
Less: Allowance for impairment	(508 991 327)	(397 847 356)	(508 991 327)	(397 847 356)
	166 762 325	129 134 504	166 762 325	129 134 504
Less: Allowance for impairment				
> 365 days	(508 991 327)	(397 847 356)	(508 991 327)	(397 847 356)
Reconciliation of allowance for impairment				
Balance at beginning of the year	(397 847 356)	(258 145 665)	(397 847 356)	(258 145 665)
Contributions to allowance	(111 143 971)	(139 701 691)	(111 143 971)	(139 701 691)
	<u>(508 991 327)</u>	<u>(397 847 356)</u>	<u>(508 991 327)</u>	<u>(397 847 356)</u>

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Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
5. Receivables from exchange transactions				
Prepayments (if immaterial)	363 736	724 855	363 736	724 855
Consumer debtors - Sundry	14 212 481	5 879 433	14 212 481	5 879 433
	14 576 217	6 604 288	14 576 217	6 604 288
6. Receivables from non-exchange transactions				
Staff Busaries	4 704 681	1 113 044	2 006 345	1 113 044
7. Inventories				
Agricultural produce - Fertilizer	30 240	-	-	-
Maintenance materials	2 460 845	2 063 978	2 460 845	2 063 978
	2 491 085	2 063 978	2 460 845	2 063 978

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

Economic entity

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 970 350	-	2 970 350	2 970 350	-	2 970 350
Buildings	31 850 385	(5 128 366)	26 722 019	31 850 385	(4 560 398)	27 289 987
Plant and machinery	18 008 548	(3 066 862)	14 941 686	18 044 398	(2 380 322)	15 664 076
Furniture and fixtures	5 211 130	(1 876 368)	3 334 762	5 215 266	(1 648 603)	3 566 663
Motor vehicles	5 479 872	(1 424 171)	4 055 701	5 479 872	(1 272 768)	4 207 104
IT equipment	8 086 603	(3 425 466)	4 661 137	7 275 986	(2 845 064)	4 430 922
Infrastructure	2 256 909 921	(999 138 164)	1 257 771 757	2 256 909 921	(956 695 332)	1 300 214 589
Other property, plant and equipment	135 762	(26 855)	108 907	90 931	(7 852)	83 079
Other PPE Infrastructure - WIP	641 389 345	-	641 389 345	435 500 559	-	435 500 559
Total	2 970 041 916	(1 014 086 252)	1 955 955 664	2 763 337 668	(969 410 339)	1 793 927 329

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Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Controlling entity

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 970 350	-	2 970 350	2 970 350	-	2 970 350
Buildings	31 850 385	(5 128 366)	26 722 019	31 850 385	(4 560 398)	27 289 987
Plant and machinery	18 008 548	(3 066 862)	14 941 686	18 044 398	(2 380 322)	15 664 076
Furniture and fixtures	5 085 916	(1 843 810)	3 242 106	5 097 082	(1 640 234)	3 456 848
Motor vehicles	5 479 872	(1 424 171)	4 055 701	5 479 872	(1 272 768)	4 207 104
IT equipment	7 713 735	(3 300 145)	4 413 590	7 090 081	(2 815 469)	4 274 612
Infrastructure	2 256 909 921	(999 138 164)	1 257 771 757	2 256 909 921	(956 695 332)	1 300 214 589
Other PPE: Infrastructure WIP	641 389 345	-	641 389 345	435 500 559	-	435 500 559
Total	2 969 408 072	(1 013 901 518)	1 955 506 554	2 762 942 648	(969 364 523)	1 793 578 125

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Figures in Rand

8. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Depreciation	Total
Land	2 970 350	-	-	-	2 970 350
Buildings	27 289 987	-	-	(567 968)	26 722 019
Plant and machinery	15 664 076	-	(21 331)	(701 059)	14 941 686
Furniture and fixtures	3 566 663	21 524	(16 609)	(236 816)	3 334 762
Motor vehicles	4 207 104	-	-	(151 403)	4 055 701
IT equipment	4 430 922	939 311	(80 752)	(628 344)	4 661 137
Infrastructure	1 300 214 589	-	-	(42 442 832)	1 257 771 757
Other property, plant and equipment	83 079	44 831	-	(19 003)	108 907
Other PPE Infrastructure - WIP	435 500 559	205 888 786	-	-	641 389 345
	1 793 927 329	206 894 452	(118 692)	(44 747 425)	1 955 955 664

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8. Property, plant and equipment (continued)

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

	Opening balance	Additions	Impairments - Conditional Assessments	Prior period Additions	Disposal / Decommissioned	Transfers	Revaluations	Depreciation	Total
Land	1 905 000	1 065 350	-	-	-	-	-	-	2 970 350
Buildings	26 665 363	-	-	-	-	-	1 168 508	(543 884)	27 289 987
Plant and machinery	16 075 185	-	-	289 950	-	-	-	(701 059)	15 664 076
Furniture and fixtures	3 603 118	260 391	-	12 500	-	(83 079)	-	(226 267)	3 566 663
Motor vehicles	4 358 507	-	-	-	-	-	-	(151 403)	4 207 104
IT equipment	4 420 317	537 062	-	-	-	-	-	(526 457)	4 430 922
Infrastructure	1 063 381 146	304 992 315	(18 839 207)	-	(11 713 351)	-	-	(37 606 314)	1 300 214 589
Other property, plant and equipment	-	-	-	-	-	83 079	-	-	83 079
Other PPE Infrastructure - WIP	612 257 969	128 234 905	-	-	(304 992 315)	-	-	-	435 500 559
	1 732 666 605	435 090 023	(18 839 207)	302 450	(316 705 666)	-	1 168 508	(39 755 384)	1 793 927 329

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

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8. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Depreciation	Total
Land	2 970 350	-	-	-	2 970 350
Buildings	27 289 987	-	-	(567 968)	26 722 019
Plant and machinery	15 664 076	-	(21 331)	(701 059)	14 941 686
Furniture and fixtures	3 456 848	14 495	(16 609)	(212 628)	3 242 106
Motor vehicles	4 207 104	-	-	(151 403)	4 055 701
IT equipment	4 274 612	752 347	(80 752)	(532 617)	4 413 590
Infrastructure	1 300 214 589	-	-	(42 442 832)	1 257 771 757
Other PPE - Infrastructure WIP	435 500 559	205 888 786	-	-	641 389 345
	1 793 578 125	206 655 628	(118 692)	(44 608 507)	1 955 506 554

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8. Property, plant and equipment (continued)

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

	Opening balance	Additions	Impairments - Conditional Assessments	Prior period Additions	Disposal / Decommissioned	Revaluations	Depreciation	Total
Land	1 905 000	1 065 350	-	-	-	-	-	2 970 350
Buildings	26 665 363	-	-	-	-	1 168 508	(543 884)	27 289 987
Plant and machinery	16 075 185	-	-	289 950	-	-	(701 059)	15 664 076
Furniture and fixtures	3 603 118	51 275	-	12 500	-	-	(210 045)	3 456 848
Motor vehicles	4 358 507	-	-	-	-	-	(151 403)	4 207 104
IT equipment	4 420 317	351 157	-	-	-	-	(496 862)	4 274 612
Infrastructure	1 063 381 146	304 992 315	(18 839 207)	-	(11 713 351)	-	(37 606 314)	1 300 214 589
Other PPE - Infrastructure WIP	612 257 969	128 234 905	-	-	(304 992 315)	-	-	435 500 559
	1 732 666 605	434 695 002	(18 839 207)	302 450	(316 705 666)	1 168 508	(39 709 567)	1 793 578 125

Reconciliation of Work-in-Progress Economic entity - 2019

	Included within Infrastructure	Total
Opening balance	435 500 559	435 500 559
Additions/capital expenditure	205 888 787	205 888 787
	641 389 346	641 389 346

Reconciliation of Work-in-Progress Economic entity - 2018

	Included within Infrastructure	Total
Opening balance	612 257 969	612 257 969
Additions/capital expenditure	128 234 905	128 234 905
Other movements [specify]	(304 992 315)	(304 992 315)
	435 500 559	435 500 559

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	Economic entity		Controlling entity	
	2019	2018	2019	2018
	R	R	R	R

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress Controlling entity - 2019

	Included within Infrastructure	Total
Opening balance	435 500 559	435 500 559
Additions/capital expenditure	205 888 787	205 888 787
	641 389 346	641 389 346

Reconciliation of Work-in-Progress Controlling entity - 2018

	Included within Infrastructure	Total
Opening balance	612 257 969	612 257 969
Additions/capital expenditure	128 234 905	128 234 905
Other movements [specify]	(304 992 315)	(304 992 315)
	435 500 559	435 500 559

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

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9. Intangible assets

Economic entity

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	10 207 825	(8 272 987)	1 934 838	8 216 809	(6 028 388)	2 188 421

Controlling entity

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	9 217 968	(7 889 254)	1 328 714	7 571 440	(5 974 607)	1 596 833

Reconciliation of intangible assets - Economic entity - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	2 188 421	1 991 016	(2 244 599)	1 934 838

Reconciliation of intangible assets - Economic entity - 2018

	Opening balance	Additions	Revaluations	Other changes, movements	Amortisation	Total
Computer software, other	767 391	2 706 543	900	5 251	(1 291 664)	2 188 421

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9. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 596 833	1 646 528	(1 914 647)	1 328 714

Reconciliation of intangible assets - Controlling entity - 2018

	Opening balance	Additions	Revaluations	Other changes, movements	Amortisation	Total
Computer software, other	767 391	2 061 174	900	5 251	(1 237 883)	1 596 833

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10. Heritage assets

Economic entity	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other (specify class)	4 000	-	4 000	4 000	-	4 000

Controlling entity	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other - Mayoral Chain	4 000	-	4 000	4 000	-	4 000

Reconciliation of heritage assets Economic entity - 2019

	Opening balance	Total
Other (specify class)	4 000	4 000

Reconciliation of heritage assets Economic entity - 2018

	Opening balance	Total
Other (specify class)	4 000	4 000

Reconciliation of heritage assets Controlling entity - 2019

	Opening balance	Total
Other - Mayoral Chain	4 000	4 000

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10. Heritage assets (continued)

Reconciliation of heritage assets Controlling entity - 2018

	Opening balance	Total
Other - Mayoral Chain	4 000	4 000

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Geospatial Grant	1 300 000	-	1 300 000	-
Water Services Infrastructure Grant	3 843 255	11 243 255	3 843 255	11 243 255
Camperdown WWTP & PTP Grant	4 308 912	4 308 912	4 308 912	4 308 912
EPWP Grant	1 955 102	-	1 955 102	-
ORIO Grant	11 550 860	11 550 860	11 550 860	11 550 860
RASSET & DGDS Grant	2 767 806	3 300 000	126 989	3 300 000
	25 725 935	30 403 027	23 085 118	30 403 027

Movement during the year

Balance at the beginning of the year	30 403 027	53 721 103	30 403 027	53 721 103
Additions during the year	227 653 140	133 860 385	224 611 000	133 860 385
Income recognition during the year	(232 330 232)	(157 178 461)	(231 928 909)	(157 178 461)
	25 725 935	30 403 027	23 085 118	30 403 027

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

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

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
11. Unspent conditional grants and receipts (continued)				
These amounts are invested in a ring-fenced investment until utilised.				
12. Payables from exchange transactions				
Trade payables	102 985 340	89 236 219	102 923 256	89 037 097
Other payables	1 693 133	5 357 015	1 260 176	4 457 150
Accrued bonus	5 865 156	6 171 064	5 865 156	6 171 064
Retentions	24 029 812	11 108 769	24 029 812	11 108 769
	134 573 441	111 873 067	134 078 400	110 774 080
13. Consumer deposits				
Water	5 501 674	5 076 940	5 501 674	5 076 940
14. Other financial liabilities				
At amortised cost				
DBSA Loan	217 303 151	222 368 003	217 303 151	222 368 003
The loan from the Development Bank of southern Africa is a total of R230 000 000 borrowed over a 15 year term subject to a fixed 15 year SWAP rate plus 230 basis points (Average 10%) over the loan period.				
An amount of R3 750 000 is held as security for the long term loan. Refer to Note 2				
Non-current liabilities				
At amortised cost	207 632 965	213 295 553	207 632 965	213 295 553
Current liabilities				
At amortised cost	9 670 186	9 072 450	9 670 186	9 072 450
15. VAT payable				
Tax refunds payables	37 903 449	23 415 297	37 903 449	23 415 297

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Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

16. Provisions

Reconciliation of provisions - Economic entity - 2019

	Opening Balance	Additions	Utilised during the year	Transfer to Short Term	Total
Post Employment Benefits - Short term	-	844 517	-	-	844 517
Long Service Awards - Short term	-	1 581 000	-	-	1 581 000
Leave Pay Provision	12 972 729	1 413 946	-	-	14 386 675
Employee benefit cost	19 266 213	4 447 117	(1 026 516)	(813 955)	21 872 859
Long Service awards	11 863 788	1 986 000	(857 000)	(1 581 000)	11 411 788
	44 102 730	10 272 580	(1 883 516)	(2 394 955)	50 096 839

Reconciliation of provisions - Economic entity - 2018

	Opening Balance	Additions	Utilised during the year	Total
Leave Pay Provision	11 921 249	1 051 480	-	12 972 729
Employee benefit cost	21 534 198	-	(2 267 985)	19 266 213
Long Service awards	10 275 788	1 588 000	-	11 863 788
	43 731 235	2 639 480	(2 267 985)	44 102 730

Reconciliation of provisions - Controlling entity - 2019

	Opening Balance	Additions	Utilised during the year	Transfer to short term	Total
Post Employment Benefits - Short term	-	813 955	-	-	813 955
Long Service Awards - short term	-	1 581 000	-	-	1 581 000
Leave Pay Provision	12 972 729	1 413 946	-	-	14 386 675
Employee benefit cost - Long term	19 266 213	4 447 117	(1 026 516)	(813 955)	21 872 859
Long Service awards - Long term	11 863 788	1 986 000	(857 000)	(1 581 000)	11 411 788
	44 102 730	10 242 018	(1 883 516)	(2 394 955)	50 066 277

Reconciliation of provisions - Controlling entity - 2018

	Opening Balance	Additions	Utilised during the year	Total
Leave Pay Provision	11 921 249	1 051 480	-	12 972 729
Employee benefit cost	21 534 198	-	(2 267 985)	19 266 213
Long Service awards	10 275 788	1 588 000	-	11 863 788
	43 731 235	2 639 480	(2 267 985)	44 102 730

Non-current liabilities	33 284 647	31 130 001	33 284 647	31 130 001
Current liabilities	16 812 192	12 972 729	16 781 630	12 972 729
	50 096 839	44 102 730	50 066 277	44 102 730

These provisions relate to post employment benefits which the municipality is obliged to honour in terms of the prevailing conditions of employment for all staff members.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

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Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
17. Service charges				
Service charges	969 455	283 203	969 455	283 203
Sale of water	223 879 702	155 911 896	223 879 702	155 911 896
Sewerage and sanitation charges	28 432 720	20 807 987	28 432 720	20 807 987
	253 281 877	177 003 086	253 281 877	177 003 086
18. Rental of facilities and equipment				
Garages and parking				
Parking Fees	256 517	246 483	256 517	246 483
19. Other income				
Tender Documents	15 469	14 134	15 469	14 134
Mandela Day Marathon Entrance Fees	7 085 647	658 822	7 085 647	658 822
Insurance Refund	34 931	314 993	34 931	314 993
Bursaries	389	658 311	389	658 311
	7 136 436	1 646 260	7 136 436	1 646 260
20. Investment revenue				
Interest revenue				
Bank	8 096 516	10 106 156	8 089 955	10 074 241
21. Interest from Outstanding Debtors				
Interest - Receivables	38 999 627	30 066 247	38 999 627	30 066 247
Staff Interest	-	3 981	-	3 981
SARS Interest	-	397	-	397
	38 999 627	30 070 625	38 999 627	30 070 625

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
22. Government grants and subsidies				
Operating grants				
Equitable share	476 468 000	420 729 001	476 468 000	420 729 000
RASETT & DGDP Grant	(245 154)	918 165	(245 154)	918 165
Municipal Infrastructure Grant	100 229 323	72 590 225	99 828 000	72 590 225
Rural Road Asset Management System	2 531 000	2 526 000	2 531 000	2 526 000
Water Services Infrastructure Grant	115 187 000	33 624 109	115 187 000	33 624 109
SETA Grants	395 625	4 380 750	395 625	4 380 750
EPWP Grant	2 309 898	1 428 000	2 309 898	1 428 000
Financial Management Grant	1 000 000	2 450 000	1 000 000	1 250 000
SANBI Grant	6 848 639	4 122 744	6 848 639	4 122 744
	704 724 331	542 768 994	704 323 008	541 568 993

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	228 100 162	119 921 828	228 100 162	119 921 828
Unconditional grants received	476 468 000	420 729 000	476 468 000	420 729 000
	704 568 162	540 650 828	704 568 162	540 650 828

Equitable Share

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

Geospatial Grant

Current-year receipts	1 300 000	-	1 300 000	-
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Conditions still to be met - remain liabilities (see note 11).

Water Services Infrastructure Grant

Balance unspent at beginning of year	11 243 255	-	11 243 255	-
Current-year receipts	115 187 000	62 998 000	115 187 000	62 998 000
Conditions met - transferred to revenue	(115 187 000)	(33 624 109)	(115 187 000)	(33 624 109)
Repayment to National Fiscus	(7 400 000)	-	(7 400 000)	-
Correction of Prior Period Error	-	(18 130 636)	-	(18 130 636)
	3 843 255	11 243 255	3 843 255	11 243 255

Conditions still to be met - remain liabilities (see note 11).

Camperdown WWTP & PTP Grant

Balance unspent at beginning of year	4 308 912	4 308 912	4 308 912	4 308 912
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Conditions still to be met - remain liabilities (see note 11).

EPWP Grant

Current-year receipts	4 265 000	1 428 000	4 265 000	1 428 000
Conditions met - transferred to revenue	(2 309 898)	(1 428 000)	(2 309 898)	(1 428 000)

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	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
22. Government grants and subsidies (continued)	1 955 102	-	1 955 102	-
Conditions still to be met - remain liabilities (see note 11).				
Municipal Infrastructure Grant				
Current-year receipts	99 828 000	96 021 000	99 828 000	96 021 000
Conditions met - transferred to revenue	(99 828 000)	(96 021 000)	(99 828 000)	(96 021 000)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 11).				
Provide explanations of conditions still to be met and other relevant information.				
Rural Road Asset Management Systems Grant				
Current-year receipts	2 531 000	2 526 000	2 531 000	2 526 000
Conditions met - transferred to revenue	(2 531 000)	(2 526 000)	(2 531 000)	(2 526 000)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 11).				
Provide explanations of conditions still to be met and other relevant information.				
ORIO Grant				
Balance unspent at beginning of year	11 550 860	11 550 860	11 550 860	11 550 860
Conditions still to be met - remain liabilities (see note 11).				
Provide explanations of conditions still to be met and other relevant information.				
SETA Grants				
Balance unspent at beginning of year	-	910 776	-	910 776
Current-year receipts	395 625	3 469 974	395 625	3 469 974
Conditions met - transferred to revenue	(395 625)	(4 380 750)	(395 625)	(4 380 750)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 11).				
Provide explanations of conditions still to be met and other relevant information.				
RASET & DGDS Grant				
Balance unspent at beginning of year	3 300 000	3 300 000	3 300 000	3 300 000
Transferred to UMEDA	-	-	(3 000 000)	-
Conditions met - transferred to revenue	(574 334)	(918 165)	(173 011)	(918 165)
Other	42 140	918 165	-	918 165
	2 767 806	3 300 000	126 989	3 300 000
Conditions still to be met - remain liabilities (see note 11).				

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019	2018	2019	2018
	R	R	R	R

22. Government grants and subsidies (continued)

Finance Management Grant

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

Conditions still to be met - remain liabilities (see note 11).

Provide explanations of conditions still to be met and other relevant information.

SANBI Grant

Current-year receipts	6 848 639	4 122 744	6 848 639	4 122 744
Conditions met - transferred to revenue	(6 848 639)	(4 122 744)	(6 848 639)	(4 122 744)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 11).

Provide explanations of conditions still to be met and other relevant information.

23. Fines, Penalties and Forfeits

Retentions Forfeits	-	4 959 781	-	4 959 781
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UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

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	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
24. Employee related costs				
Basic	133 178 696	114 526 936	132 101 365	113 892 655
Bonus	11 058 900	9 984 648	11 058 900	9 984 648
Medical aid - company contributions	12 693 015	12 051 678	12 693 015	12 051 678
UIF	973 711	780 683	904 505	780 683
WCA	438 651	1 066 616	438 651	1 066 616
SDL	1 963 572	1 719 740	1 963 572	1 719 740
Other - Bargaining Council	56 010	44 389	56 010	44 389
Leave pay provision charge	2 631 193	1 499 332	2 631 193	1 499 332
Cellphone Allowances	45 083	42 000	45 083	42 000
Group Life Contributions	2 964 868	-	2 964 868	-
Standby Allowances	8 699 180	4 081 013	8 699 180	4 081 013
Other - Tool Allowances	1 537 164	1 581 178	1 537 164	1 581 178
Defined contribution plans	27 904 803	25 375 576	27 904 803	25 375 576
Travel, motor car, accommodation, subsistence and other allowances	19 113 078	17 202 374	19 113 078	17 202 374
Overtime payments	7 042 014	7 831 565	7 042 014	7 831 565
Long-service awards	3 393 640	3 110 764	3 393 640	3 110 764
Acting allowances	449 905	805 580	449 905	805 580
Housing benefits and allowances	1 106 473	1 022 787	1 106 473	1 022 787
Uniforms & Clothing Allowances	67 794	114 358	67 794	114 358
Shift Allowance	4 259 815	3 366 140	4 259 815	3 366 140
Termination benefits - Curtailment and Settlements	(170 000)	(916 700)	(170 000)	(916 700)
	239 407 565	205 290 657	238 261 028	204 656 376

Remuneration of Municipal Manager

Annual Remuneration	1 242 678	649 440	1 242 678	649 440
Performance Bonus Provision	26 877	62 378	26 877	62 378
Contributions to UIF, Medical and Pension Funds	1 890	-	1 890	-
Cellphone Allowance	21 600	12 600	21 600	12 600
	1 293 045	724 418	1 293 045	724 418

Remuneration of the Chief Financial Officer - S Ncube

Annual Remuneration	248 866	1 311 614	248 866	1 311 614
Travel Allowance	34 153	180 000	34 153	180 000
Performance Bonus Provision	35 792	69 823	35 792	69 823
Contributions to UIF, Medical and Pension Funds	621	-	621	-
Other	-	65 809	-	65 809
Acting Allowances	5 400	49 608	5 400	49 608
Leave Pay	216 499	-	216 499	-
	541 331	1 676 854	541 331	1 676 854

The Chief Financial Officer resigned from the employment of Council on the 30th September 2018

Remuneration of the Chief Financial Officer - AY Singh

Annual Remuneration	393 026	-	393 026	-
Travel Allowance	175 000	-	175 000	-
Telephone Allowance	12 600	-	12 600	-
Contributions to UIF, Medical Aid and Pension Funds	7 011	-	7 011	-
Leave Pay	43 017	-	43 017	-

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	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

24. Employee related costs (continued)

630 654	-	630 654	-
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Council appointed AY Singh as Acting Chief Financial Officer from October 2018 to March 2019

Remuneration of the Chief Financial Officer - LM Africa

Annual Remuneration	267 735	-	267 735	-
Travel Allowance	40 160	-	40 160	-
Telephone Allowance	6 480	-	6 480	-
Contributions to UIF, Medical and Pension Funds	3 629	-	3 629	-
	318 004	-	318 004	-

Council appointed LM Africa as Acting Chief Financial Officer from March 2019 to June 2019 who is still the current Acting Chief Financial Officer

Remuneration of SEM: Corporate Services - G Bhengu

Annual Remuneration	66 377	940 802	66 377	940 802
Travel Allowance	462	117 383	462	117 383
Performance Bonus Provision	26 319	152 626	26 319	152 626
Contributions to UIF, Medical and Pension Funds	816	1 885	816	1 885
Cellphone Allowance	83	21 129	83	21 129
Leave Pay	-	84 277	-	84 277
	67 738	1 318 102	67 738	1 318 102

The SEM: Corporate Services resigned from the employ of Council on the 31st July 2018

Remuneration of SEM: Corporate Services - MW Sibiya

Acting and other allowances	69 602	-	69 602	-
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Council appointed MW Sibiya as Acting SEM: Corporate Services from August 2018 to February 2019

Remuneration of SEM: Corporate Services - N Mkhize

Annual Remuneration	281 842	-	281 842	-
Travel Allowance	59 942	-	59 942	-
Telephone Allowance	7 117	-	7 117	-
Contributions to UIF, Medical Aid and Pension Funds	3 928	-	3 928	-
	352 829	-	352 829	-

Council appointed N Mkhize as SEM: Corporate Services as from March 2019 who is still the current incumbent for that portfolio.

Remuneration of SEM: Community Services - R Baloyi

Annual Remuneration	-	1 091 095	-	1 091 095
Travel Allowance	-	163 850	-	163 850
Performance Bonus Provision	-	189 018	-	189 018
Contributions to UIF, Medical and Pension Funds	2 767	-	2 767	-
Leave Pay	261 842	-	261 842	-

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Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
24. Employee related costs (continued)				
Cellphone Allowance	-	21 600	-	21 600
	264 609	1 465 563	264 609	1 465 563

The SEM: Community Services resigned from the employ of Council on the 31st July 2018

Remuneration of SEM: Community Services - S Mkhize

Acting and Other allowances	40 573	-	40 573	-
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Council appointed S Mkhize as Acting SEM: Community Services from August 2018 to December 2018

Remuneration of SEM: Community Services - S Ntuli

Acting and Other Allowances	29 028	-	29 028	-
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Council appointed S Ntuli as Acting SEM: Community Services from Decembr 2018 to January 2019

Remuneration of SEM: Community Services - T Ndlela

Annual Remuneration	316 114	-	316 114	-
Travel Allowance	26 000	-	26 000	-
Telephone Allowance	7 200	-	7 200	-
Contributions to UIF, Medical Aid and Pension Funds	3 999	-	3 999	-
	353 313	-	353 313	-

Remuneration of SEM: Technical Services

Annual Remuneration	988 528	945 247	988 528	945 247
Car Allowance	270 395	270 395	270 395	270 395
Performance Bonus Provision	34 414	199 578	34 414	199 578
Cellphone Allowance	21 600	21 600	21 600	21 600
	1 314 937	1 436 820	1 314 937	1 436 820

Mr B Mbambo served as SEM: Technical Services for the entire period under review.

25. Remuneration of councillors

Mayor	1 426 260	1 719 352	1 051 128	1 012 408
Deputy Mayor	263 451	297 252	263 451	297 252
Executive Committee Members	1 517 423	1 541 923	1 517 423	1 541 923
Speaker	849 782	824 563	849 782	824 563
Councillors	7 146 282	6 526 204	7 146 282	6 526 204
Non-Executive Board Members	474 164	461 618	-	-
Chief Whip	799 445	764 692	799 445	764 692
	12 476 807	12 135 604	11 627 511	10 967 042

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	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
25. Remuneration of councillors (continued)				
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 and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.				
The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.				
26. Depreciation and amortisation				
Property, plant and equipment	46 662 072	40 993 268	46 523 154	40 947 451
Intangible assets	329 952	53 781	-	-
	46 992 024	41 047 049	46 523 154	40 947 451
27. Finance costs				
Trade and other payables	450 605	52 964	450 171	52 964
Other interest paid	11 052 100	35 267 972	11 052 100	35 267 972
	11 502 705	35 320 936	11 502 271	35 320 936
28. Lease rentals on operating lease				
Premises				
Contractual amounts	137 713	113 277	-	-
29. Bulk purchases				
Water	161 412 143	132 358 233	161 412 143	132 358 233
30. Contracted services				
Outsourced Services				
ICT Support Services	1 749 787	3 462 342	1 749 787	3 462 342
Business and Advisory	3 689 412	2 370 150	3 689 412	2 370 150
Catering Services	452 746	1 102 097	452 746	1 102 097
Clearing and Grass Cutting Services	2 193 343	93 319	2 193 343	93 319
Fire Services	119 304	87 719	119 304	87 719
Hygiene Services	187 316	795 987	187 316	795 987
Meter Management	2 088 876	4 819 722	2 088 876	4 819 722
Medical Services [Medical Health Services & Support	-	10 406	-	10 406
Researcher	-	626 048	-	626 048
Sewerage Services	54 371 980	58 319 689	54 371 980	58 319 689
Water Tankers	72 119 521	57 232 161	72 119 521	57 232 161
Consultants and Professional Services				
Business and Advisory	2 472 460	7 742 500	2 472 460	7 742 500
Infrastructure and Planning	24 750 927	18 018 425	24 750 927	18 018 425
Laboratory Services	186 677	46 820	186 677	46 820
Legal Cost	2 651 622	2 556 995	2 651 622	2 556 995

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	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
30. Contracted services (continued)				
Contractors				
Artists and Performers	-	93 000	-	93 000
Audio-visual Services	185 000	740 000	185 000	740 000
Catering Services	87 845	130 511	87 845	130 511
Employee Wellness	443 011	419 659	443 011	419 659
Event Promoters	14 921 803	9 494 524	14 921 803	9 494 524
Maintenance of Buildings and Facilities	3 607 190	3 145 916	3 607 190	3 145 916
Maintenance of Equipment	1 320	-	1 320	-
Plants, Flowers and Other Decorations	-	50 696	-	50 696
Safeguard and Security	14 596 444	7 656 185	14 596 444	7 656 185
Sports and Recreation	-	72 925	-	72 925
Stage and Sound Crew	-	35 400	-	35 400
Exhibit Installations	-	78 854	-	78 854
	200 876 584	179 202 050	200 876 584	179 202 050
31. Grants and subsidies paid				
Other subsidies				
UMEDA Transfer	-	-	6 415 719	3 508 636
32. General expenses				
Accounting fees	276 394	-	-	-
Advertising	926 638	2 537 274	848 486	1 434 215
Auditors remuneration	5 260 377	3 634 353	4 927 819	3 634 353
Bank charges	1 502 266	1 040 818	1 497 182	1 037 766
Cleaning	1 512	6 414	-	-
Consulting and professional fees	879 564	449 299	586 825	113 999
Entertainment	20 948	279 229	20 760	265 545
Hire	141 949	794 827	141 949	794 827
Insurance	21 063	1 196 323	18 000	1 196 323
IT expenses	500 886	932 716	34 688	-
Fleet - Hire Charges	12 164 174	12 807 873	12 164 174	12 807 873
Motor vehicle expenses	126 874	141 551	126 874	141 551
Fuel and oil	7 923 725	6 694 604	7 923 725	6 694 604
Placement fees	3 371	-	3 371	-
Postage and courier	875 985	852 992	875 985	852 992
Printing and stationery	1 749 863	1 839 725	1 610 895	1 825 138
Promotions	127 091	-	127 091	-
Repairs and maintenance	250	77 119	-	-
Security (Guarding of municipal property)	7 338	2 683	-	-
Software expenses	1 764 384	1 827 585	1 764 384	1 827 585
Subscriptions and membership fees	56 590	94 771	56 590	94 771
Telephone and fax	2 951 280	3 493 635	2 948 580	3 487 161
Transport and freight	35 000	-	-	-
Training	35 810	4 376 063	25 043	4 363 691
Travel - local	4 315 255	2 580 304	4 281 149	2 525 376
Assets expensed	3 897	18 790	-	-
Uniforms	2 251 404	708 340	2 251 404	708 340
Bursary	1 533 516	627 570	1 528 386	627 570
Purchase of Material	2 435 719	16 263 983	2 435 719	16 263 983
Other expenses	251 798	5 417 209	247 382	5 393 234
Farming only	25 116	17 765	-	-
	48 170 037	68 713 815	46 446 461	66 090 897

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Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

33. Employee benefit obligations

Defined benefit plan

The actuarial valuation determined that the retirement plan was in a sound financial position.

Post retirement medical aid plan

The municipality operates on five accredited medical aid schemes, namely, Bonitas, KeyHealth, LA Health, SAMWUMed and HosMed

Pension benefits

Pensioners have the option to continue on the option they belonged to on the day of their retirement. The independent valuers, 1 Pangea have carried out the annual statutory valuation and provided the information required to be disclosed in terms of GRAP 25

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

Opening balance	31 130 213	31 810 198	31 130 213	31 810 198
Benefits paid	(1 883 516)	(1 220 516)	(1 883 516)	(1 220 516)
Net expense recognised in the statement of financial performance	6 433 117	540 531	6 433 117	540 531
	35 679 814	31 130 213	35 679 814	31 130 213

Net expense recognised in the statement of financial performance

Current service cost	1 610 000	2 881 000	1 610 000	2 881 000
Interest cost	3 351 306	1 630 402	3 351 306	1 630 402
Actuarial (gains) losses	1 471 811	(3 970 871)	1 471 811	(3 970 871)
	6 433 117	540 531	6 433 117	540 531

Calculation of actuarial gains and losses

Actuarial (gains) losses – Plan assets	-	-	1 471 811	(3 970 871)
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Changes in the fair value of plan assets are as follows:

Opening balance	39 071 955	31 810 198	39 071 955	31 810 198
Actuarial gains (losses)	(1 471 811)	3 970 871	(1 471 811)	3 970 871
Contributions by employer	3 351 306	1 630 402	3 351 306	1 630 402
Contributions by plan participants	1 610 000	2 881 000	1 610 000	2 881 000
Benefits paid	(1 883 516)	(1 220 516)	(1 883 516)	(1 220 516)
	40 677 934	39 071 955	40 677 934	39 071 955

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	2.26 %	2.43 %	2.26 %	2.43 %
Expected rate of return on assets	9.72 %	10.64 %	9.72 %	10.64 %
Medical cost trend rates	7.29 %	8.02 %	7.29 %	8.02 %

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	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
33. Employee benefit obligations (continued)				
Defined contribution plan				
It is the policy of the economic entity to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.				
The economic entity is under no obligation to cover any unfunded benefits.				
34. Auditors' remuneration				
Fees	5 260 377	3 634 353	4 927 819	3 634 353
35. Cash generated from operations				
Surplus (deficit)	174 841 348	(53 912 186)	172 313 931	(54 014 102)
Adjustments for:				
Depreciation and amortisation	46 992 024	41 047 049	46 523 154	40 947 451
Debt impairment	111 143 972	139 701 691	111 143 972	139 701 691
Movements in provisions	5 994 109	(679 985)	5 963 547	(679 985)
Finance Costs - Fair value adjustments on payables	-	52 972	-	52 972
Changes in working capital:				
Inventories	(427 107)	408 406	(396 867)	408 406
Receivables from exchange transactions	(7 971 929)	(4 609 672)	(7 971 929)	(4 609 672)
Consumer debtors	(14 212 481)	(21 032 590)	(14 212 481)	(21 032 590)
Other receivables from non-exchange transactions	(3 591 637)	254 677	(893 301)	254 677
Payables from exchange transactions	(110 794 762)	(23 408 929)	(110 046 574)	(24 507 916)
VAT	14 488 152	16 156 560	14 488 152	16 156 560
Unspent conditional grants and receipts	(4 677 092)	216 125 261	(7 317 909)	216 125 261
Consumer deposits	424 734	275 768	424 734	275 768
	212 209 331	310 379 022	210 018 429	309 078 521

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Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
36. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Property, plant and equipment	212 198 085	197 454 799	212 198 085	197 454 799
Total capital commitments				
Already contracted for but not provided for	212 198 085	197 454 799	212 198 085	197 454 799
Authorised operational expenditure				
Already contracted for but not provided for				
• Office Rental	702 994	702 994	755 654	702 994
• Maintenance	818 168	2 045 420	818 168	2 045 420
• Other General	1 190 703	16 647 927	1 190 703	16 647 927
	2 711 865	19 396 341	2 764 525	19 396 341
Total operational commitments				
Already contracted for but not provided for	2 711 865	19 396 341	2 764 525	19 396 341
Total commitments				
Total commitments				
Authorised capital expenditure	212 198 085	197 454 799	212 198 085	197 454 799
Authorised operational expenditure	2 711 865	19 396 341	2 764 525	19 396 341
	214 909 950	216 851 140	214 962 610	216 851 140

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	2 328 405	11 939 910	2 231 823	11 850 486
- in second to fifth year inclusive	532 701	7 545 856	532 701	7 545 856
	2 861 106	19 485 766	2 764 524	19 396 342

Operating lease payments represent rentals payable by the economic entity for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

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Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

37. Contingencies

A matter between the municipality and MHZA Machine Handling cc in relation to ORIO Funded Projects. The matter is in relation to monetary claims for services rendered by MHZA amounting to R16 609 254.33 and a further R56 245406.84 for damages. The total claim amounts to R72 854 661.17

A matter between Amaraka Investments to the value of R13 050 776 pertaining to a developers claim for reimbursement for transporting effluent.

Another matter between Yellowdot to the value of R445 796.97 for unpaid invoices and the early termination of a contract.

An amount of R546 062 is claimed by George Shabalala for damages caused by sewer overflow.

An amount of R155 829 is calimed by Mbulelo Sibiya for motor vehicle damages caused by an employee during the cause and scope of employment.

The economic entity had terminated the services of one of its employees. The employee was awarded an order for compensation and re-instatement at abitration however the municiplaity filed an application for review. The award was for a total of R976 438 and a further R600 000 is estimated for costs.

No provision has been made in the financial statements for all of the above liabilities.

38. Events after the reporting date

A non-governmental organisation Association for Rural Advancement (AFRA) was awarded a court judgement for the provision of services to farm residents. The municipality was thus ordered to provide water and sanitation services to all farm residents. The municiplaity is currently undertaking a study to determine the mechanism of providing such services as well as the cost involved.

39. Water Losses

32 339 991	42 618 114	32 339 991	42 618 114
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The total amount of water available for distribution was 17 707 445 kL of which 12 403 500 kL was sold resulting in water losses of 5 301 945 kL (30%) for 2018/18 compared to 7 103 019 kL (36%) for 2017/18.

This equates to a reduction on water losses by 1 801 074 kL indicating improved water infrastructure maintenance.

40. Fruitless and wasteful expenditure

Opening balance as previously reported	2 618 808	2 271 469	2 607 334	2 271 469
Opening balance as restated	2 618 808	2 271 469	2 607 334	2 271 469
Add: Fruitless and Wasteful Expenditure - current period	514 053	347 339	488 248	335 865
Closing balance	3 132 861	2 618 808	3 095 582	2 607 334

41. Irregular expenditure

Opening balance as previously reported	8 085 873	2 730 927	6 715 160	1 360 214
Opening balance as restated	8 085 873	2 730 927	6 715 160	1 360 214
Add: Irregular Expenditure - current period	8 826 445	5 354 946	7 803 093	5 354 946
Closing balance	16 912 318	8 085 873	14 518 253	6 715 160

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
42. Unauthorised expenditure				
Opening balance as previously reported	51 485 203	-	51 485 203	-
Correction of prior period error	-	51 485 203	-	51 485 203
Opening balance as restated	51 485 203	51 485 203	51 485 203	51 485 203
Add: Unauthorised Expenditure - current period	45 447 394	1 683 735	45 447 394	-
Less: Amount written off - current	-	(1 683 735)	-	-
Closing balance	96 932 597	51 485 203	96 932 597	51 485 203

The unauthorised expenditure of R45 447 394 (2018: R51 485 203) was due to the actual expenditure being more than the approved operating expenditure budget. This was due to increased contributions for debt impairment as a result of non-payment of debtors as well as the increased contribution for depreciation and impairment of assets.

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	65 475 204	67 820 814	65 475 204	67 820 814
Cash	(20 027 810)	(16 335 611)	(20 027 810)	(16 335 611)
	45 447 394	51 485 203	45 447 394	51 485 203

Analysed as follows: non-cash

Depreciation and amortisation	11 523 154	7 116 803	11 523 154	7 116 803
Provision of impairment - Debtors	53 952 050	60 704 011	53 952 050	60 704 011
	65 475 204	67 820 814	65 475 204	67 820 814

Analysed as follows: cash

Bulk purchases	22 262 143	11 148 739	22 262 143	11 148 739
Contracted services	(995 004)	(8 370 732)	(995 004)	(8 370 732)
Finance Costs	(16 043 729)	11 901 936	(16 043 729)	11 901 936
Employee related costs	(27 010 568)	(15 139 939)	(27 010 568)	(15 139 939)
Remuneration of Councillors	(638 919)	(1 918 974)	(638 919)	(1 918 974)
Transfers and Subsidies	3 115 719	-	3 115 719	-
General Expenditure	(717 452)	(13 956 641)	(717 452)	(13 956 641)
	(20 027 810)	(16 335 611)	(20 027 810)	(16 335 611)

Unauthorised expenditure: Budget overspending – per municipal department

Office of the Municipal Manager	(5 670 042)	(5 208 570)	(5 670 042)	(5 208 570)
Finance	15 850 614	68 860 594	15 850 614	68 860 594
Corporate Services	(2 908 600)	4 755 061	(2 908 600)	4 755 061
Community Services	(889 925)	(19 414 607)	(889 925)	(19 414 607)
Technical Services	39 065 346	2 492 725	39 065 346	2 492 725
	45 447 393	51 485 203	45 447 393	51 485 203

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Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
43. Additional disclosure in terms of Municipal Finance Management Act				
Contributions to organised local government				
Current year subscription / fee	2 636 783	2 257 775	2 636 783	2 257 775
Amount paid - current year	(2 636 783)	(2 257 775)	(2 636 783)	(2 257 775)
	-	-	-	-
PAYE and UIF				
Current year subscription / fee	33 858 354	38 697 949	33 789 148	38 697 949
Amount paid - current year	(33 858 354)	(38 697 949)	(33 789 148)	(38 697 949)
	-	-	-	-
Pension and Medical Aid Deductions				
Current year subscription / fee	38 652 027	37 427 255	38 652 027	37 427 255
Amount paid - current year	(38 652 027)	(37 427 255)	(38 652 027)	(37 427 255)
	-	-	-	-
VAT				
VAT payable	37 903 449	23 415 297	37 903 449	23 415 297

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

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Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2019	2018	2019	2018
	R	R	R	R

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Ragavaloo A (Mr)	3 826	1 000	4 826
Dladla ME (Mr)	313	-	313
Dlamini MP (Mr)	875	2 664	3 539
Mungroo NA (Mr)	4 745	27 234	31 979
Lake H (Ms)	650	-	650
Nkuna SD (Mr)	1 710	32 082	33 792
Mabhida N (Ms)	887	7 287	8 174
Ntuli JB (Mr)	120	-	120
Ragavaloo A (Mr)	1 399	13 219	14 618
Zondi DP (Mr)	8 200	49 914	58 114
	22 725	133 400	156 125

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Ragavaloo A (Mr)	1 312	-	1 312
Dladla ME (Mr)	556	1 815	2 371
Dlamini MP (Mr)	427	198	625
Mungroo NA (Mr)	2 223	16 919	19 142
Nkuna SD (Mr)	1 458	31 582	33 040
Mabhida N (Ms)	1 104	5 903	7 007
Ntuli JB (Mr)	462	-	462
Ragavaloo A (Mr)	5 463	4 460	9 923
Zondi DP (Mr)	4 074	24 228	28 302
Holmes JE (Ms)	639	-	639
	17 718	85 105	102 823

44. Deviation from supply chain management regulations

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

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

The municipality recorded deviations totalling R5 061 320 (2018: R28 733 958) in the current financial year. The deviations were reported to and ratified by Council at the respective meetings held during the year.

45. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 5.7% (2018: 6.6%) for the municipality was mainly due to increased contributions for debt impairment, depreciation as well as bulk water purchases. There were no other material differences between the final budget and the actual amounts.

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Notes to the Annual Financial Statements

46. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications had on the amount previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amount involved.

Statement of Financial Position

	Economic entity		Controlling entity	
	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Note(s)	R	R	R	R
Assets				
Current Assets				
Cash and cash equivalents	49 365 759	244 379	-	49 610 138
Consumer Debtors	120 379 671	8 754 833	-	129 134 504
Receivables from exchange transactions	11 204 706	(4 600 418)	-	6 604 288
Receivables from non-exchange transactions	-	(254 677)	-	(254 677)
Inventories	2 063 978	-	-	2 063 978
	183 014 114	4 144 117	-	187 158 231
Non-Current Assets				
Property, plant and equipment	1 339 271 905	454 306 220	-	1 793 578 125
Heritage assets	-	4 000	-	4 000
Intangible assets	1 567 031	29 802	-	1 596 833
	1 340 838 936	454 340 022	-	1 795 178 958
Total Assets	1 523 853 050	458 484 139	-	1 982 337 189
Liabilities				
Current Liabilities				
Payables from exchange transactions	116 142 811	(5 368 731)	-	110 774 080
Consumer deposits	6 183 311	(1 106 371)	-	5 076 940
Provisions	31 130 001	(18 157 272)	-	12 972 729
Unspent conditional grants and receipts	72 183 742	(41 780 715)	-	30 403 027
Other Financial Liabilities	13 040 563	(3 968 113)	-	9 072 450
VAT payable	23 333 113	82 184	-	23 415 297
	262 013 541	(70 299 018)	-	191 714 523
Non-Current Liabilities				
Provisions	31 130 001	-	-	31 130 001
Other Financial Liabilities	213 295 553	-	-	213 295 553
	244 425 554	-	-	244 425 554
Total Liabilities	506 439 095	(70 299 018)	-	436 140 077
Net Assets	1 017 413 955	528 783 157	-	1 546 197 112

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Notes to the Annual Financial Statements

46. Prior period errors (continued)

Net Assets

Reserves			
Revaluation reserve	24 064 477	564 383	- 24 628 860
Accumulated surplus	1 024 479 479	498 456 494	- 1 522 935 973
Total Net Assets	1 048 543 956	499 020 877	- 1 547 564 833

46.1 Consumer Debtors

Balance previously reported	-	-	120 379 671
Correction of Prior period errors	-	-	8 754 833
	-	-	129 134 504

46.2 Receivables from exchange transactions

Balance previously reported	-	-	11 204 706
Correction of Prior period errors	-	-	(5 207 402)
Reclassification from Consumer debtors	-	-	851 363
Interest Accrued	-	-	(244 379)
	-	-	6 604 288

Parking debtor had a debit balance in payables from exchange transactions and was reclassified correctly. the same applies to legal fees payable that had a credit balance which formed part of other receiveables from exchange transactions.

A data cleansing exercise was done, for the clearing of all suspense accounts due to the mSCOA implementation.

46.3 Receivables from non-exchange transactions

Balance previously reported	-	-	1 113 044
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The accounting transaction for the government grants and subsidies were incorrectly processed in the prior year on the financial system.

46.4 Inventories

Balance previously reported	-	-	2 063 978
Other	-	-	-
	-	-	2 063 978

46.5 VAT receivable

Balance previously reported	-	-	-
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46.6 Prepayments

Balance previously reported	-	-	-
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UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

46. Prior period errors (continued)

46.7 Property, plant and equipment

Balance previously reported	-	-	1 339 271 905
Correction of Prior period errors	-	-	454 306 220
	-	-	1 793 578 125

Refer to note , Change in accounting policy for detail on the change in measurement base.

Assets were zero book value identified were corrected retrospectively.

46.8 Intangible assets

Balance previously reported	-	-	1 567 031
Correction of Prior period errors	-	-	29 802
	-	-	1 596 833

Assets with zero book value identified were corrected retrospectively.

46.9 Heritage assets

Balance previously reported	-	-	-
Correction of Prior period errors	-	-	4 000
	-	-	4 000

Heritage assets were previously classified under other PPE and have been corrected

46.10 Payables from exchange transactions

Balance previously reported	-	-	116 142 811
Correction of Prior period errors	-	-	(5 368 731)
	-	-	110 774 080

Correction of allocation and mapping errors in prior years.

46.11 Unspent conditional grants and receipts

Balance previously reported	-	-	72 183 742
Correction of Prior period errors	-	-	(41 780 715)
	-	-	30 403 027

46.12 Provisions

Balance previously reported	-	-	31 130 001
Correction of error - reclassification	-	-	(18 157 272)
	-	-	12 972 729

46.13 Consumer deposits

Balance previously reported	-	-	6 183 311
Correction of prior period error	-	-	(1 106 371)
	-	-	5 076 940

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

46. Prior period errors (continued)

46.14 Other Financial Liabilities

Balance previously reported	-	-	13 040 563
Correction of prior period error	-	-	(3 968 113)
	-	-	9 072 450

Short term portion not disclosed previously

46.15 VAT payable

Balance previously reported	-	-	23 333 113
Correction of Prior period errors	-	-	82 184
	-	-	23 415 297

46.16 Provisions

Balance previously reported	-	-	31 130 001
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46.17 Other Financial Liabilities

Balance previously reported	-	-	213 295 553
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46.18 Revaluation reserve

-

46.19 Accumulated surplus

Balance previously reported	-	-	1 024 479 479
Correction of Prior period errors	-	-	485 939 554
Correction of Error	-	-	1 089 721

-

-

Restated balance as at 01 July 2018

-

-

1 511 508 754

Refer to the nature of the adjustments in the financial statement line items as indicated above.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

46. Prior period errors (continued)

Statement of Financial Performance

	Economic entity		Controlling entity	
	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Note(s)	R	R	R	R
Revenue				
Revenue from exchange transactions				
Service charges	177 003 208	(122)	-	177 003 086
Rental of facilities and equipment	246 483	-	-	246 483
Recoveries	918 165	(918 165)	-	-
Other income	7 923 097	(6 276 837)	-	1 646 260
Investment revenue	3 801 783	6 272 458	-	10 074 241
Total revenue from exchange transactions	189 892 736	(922 666)	-	188 970 070
Revenue from non-exchange transactions				
Taxation revenue				
Interest, Dividends and Rent on Land	30 067 834	2 791	-	30 070 625
Transfer revenue				
Government grants & subsidies	573 478 639	(31 909 646)	-	541 568 993
Fines, Penalties and Forfeits	1 995 781	2 964 000	-	4 959 781
Other transfer revenue	4 122 744	(4 122 744)	-	-
Total revenue from non-exchange transactions	609 664 998	(33 065 599)	-	576 599 399
Total revenue	799 557 734	(33 988 265)	-	765 569 469
Expenditure				
Employee related costs	(206 407 522)	(4 870 611)	-	(211 278 133)
Remuneration of councillors	(10 347 456)	(619 586)	-	(10 967 042)
Depreciation and amortisation	(43 830 234)	2 882 783	-	(40 947 451)
Impairment loss/ Reversal of impairments	-	(18 839 208)	-	(18 839 208)
Finance costs	(35 320 936)	-	-	(35 320 936)
Debt impairment	(139 701 691)	-	-	(139 701 691)
Bulk purchases	(132 382 728)	24 495	-	(132 358 233)
Contracted services	(190 408 340)	11 206 290	-	(179 202 050)
Transfers and subsidies	-	(3 508 636)	-	(3 508 636)
General Expenses	(67 596 962)	1 506 065	-	(66 090 897)
Total expenditure	(825 995 869)	(1 238 014)	-	(838 214 277)
Operating (deficit) surplus	(26 438 135)	731 575 106	-	(72 644 808)
Actuarial Gains / Losses	2 755 498	1 215 073	-	3 970 571
(Deficit) surplus for the year	(23 682 637)	732 790 179	-	(68 674 237)

46.20 Service charges

Balance previously reported	-	-	177 003 208
Correction of Prior period errors	-	-	(122)
	-	-	177 003 086

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

46. Prior period errors (continued)

46.21 Rental of facilities and equipment

Balance previously reported	-	-	246 483
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The municipality signed an agreement in 2008 for the transfer of 80 housing selling scheme / rental units to the municipality. The transaction was to recognise the rental receipts relating to the housing units.

46.22 Other Income

Balance previously reported	-	-	7 923 097
Correction of Prior period errors	-	-	(6 276 837)
	-	-	1 646 260

46.23 Interest received - investment

Balance previously reported	-	-	3 801 783
Correction of Prior period errors	-	-	6 272 458
	-	-	10 074 241

46.24 Interest Received from Debtors

Balance previously reported	-	-	30 067 834
Correction of Prior period errors	-	-	2 791
	-	-	30 070 625

46.25 Government grants & subsidies

Balance previously reported	-	-	573 478 639
Correction of Prior period errors	-	-	(31 909 646)
	-	-	541 568 993

The accounting transaction for the government grants and subsidies were incorrectly processed in the prior year on the financial system.

46.26 Fine, Penalties and Forfeits

Balance previously reported	-	-	1 995 781
Correction of Prior period errors	-	-	2 964 000
	-	-	4 959 781

46.27 Employee related costs

Balance previously reported	-	-	(206 407 522)
Correction of Prior period errors	-	-	(4 870 611)
	-	-	(211 278 133)

46.28 Remuneration of councillors

Balance previously reported	-	-	10 347 456
Correction of Prior period errors	-	-	619 586
	-	-	10 967 042

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

46. Prior period errors (continued)

46.29 Depreciation and amortisation

Balance previously reported	-	-	(43 830 234)
Correction of Prior period errors	-	-	2 882 783
	-	-	(40 947 451)

Assets were zero book value identified were corrected retrospectively for Property, plant and equipment and Intangible assets.

46.30 Impairment of non cash generating assets

Correction of prior year error	-	-	(18 839 208)
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Refer to note , Change in accounting policy for detail on the change in measurement base.

46.31 Finance costs

Balance previously reported	-	-	(35 320 936)
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46.32 Debt impairment

Balance previously reported	-	-	(139 701 691)
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46.33 Bulk purchases

Balance previously reported	-	-	(132 382 728)
Correction of Prior period errors	-	-	24 495
	-	-	(132 358 233)

46.34 Contracted services

Balance previously reported	-	-	190 408 340
Correction of Prior period errors	-	-	(11 206 290)
	-	-	179 202 050

A data cleansing exercise was done for the clearing of all suspense accounts due to the mSCOA implementation.

This group of accounts distinguish between "Outsourced Services, Contractors and Professional and Special Services".

46.35 Grants and subsidies paid

Balance previously reported	-	-	-
Correction of Prior period errors	-	-	3 508 636
	-	-	3 508 636

46.36 General Expenses

Balance previously reported	-	-	67 596 962
Correction of Prior period errors	-	-	(1 506 065)
	-	-	66 090 897

A data cleansing exercise was done for the clearing of all suspense accounts due to the mSCOA implementation.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

46. Prior period errors (continued)

46.37 Actuarial Gains / (Losses)

Balance previously reported	-	-	2 755 498
Correction of Prior period errors	-	-	1 215 073
	-	-	3 970 571

47. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus (deficit) per the statement of financial performance	174 841 348	(53 912 186)	172 313 931	(54 014 102)
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48. Reconciliation between budget and cash flow statement

Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:

Operating activities

Actual amount as presented in the budget statement	212 209 331	-	210 018 429	-
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Investing activities

Actual amount as presented in the budget statement	(208 885 467)	-	(208 302 156)	-
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Financing activities

Actual amount as presented in the budget statement	(5 064 852)	-	(5 064 852)	-
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Net cash generated from operating, investing and financing activities

(1 740 988)	-	(3 348 579)	-
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49. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	217 303 151	222 368 003	217 303 151	222 368 003
Used to finance property, plant and equipment	(217 303 151)	(222 368 003)	(217 303 151)	(222 368 003)
	-	-	-	-

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

50. Other revenue

Other income 1	30 240	-	-	-
Other income -	7 136 436	1 646 260	7 136 436	1 646 260
	7 166 676	1 646 260	7 136 436	1 646 260

51. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Operating lease charges

Premises				
• Contractual amounts	137 713	113 277	-	-

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

51. Operating surplus (deficit) (continued)

Loss on sale of property, plant and equipment	(118 692)	-	(118 692)	-
Amortisation on intangible assets	329 952	53 781	-	-
Depreciation on property, plant and equipment	46 662 072	40 993 268	46 523 154	40 947 451
Employee costs	255 858 516	224 048 018	253 862 683	222 245 175

52. Revenue

Service charges	253 281 877	177 003 086	253 281 877	177 003 086
Rental of facilities and equipment	256 517	246 483	256 517	246 483
Other income 1	30 240	-	-	-
Other income - (rollup)	7 136 436	1 646 260	7 136 436	1 646 260
Interest received - investment	8 096 516	10 106 156	8 089 955	10 074 241
Interest, Dividends and Rent on Land	38 999 627	30 070 625	38 999 627	30 070 625
Government grants & subsidies	704 724 331	542 768 994	704 323 008	541 568 993
Fines, Penalties and Forfeits	-	4 959 781	-	4 959 781
	1 012 525 544	766 801 385	1 012 087 420	765 569 469

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	253 281 877	177 003 086	253 281 877	177 003 086
Rental of facilities and equipment	256 517	246 483	256 517	246 483
Other income 1	30 240	-	-	-
Other income - (rollup)	7 136 436	1 646 260	7 136 436	1 646 260
Interest received - investment	8 096 516	10 106 156	8 089 955	10 074 241
	268 801 586	189 001 985	268 764 785	188 970 070

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

Taxation revenue

Interest, Dividends and Rent on Land	38 999 627	30 070 625	38 999 627	30 070 625
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Transfer revenue

Government grants & subsidies	704 724 331	542 768 994	704 323 008	541 568 993
Fines, Penalties and Forfeits	-	4 959 781	-	4 959 781
	743 723 958	577 799 400	743 322 635	576 599 399

53. Consumer debtors disclosure

Gross balances

Consumer debtors - Other 1	14 212 481	5 879 433	14 212 481	5 879 433
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Net balance

Consumer debtors - Sundry	14 212 481	5 879 433	14 212 481	5 879 433
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Sundry Debtors

> 365 days	14 212 481	5 879 433	14 212 481	5 879 433
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54. Revaluation reserve

Opening balance	24 628 860	34 569 203	24 628 860	34 569 203
Change during the year	-	(9 940 343)	-	(9 940 343)
	24 628 860	24 628 860	24 628 860	24 628 860

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

55. Impairment of assets

Impairments

Property, plant and equipment	(118 692)	(18 839 208)	(118 692)	(18 839 208)
Infrastructure projects were completed and commissioned over the years pending the construction of settlements in local municipalities. The construction of these settlements was however delayed due to funding issues and these schemes have since been vandalised.				

The main classes of assets affected by impairment losses are:

Infrastructure Assets

56. Debt impairment

Debt impairment	111 143 972	139 701 691	111 143 972	139 701 691
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57. Risk management

Financial risk management

The economic entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The economic entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the economic entity's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, economic entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Controlling entity

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	18 202 537	46 622 536	155 408 454	139 867 609
At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	15 600 210	62 400 840	93 601 260	218 402 940

Credit risk

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

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Economic entity		Controlling entity	
2019	2018	2019	2018
R	R	R	R

57. Risk management (continued)

Market risk

Interest rate risk

As the economic entity has no significant interest-bearing assets, the economic entity's income and operating cash flows are substantially independent of changes in market interest rates.

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

58. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 1 696 339 628 and that the municipality's total assets exceed its liabilities by R 1 720 968 488.

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

59. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted operating expenditure as well as the reasons for variances.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY CONSOLIDATED
Appendix E(1)

June 2019

BUDGET ANALYSIS OF OPERATING EXPENDITURE FOR THE PERIOD ENDING

	Current year 2012 Adjusted budget Rand	Current year 2012 Act. Bal. Rand	Variance Rand	Explanation of Significant Variances greater than 10% versus Budget Var
Revenue				
Service charges	213 768 000	253 281 876	(39 513 876)	(15.6) The increase in service charges is due to increases in both the tariff charges as well as the water volume billed to customers. Water and sanitation tariff charges was increased and the billed water volume increased from 11 734 083 in 2018 to 12 403 500 in 2019.
Rental of facilities and equipment	186 000	256 517	(70 517)	(27.5) Over recovery on parking fees due to collection of outstanding fees
Other income 1	-	30 240	(30 240)	(100.0)
Other income -	-	7 136 437	(7 136 437)	(100.0) Other sources of revenue not anticipated when compiling the budget
Interest received - investment	600 000	8 096 516	(7 496 516)	(92.6) More funds available in interest bearing accounts than anticipated
Interest received - Consumers	33 090 000	38 999 627	(5 909 627)	(15.2) This is due to higher billings than anticipated
Government grants and subsidies received	512 278 608	707 323 008	(195 044 400)	(27.6) The actual includes revenue recognised from capital grants not included in the budget amount
	759 922 608	1 015 124 221	(255 201 613)	(25.1)
Expenses				
Personnel	(269 245 740)	(243 381 708)	(25 864 032)	10.6 Some posts were vacant at year-end but they are budgeted for in the 2018/2019 financial year.
Remuneration of councillors	(12 266 430)	(12 476 805)	210 375	(1.7) The approval of the annual budget takes place before the proclamation of the upper limi for the determination of Councillors' salaries, allowance and benefits, which proclamation also affect the municipal grading of the local municipalities falling under the district. The municipal grades have an impact on the top-up due to representatives of the local municipalities in the district.
Depreciation	(35 000 000)	(46 662 072)	11 662 072	(25.0) Increased depreciation due to increased values of PPE following revaluation of useful lives
Amortisation	-	(329 952)	329 952	(100.0)
Finance costs	(27 546 000)	(11 502 705)	(16 043 295)	139.5 Loan repayment dates were revised following engagements with the lender
Debt Impairment	(57 191 922)	(111 143 972)	53 952 050	(48.5) Higher contribution to debt impairment due to non-payment of debtors
Repairs and maintenance - General	-	(250)	250	(100.0)
Bulk purchases	(139 150 000)	(161 412 143)	22 262 143	(13.8) The two additional schemes that were completed after 30 June 2018 resulted to a higher purchase for bulk water (Ukhalo and Ephatheni).
Contracted Services	(201 871 588)	(200 876 582)	(995 006)	0.5 Drought conditions and delayed completion of projects led to extended use of water tankers
Transfers and Subsidies	(6 300 000)	(6 415 719)	115 719	(1.8) The additional amount refers to monies not transferred to the agency in prior periods
General Expenses	(47 163 913)	(48 307 499)	1 143 586	(2.4) Implementation of cost containment measures
	(795 735 593)	(842 509 407)	46 773 814	(5.6)
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	-	(118 692)	118 692	(100.0) Not anticipated at the time of compiling the budget
Actuarial Gains / (losses)	-	(1 471 810)	1 471 810	(100.0) Not anticipated at the time of compiling the budget
	-	(1 590 502)	1 590 502	(100.0)
Net surplus/ (deficit) for the year	(35 812 985)	171 024 312	(206 837 297)	(120.9)